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 your stockbroker, a licensed dealer in securities, bank manager, solicitor, 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 with the enclosed proxy form to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or transferee.

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)

(I) MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE PROPOSED ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF THE TARGET COMPANY AND THE SALE LOAN; AND (II) NOTICE OF EXTRAORDINARY GENERAL MEETING

Financial Adviser to the Company

AKRON
Corporate Finance Limited
亞貝隆資本有限公司

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders

Pan Asia
泛亞金融有限公司
Pan Asia Corporate Finance Limited

A letter from the Board is set out on pages 6 to 23 of this circular and a letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on page 24 of this circular. A letter from Pan Asia containing its recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages 25 to 47 of this circular.

A notice convening the EGM to be held at 11:00 a.m. on 2 July 2015 at 35/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong is set out on pages EGM-1 to EGM-2 of this circular. Whether or not you intend to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's Hong Kong branch share registrar and transfer office in Hong Kong, Union Registrars Limited at A18/F, Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time scheduled for the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending or voting in person at the EGM or any adjourned meeting thereof should you so wish.

15 June 2015

CONTENTS

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

"1st Vendor"	FORTUNE GROUP INVESTMENT LIMITED, a company incorporated in the BVI with limited liability
"2nd Vendor"	WINBO PROPERTY LIMITED, a company incorporated in the BVI with limited liability
"Accounts Date"	31 December 2013
"Acquisition"	the proposed acquisition of the Sale Shares and Sale Loan pursuant to the SPA
"Announcement"	the announcement of the Company dated 26 March 2015 relating to, among other things, the Acquisition
"Apportionment Account"	an apportionment account containing details of the expenses and outgoings arising from the Property to be payable by the Vendors and the Purchaser
"Board"	the board of Directors
"Building 1"	Harbour View Garden, Nos. 2-2F and 4-4C Catchick Street and No. 1B Sands Street, Kennedy Town, Hong Kong
"Building 2"	Harbour View Garden Tower III, Nos. 6-6C Catchick Street and No. 21 North Street, Kennedy Town now known as No. 2 Catchick Street, Hong Kong
"Business Day"	9:00 a.m. to 5:00 p.m. on any day (other than a Saturday) on which banks in Hong Kong are open for the transaction of normal banking business
"BVI"	the British Virgin Islands
"Company"	China Environmental Resources Group Limited, a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the main board of the Stock Exchange (Stock code: 1130) and a secondary listing on the Singapore Exchange Securities Trading Limited

"Completion"	completion of the sale and purchase of the Sale Shares and the assignment of the Sale Loan pursuant to the SPA
"Completion Accounts"	the management accounts of the Target Company comprising the unaudited balance sheet (consolidated or otherwise) as at the Completion Date, and the unaudited profit and loss account of the Target Company, prepared in accordance with generally accepted accounting principal, standards, and practices in Hong Kong, for the period from the date immediately after the Accounts Date up to and inclusive of the Completion Date certified to be true and correct by an incumbent director of the Target Company
"Completion Date"	a date on or before 15 June 2015 or such other date as the Vendors and the Purchaser may agree in writing
"connected persons"	has the meaning ascribed to it under the Listing Rules
"Deed of Assignment"	the deed of assignment of the Sale Loan to be entered into by the Vendor(s), the Purchaser and the Target Company in the form set out in the SPA
"Deposit"	deposit in the amount of HK$42,000,000 paid by the Purchaser in manner appearing in the SPA
"Director(s)"	director(s) of the Company
"Due Diligence Checklist"	the due diligence checklist delivered to the Purchaser's Solicitors by the Vendor's Solicitors set out in the SPA
"EGM"	the extraordinary general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving, among other matters, the Acquisition and the transactions contemplated under the SPA
"Enlarged Group"	the Group as enlarged upon Completion together with the Target Group
"Group"	the Company and its subsidiaries from time to time

"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	An independent committee of the Board which comprises Mr. Wong Kwai Sang, Mr. Ong Chi King and Mr. Heung Chee Hang Eric
"Independent Financial Adviser" or "Pan Asia"	Pan Asia Corporate Finance Limited, a licensed corporation under the SFO licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition
"Independent Shareholders"	Shareholders other than Mr. Yeung and his associates who are required by the Listing Rules to abstain from voting at the EGM
"Independent Third Party(ies)"	third party(ies) who is/are independent of, and not connected with, the Company and its connected persons (as defined in the Listing Rules)
"Latest Practicable Date"	10 June 2015, 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 of Hong Kong Limited
"Loan Consideration"	an amount equal to the Sale Loan, being the consideration for the sale and purchase of the Sale Loan
"Mortgage"	the mortgage/legal charge dated 1st November 1997 on the Property and registered in the Land Registry by Memorial No. UB7351115
"Mortgage Amount"	the total outstanding amount (if any) (including all principal and interest) required to release the Mortgage at Completion

"Mr. Yeung"	Mr. Yeung Chi Hang, an executive Director, the chairman and chief executive officer of the Company and a Substantial Shareholder
"Ms. Ma"	Ms. Ma Shu Chin (alias Ms. Ma Shuk Kam), mother of Mr. Yeung
"PRC"	the People's Republic of China
"Promissory Note"	the promissory note in an amount of HK$60,000,000 to be issued upon Completion by the Company in favour of the 1st Vendor in the form set out in the SPA
"Property"	72 and 23 car parking spaces located at Building 1 and Building 2 respectively
"Purchaser"	Prima Choice Limited, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of the Company
"Purchaser's Solicitors"	Messrs. TONY KAN & CO., Solicitors & Notaries
"Sale Loan"	all amounts, including principal and interest, owing by the Target Company to the Vendor(s) as at Completion Date
"Sale Shares"	10,000 ordinary shares of HK$10,000 in the issued share capital of the Target Company representing the entire issued share capital of the Target Company as at the date of the SPA and on Completion
"SFO"	Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong)
"Share(s)"	ordinary share(s) in the Company of HK$0.02 each
"Share Charge"	the "all money" first legal mortgage over the Sale Shares executed or to be executed by the Vendors in favour of the Purchaser in the form set out in the SPA
"Shares Consideration"	an amount equal to the difference between the Transaction Consideration and the Loan Consideration, being the consideration for the sale and purchase of the Sale Shares
"Shareholders"	holders of the Shares

"SPA"	the sale and purchase agreement dated 26 March 2015 entered into among the Purchaser, the Vendors and the Target Company in respect of the Acquisition
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Substantial Shareholder"	has the meaning ascribed to it under the Listing Rules
"Target Company"	Harvest Top Development Limited, a company incorporated in Hong Kong with limited liability
"Transaction Consideration"	the consideration to be paid by the Purchaser to the Vendors for the Sale Shares and the Sale Loan pursuant to the SPA
"Vendors"	together, 1st Vendor and 2nd Vendor
"Vendors' Solicitors"	Messrs. Bobby Tse & Co., Solicitors
"Warranties"	the representations, warranties, undertakings made or given by the Vendors to the Purchaser as contained in the SPA
"%"	per cent

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. Yeung Chi Hang *(Chairman)*
Mr. Leung Kwong Choi
Mr. Wong Po Keung
Mr. Chung Siu Wah
Mr. Chen Yuyang

Independent Non-executive Directors:
Mr. Wong Kwai Sang
Mr. Ong Chi King
Mr. Heung Chee Hang, Eric

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

Principal place of business in Hong Kong:
2/F, Shui On Centre
6-8 Harbour Road
Wanchai
Hong Kong

15 June 2015

To the Shareholders

Dear Sir or Madam,

(I) MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE PROPOSED ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF THE TARGET COMPANY AND THE SALE LOAN; AND (II) NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

Reference is made to the Announcement in relation to, among other things, the Acquisition.

The Board announced that on 26 March 2015 (after trading hours), the Purchaser, the Vendors and the Target Company entered into the SPA, pursuant to which (i) the Vendors have conditionally agreed to sell and the Purchaser has conditionally agreed to acquire the Sale Shares; and (ii) the Vendors have conditionally agreed to sell and assign and the Purchaser has conditionally agreed to take up an assignment of the Sale Loan. The Transaction Consideration for the Acquisition will be satisfied by a combination of cash and by issue of the Promissory Note by the Company. Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company.

The purpose of this circular is to provide you with, among other things, (i) further information of the Acquisition; (ii) accountants' report of the Target Company; (iii) pro forma financial information on the Enlarged Group; (iv) valuation report on the Property; (v) a letter from the Independent Board Committee in respect of the Acquisition; (vi) a letter of advice from Pan Asia Corporate Finance Limited, the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders regarding the Acquisition; and (vii) notice of the EGM.

SPA

Date

26 March 2015 (after trading hours)

Parties

(i)	Purchaser:	Prima Choice Limited
(ii)	Vendors:	(a) 1st Vendor
		(b) 2nd Vendor (collectively, the "**Vendors**")
(iii)	The Target Company	

Information of the Vendors

Both 1st Vendor and 2nd Vendor are investment holding companies and their sole business activities are holding shares in the Target Company. As at the Latest Practicable Date, both 1st Vendor and 2nd Vendor have the same shareholding structure and are owned as to (i) 60% by Ms. Ma, mother of Mr. Yeung, an executive Director; (ii) 20% by Mr. Cheng Kwee, a director of the Target Company; and (iii) 20% by Mr. Cheung Chung Chit, an Independent Third Party.

Both Vendors are controlled by Ms. Ma, mother of Mr. Yeung, therefore both Vendors are connected persons of the Company as defined under the Listing Rules.

Assets to be acquired

Pursuant to the SPA, (i) the Purchaser has conditionally agreed to acquire the Sale Shares, representing the entire issued share capital of the Target Company, at the Share Consideration; and (ii) the Purchaser has conditionally agreed to take up an assignment of the Sale Loan, representing all amounts, including principal and interest, owing by the Target Company to the Vendors as at Completion Date, at the Loan Consideration.

As at the Latest Practicable Date, the Vendors are the legal and beneficial owners of the Sale Shares, details of which are set out as follows:

Name of Vendors	Number of Sale Shares held	Percentage of Sale Shares
1st Vendor	9,999	99.99%
2nd Vendor	1	0.01%
Total:	10,000	100%

Based on the management accounts of the Target Company as at 31 December 2014, the Target Company is indebted to the 1st Vendor in the amount of approximately HK$40,894,000, being the Sale Loan as at 31 December 2014.

Consideration

Pursuant to the terms of the SPA, the Transaction Consideration (comprising the Share Consideration and the Loan Consideration) for the Acquisition shall be calculated as follows:

Transaction Consideration = HK$140,000,000.00 + Sum X – Sum Y

Where:

Sum X = the aggregate amount of the following tangible assets of the Target Company:

(a) utility deposits, management fee deposits, rates, government rent and other expenses prepaid in relation to the Property for the period up to and inclusive of the Completion Date as shown in the Apportionment Account; and

(b) any cash and bank balance as shown in the Completion Accounts, or HK$50,000.00, whichever is lower

Sum Y = the aggregate amount of the liabilities of the Target Company on the Completion Date, other than the Sale Loan, as shown in the Completion Accounts and the amount payable by the Vendors under the Apportionment Account, if any.

The Apportionment Account is to be prepared for the purpose of listing out all the deposits, expenses, outgoings, etc. arising from the holding of the Property by the Target Company including but not limited to utility deposits, management fee deposits, security deposits, rental, rates and government rent, whether prepaid or in arrears as of Completion, and setting forth the manner in which as well as the proportion on which the same are to be transferred, borne or split between the Vendor and the Purchaser upon Completion. In practice, it is virtually required whenever a transaction involves transfer of property, especially when completion does not fall on a usual monthly cut-off date. The particulars of the Appointment Account shall be included in, and reflected on, the Completion Account. The Apportionment

Account shall be prepared by the Vendor and shall be delivered to the Purchaser or the Purchaser's Solicitors at least five (5) Business Days before Completion.

Subject to the adjustment for the difference in the audited Completion Accounts and the draft Completion Accounts as set out in the SPA, the Transaction Consideration (comprising the Share Consideration and the Loan Consideration and calculated with reference to the Apportionment Account and the draft Completion Accounts delivered by the Vendors at least five (5) Business Days before Completion Date pursuant to the SPA) shall be paid by the Purchaser to the Vendors in the following manner:

a) the Deposit in the sum of HK$42,000,000 shall be paid to the 1st Vendor upon the Vendors' production of duly executed Share Charge together with the Vendor's resolutions and BVI legal opinion proving that the Vendors are subsisting and good standing, with power and capacity to charge and sell the Sale Shares and there would be due execution to the satisfaction of the Purchaser's Solicitors; and

b) subject to the adjustment for the difference in the audited Completion Accounts and the draft Completion Accounts as set out in the SPA, the balance of the Transaction Consideration (calculated with reference to the Apportionment Account and the draft Completion Accounts delivered by the Vendors at least five (5) Business Days before Completion Date pursuant to the SPA) shall be paid to the 1st Vendor upon Completion, of which HK$60,000,000 shall be satisfied by the Promissory Note and the remaining balance shall be paid in cash.

Pursuant to the SPA, the Vendors declared that the 1st Vendor, shall be the Vendors' agent for the purpose of receiving the Transaction Consideration or any part thereof and other moneys payable to the Vendors pursuant to the SPA.

The cash portion of the Transaction consideration will be funded by internal resources of the Group.

Further details of the Promissory Note is set out in the section headed "Promissory Note" below.

Basis of the Transaction Consideration

The Transaction Consideration (comprising the Shares Consideration and the Loan Consideration) was arrived at based on normal commercial terms after arm's length negotiations between the Purchaser and the Vendors and was determined after taking into account the following factors:

a) the preliminary valuation on 100% interest of the Property (the "**Valuation**") of approximately HK$150,000,000 as at 18 March 2015 prepared by an independent professional valuer;

b) the net asset value of the Target Company;

c) amount of the Sale Loan; and

d) the reasons and benefits of the Acquisition as stated under the section headed "Reasons for and benefits of the Acquisition" in this circular.

Out of the Transaction Consideration, the Loan Consideration will be an amount equal to the Sale Loan as at the Completion Date.

The Transaction Consideration (assuming difference between Sum X and Sum Y as stipulated above to be zero) represents a discount of approximately 6.7% to the Valuation. Valuation report on the Property is contained in Appendix IV to this circular.

In view of the above, the Board considers that the terms and conditions (including the Transaction Consideration) of the SPA are fair and reasonable and on normal commercial terms and in the interest of the Company and the Shareholders as a whole.

Discharge of Mortgage

The Vendors shall, at its costs and expenses, procure the discharge of the Mortgage on or before the Completion Date.

The Mortgage is an "all money" first legal charge executed over the Property by the Target Company in favour of a bank (the "**Bank**") on 6 March 1997 in securing a non-revolving bank loan advanced to the Target Company by the Bank. The said bank loan has been fully repaid as at the Latest Practicable Date, hence the Mortgage Amount shall be nil on Completion.

Condition precedent (vii) as set out in the section headed "Conditions Precedent" below states that absence of breach of Warranties is one of the conditions precedent. According to the SPA, the Vendors have warranted, inter alia, that the Mortgage will be discharged on or before Completion (the "**Mortgage Discharge Warranty**"). Although the discharge of Mortgage is not listed in the conditions precedent of the SPA, given the aforesaid Mortgage Discharge Warranty provided by the Vendors, the discharge of the Mortgage shall by itself constitute a condition precedent.

Share Charge

For the purpose of guaranteeing the proper and due performance and discharge of the Vendors of their obligations and duties under the SPA, the Vendors agree to execute, or have executed, the Share Charge.

Conditions Precedent

Completion of the SPA and the obligation of the Purchaser under the SPA shall be subject to and conditional upon:

(i) if necessary, disclosure and/or confirmation of the true identities of the Vendors' directors, ultimate beneficiaries, their relating parties, etc. to such extent as may be required by the Listing Rules ("**Identities**"). For the avoidance of doubt, the

Vendors hereby consent to the disclosure to the general public of the SPA and the Identities whenever such disclosure is deemed appropriate and necessary in the opinion of the Purchaser;

(ii) if necessary, the passing by the Shareholders at the EGM approving the SPA and the transactions contemplated in the SPA and having satisfied and complied with all legal and regulatory requirements including but not limited to reporting and announcement under the Listing Rules;

(iii) the Vendors having shown and proved, to the satisfaction of the Purchaser's Solicitors, that the Target Company has a good title to the Property in accordance with Sections 13 and 13A of the Conveyancing and Property Ordinance (Cap. 219 of the Laws of Hong Kong);

(iv) there having been no outstanding notices, orders, complaints or requirements issued by any governmental body, authority or department to the Target Company in respect of the Property or any part thereof or requiring compliance with the terms of the government lease in respect of the Property;

(v) the Vendors having provided the documents or information in the possession, custody or control of the vendor under the Due Diligence Checklist as soon as practicable after the date of the SPA and at least seven (7) Business Days prior to the Completion Date;

(vi) the Target Company having no liabilities or indebtedness (whether actual or contingent) as at Completion other than;

a) the Sale Loan;

b) all deferred tax liabilities, if any; and

c) accrued expenses and other accounts payable in the ordinary course of business, if any;

(vii) there having been no breach of the Warranties from the date of the SPA up to and inclusive of the Completion Date;

(viii) the Purchaser's accountant having reviewed the accounts of the Target Company at the Purchaser's cost and expense, and the result of such review having been satisfactory to the Purchaser in its sole discretion; and

(ix) the Purchaser having through its Solicitors or other professional agent conducted and completed due diligence on the Target Company at the Purchaser's cost and expense, the outcome of such due diligence having been satisfactory to the Purchaser in its sole discretion.

In the event any of the conditions (i) to (ix) above is not fulfilled on Completion, the Purchaser shall be entitled to terminate the SPA by giving notice in writing to the Vendors' Solicitors (whereupon the SPA shall become null and void and of no further effect), without prejudice to the rights accrued to the parties prior to such termination (including, without limitation, the Purchaser's right to the immediate return of the Deposit and other rights, claims or remedies against the Vendors for any breach or non-fulfilment of any obligations).

The Purchaser may waive (in whole or in part) any of the conditions referred to conditions (i) and (ix) above, such waiver shall be effective only if it is made in writing and notified to the Vendor or the Vendors' Solicitors.

As at the Latest Practicable Date, no condition precedent has been fulfilled or waived and the Company does not have any intention to waive any of the conditions precedent.

Completion

Completion shall take place on or before 2:00 p.m. on the Completion Date.

If the Completion does not proceed on the Completion Date because the Vendors have failed or are unable to discharge any of their obligations under the SPA, the Purchaser may:

(i) by written notice to the Vendors defer Completion to a Business Day not more than seven (7) days after the Completion Date; or

(ii) proceed to Completion so far as practicable but without prejudice to the Purchaser's rights to the extent that the Vendors shall not have complied with its obligations under the SPA; or

(iii) rescind the SPA upon giving written notice with immediate effect to the Vendors without liability on the part of the Purchaser.

Upon rescission of the SPA by the Purchaser, all moneys paid by the Purchaser to the Vendors under the SPA shall be returned to the Purchaser forthwith who shall also be entitled to recover from the Vendors damages (if any) which the Purchaser may sustain by reason of such failure on the part of the Vendors.

If the Completion does not proceed on the Completion Date because the Purchaser has failed or is unable to discharge any of its obligations under the SPA, the Vendors may forthwith determine the SPA by giving written notice of termination to the Purchaser or the Purchaser's Solicitors. The Vendors shall be entitled to forfeit the Deposit absolutely as agreed liquidated damages but not as penalty without prejudice to any other rights and remedies of the Vendors.

Immediately after Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company and the financial results of the Target Company will be consolidated into the accounts of the Group.

PROMISSORY NOTE

The terms of the Promissory Note have been negotiated on an arm's length basis and the principal terms of which are as follows:

Issuer:	The Company
Principal amount:	HK$60,000,000
Issue date:	Completion Date
Maturity date:	Third anniversary date of the Completion Date
Interest:	Interest shall be calculated at 6% per annum on the principal amount then outstanding on a daily basis (i.e. interest per day = 6%/365 days x principal amount of the Promissory Note then outstanding) which shall be due and payable quarterly starting from the last day of the third calendar months after Completion Date
Transferability:	The Promissory Note and the interest and rights of the noteholder shall be assignable by endorsement without Company's prior written consent but with written notice 28 days in advance of such assignment.
Early redemption by the Company:	The Company shall give 28 days prior written notice to early redeem the Promissory Note, in whole or in part.
Application for listing:	No application will be made for the listing of the Promissory Note on any stock exchange.

The terms of the Promissory Note are determined after arm's length commercial negotiation between the Purchaser and Vendors with reference to the prevailing market condition and the financial position of the Group. In view of the above, the Directors consider the terms of the Promissory Note are fair and reasonable and in the interest of the Company and its Shareholders as a whole.

INFORMATION ON THE TARGET GROUP

The Target Company is a property holding company incorporated in Hong Kong on 25 August 1992 with limited liability. The Target Company is owned as to 99.99% and 0.01% by the 1st Vendor and 2nd Vendor respectively. The Target Company is the registered owner of the Property.

The Property comprises (i) 72 car parking spaces located at Building 1; and (ii) 23 car parking spaces located at Building 2. The Property was acquired by the Target Company in 1992 and 1997 at an aggregate consideration of HK$59,180,000. The Property is classified as an investment property of the Target Company and been generating rental income to the Target Company.

A tenancy agreement dated 9 May 2012 (the "**Tenancy Agreement**") was entered into between the Target Company as landlord and one of the leading Hong Kong car parking management companies (the "**Car Parking Company**") as tenant in respect of the Property for a term of three years commencing from 1 June 2012 to 31 May 2015. Pursuant to the Tenancy Agreement, the Car Parking Company will pay to the Target Company the higher of (i) the basic monthly rent of HK$135,000 (the "**Basic Monthly Rent**"); or (ii) the percentage monthly rent which will be determined based on predetermined percentage of the aggregate of Car Parking Company's monthly gross receipts or revenue received from leasing out those car parking spaces of the Property and all income from business conducted at the Property. The Tenancy Agreement has been renewed on 26 May 2015. Except that the term has been revised to six months and with the Basic Monthly Rent being revised upwards to HK$200,000, other major terms of the Tenancy Agreement remain unchanged. In accordance with the SPA, the Purchaser has given its consent in writing for the renewed Tenancy Agreement.

The Company plans to sell the car parking spaces if right price is reached. Upon maturity of the renewed Tenancy Agreement, the Directors will review the prevailing market situation to decide whether to sell the car parking spaces or to renew the Tenancy Agreement. The Company considers a shorter term for the renewed Tenancy Agreement will offer greater flexibility to the Group in capturing favourable opportunities related to individual car parking spaces of the Property which may arise in the future. The Company plans to continue to renew the Tenancy Agreement on a term of six months which serves the flexibility purpose of the Company. If a new Tenancy Agreement cannot be reached with the existing Car Parking Company upon expiry of the Tenancy Agreement after six months period, the Directors will hire an agent to negotiate a new Tenancy Agreement with other car parking companies.

According to the accountants' report of the Target Company as set out in Appendix II to this circular, financial information of the Target Company as prepared in accordance with Hong Kong Financial Reporting Standards for the year ended 31 December 2013 and 2014 are summarized as follows:

	Year ended 31 December	
	2013	**2014**
	(Audited)	(Audited)
	HK$'000	*HK$'000*
Turnover	3,101	3,171
Net profit before taxation	1,689	1,556
Net profit after taxation	1,309	1,207

The audited net assets of the Target Company as at 31 December 2014 was approximately HK$2,070,000.

The Board noted that in the opinion of ZHONGHUI ANDA CPA Limited, the reporting accountant of the Target Company, without qualifying its opinion, has stated in their report an emphasis of matter in relation to the net current liabilities of the Target Company in an amount of approximately HK$38.2 million, HK$35.7 million and HK$33.3 million as at 31 December 2012, 2013 and 2014 respectively which may cast significant doubt on its ability to continue as a going concern. Please refer to Appendix II to this circular for further details.

The Board wishes to emphasise that the total assets less current liabilities of the Target Company as at 31 December 2014 amounted to approximately HK$3.5 million. The Target Company only recorded a net current liabilities if the amount due to a director (namely the 1st Vendor) of approximately HK$40.9 million, being the Sale Loan as at 31 December 2014, is taken into consideration. If the amount due to a director is excluded, the Target Company recorded a net current assets of approximately HK$7.6 million as at 31 December 2014. It should be noted that upon Completion, the Sale Loan owing by the Target Company to the Vendors will be taken up by the Group. Based on the current business and operation of the Target Company, with the Target Company recorded net profit and net cash generated from operating activities for each of the three years ended 31 December 2012, 2013 and 2014, the Directors are of the view that the Target Company is able to self-maintain. Therefore, the Group does not have any current intention to call the Sale Loan which will be assigned to it upon Completion that will otherwise have negative impact to the Target Company's ability to continue as a going concern. In addition, given the Group's existing business performance, it will be beneficial for the Group to broaden its income base. Taking into account the Target Company has been generating positive cash flow and is profit making, the Directors consider that the Acquisition will provide additional income stream to the Group. Concurrently, the Acquisition will enable the Group to capture capital appreciation potential of the Property. Based on the foregoing, the Directors consider that the Acquisition will be beneficial to the Enlarged Group as a whole.

RECONCILIATION STATEMENT OF THE VALUE OF THE PROPERTY

To comply with the Listing Rules, the Company has engaged an independent property valuer to value the Property. Details of the valuation report are set out in Appendix IV to this circular. Disclosure of the reconciliation of the net book value and the valuation as required under Rule 5.07 of the Listing Rules is set out below:

	HK$'000
Valuation of the Property as at 18 March 2015 as set out in the valuation report included in Appendix IV to this circular	150,000
Net book value of the Property as at 31 December 2014	36,803
Valuation surplus as at 18 March 2015	113,197

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in distribution of plantation products, environmental system and plantation materials, provision of green technology services and money lending business.

In view of the challenging economic and business environment, the management of the Group continued to review its existing businesses from time to time and strived to improve the business operation and financial position of the Group. It has been the business strategy of the Group to proactively seek potential investment opportunities in order to enhance value of the

Shareholders. The Directors consider that it is beneficial for the Group to seek suitable investment opportunities from time to time to diversify its existing business portfolio into new line of business with growth potential and to broaden its source of income.

The Hong Kong property market has been going through a period of change as a result of economic and property-related policies. In the second half of 2014, buying sentiment improved and primary transaction volume saw favourable growth. The Long-term Housing Strategy Committee released on 15 December 2014 a comprehensive plan for housing supply in the next ten years to balance housing demand and supply and is conducive to maintaining stability of the Hong Kong property market. The Directors view the property market prospective in Hong Kong will remain steady with positive outlook.

The Directors view that under prevailing economic environment, investing in the property market in Hong Kong is a relatively prudent investment option for providing the Group with a steady income stream and for capturing capital appreciation potential given limited supplies per year. The Directors also consider that car parking spaces are very limited in Hong Kong and they are relatively easier to lease out and have limited maintenance costs as compare to residential or commercial properties. In addition, car parking spaces will also enjoy capital appreciation potential as residential or commercial properties.

Prior to entering into the SPA, the due diligence exercise on the Target Company performed by the Company including but not limited to (i) engaged Hong Kong legal advisers to perform legal due diligence on the Target Company; (ii) engaged an accounting firm to perform financial review; and (iii) engaged an independent valuer to prepare preliminary valuation on the Property. In addition, the Directors have reviewed the management accounts and all material contracts entered into by the Target Company.

In view of recent surge in market price of car parking spaces in Hong Kong, the Directors consider that the prospect of car parking spaces in Hong Kong to be positive. Having noticed of Ms. Ma's interest in the Property, in December 2014, Mr. Chung Siu Wah, an executive Director, discussed with Mr. Yeung Chi Hang, an executive Director for the possibility of the Acquisition with the view of enabling the Group to capture growth potential in car parking spaces in Hong Kong. Prior to entering into the SPA, the Company has made reasonable enquires regarding market prices for car parking spaces in adjacent area to the Property and considers that the Transaction Consideration is not excessive given its discount to the Valuation. The Directors considered that the negotiation process with other potential vendors which hold a number of car parking spaces as the Target Company will be lengthy, so the Group did not approach other companies which hold car parking spaces. In addition, the Directors had taken into the account of the business potential of Target Company and the potential appreciation of the Property. As such, the Directors consider that the Acquisition is in the interest of the Company.

The Directors consider the Acquisition is in line with the Group's business diversification strategy and represents an attractive investment opportunity for the Group to diversify and strengthening its asset base and expanding its business portfolio into the Hong Kong property sector with growth potential. It is expected that the Acquisition will be beneficial to the Group for bringing in additional and stable cashflow to the Group in view of the income generated from rental of the Property. As such, the Directors consider that the Acquisition is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Upon Completion, the Group will continue to develop its existing businesses.

Considering the risks and uncertainties involved with unprecedented varieties and scale of natural disasters in the world and in PRC, the Group scaled down its original plan of herbal crops plantation of approximately 10,000 Chinese Mu unplanted land to approximately 1,450 Chinese Mu for organic herbal crops of Chinese wolfberry. The revised plantation plan reduced the risks and uncertainties of the adverse impact on the newly grown saplings which are highly vulnerable to natural disasters and availed more resources for protection of the Group's existing poplar trees assets on the plantation land zone against weather natural disasters. There was no turnover on the sale of plantation products and the trading business of plantation materials for the six months period ended 31 December 2014.

With specific to the Group's operating plantation land of approximately 30,000 mu (Chinese Mu) in Shihezi City. In 2013 and 2014, the southern and northern parts of Xinjiang Region experienced frequent occurrence of heavy rains, floods, landslides, earthquakes and other natural disasters. Expecting extreme uncertainties and risks in its plantation business activities affected by worsening economic conditions and unstable natural factors, the Group will continue its protective business approach. The protective business approach included tight credit control and pricing measures to corporate clients, trading of plantation materials, transfer the operating right of new plantation activities and protection of existing biological assets.

The green technology segment, the major revenue source of the Group, contributed over 90% revenue of the Group for the six months ended 31 December 2014. This segment comprises the research and development, project establishment, application and sale of green and environmental product, technology, service and related products for sustainable development.

An agreement has been signed in September 2013 for generating green technology advisory fee and a supplemental agreement has been signed to extend the service provision period for generating further income.

As a further development, on 18 December 2014, the Group obtained the money lenders license. The Directors consider it will be beneficial to the Company to explore new opportunities in the money lending business to broaden its source of income and expand the business operations in order to generate profits and return for the Company and the Shareholders. The money lending business is still under development and the Group target to earn the first interest income on the 4th quarter of 2015.

Taking note of the above-mentioned challenging operating environment faced by the Group in its planation related and green technology business, the Group has endeavored to broaden its income base by participating in money lending business. It has been the Group's strategies to minimize the default risk of money lending business, as such, the Company has set forth a set of rules for evaluating suitable borrowers. However, given the relative difficulty of finding borrowers with good credit records, the Company has yet identify suitable borrowers. Based on the foregoing, the Directors view that the Acquisition which will (i) reward the Group with a more stable and reliable rental income stream than the money lending business; and (ii) will also enable the Group to capture capital appreciation potential of the Property, is therefore a potentially more rewarding investment of the Group's internal resources than the money lending business.

As at 31 December 2014, the Group had cash and cash equivalents, which were principally Renminbi and Hong Kong Dollar denominated, of approximately HK$96.5 million . As at 31 December 2014, the Group recorded net current assets of approximately HK$104.3 million. In view of the above, the directors of the Company are of the view that the Group has sufficient resources to settle the cash portion of the Transaction Consideration.

The Company will repay the Promissory Note by the internal resources available to the Enlarged Group at the time of repayment as derived from the funds generated from the business operations of the Enlarged Group. The Company will consider other means of fund raising, including bank borrowings and equity fund raising as and when required if no sufficient fund is available to repay the Promissory Note. The selection of bank borrowings and/or equity fund raising will be subject to management's assessment after considering the following factors or a combination of the following factors of the Enlarged Group at that time, such as results of operations, financial conditions, gearing level, market sentiment in capital market and credit market, and level of loan interest rate, etc. Up to the Latest Practicable Date, the Board has no concrete plan or intention to (i) repay in full or part of the principal amount of the Promissory Note before the maturity; and (ii) carrying out any equity fund raising activities for the repayment of the Promissory Note.

FINANCIAL IMPACT OF THE ACQUISITION

Based on the pro forma financial information of the Enlarged Group set out in Appendix III to this circular and the bases and assumptions taken into account in preparing such pro forma financial information, the Group's total assets and total liabilities would be increased by approximately HK$61.9 million and approximately HK$61.9 million respectively as a result of the Acquisition. The details of the financial effect of the Acquisition on the financial position and results of the Group together with the bases and assumptions taken into account in preparing the unaudited pro forma financial information are set out, for illustration purpose only, in Appendix III to this circular.

Upon Completion, the Target Company will become an indirect wholly owned subsidiary of the Company and results of the Target Company will be consolidated into the Enlarged Group's results.

Upon Completion, the Property will be accounted as investment property of the Group. Accounting policy to be adopted by the Group for investment property upon Completion will be same as those accounting policies adopted in preparation of the accountants' report of the Target Company in Appendix II to this circular as follows:

"Investment properties are buildings held to earn rentals and/or for capital appreciation. An investment property is measured initially at its cost including all direct costs attributable to the property.

After initial recognition, investment property is stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the investment properties. The depreciation is calculated using the straight line method to allocate the cost to the residual value over its estimated useful life of ranging from 49 to 55 years.

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

The gain or loss on disposal of an investment property is the difference between the net sales proceeds and the carrying amount of the property, and is recognised in the profit or loss."

Assuming the Acquisition had taken place on 31 December 2014, the unaudited pro forma amount of the Property will be recorded as investment properties at approximately HK$133.5 million. Details of arriving at the aforesaid amount are disclosed in notes 3, 4, 5 on page III-8 in Appendix III to this circular.

According to the annual report of the Group for the year ended 30 June 2014, the Group recorded an audited consolidated loss attributable to owners of the Company of approximately HK$81.4 million for the year ended 30 June 2014. According to the accountants' report of the Target Company as set out in Appendix II to this circular, the Target Company recorded an audited profit attributable to owners of the Target Company of approximately HK$1.2 million for the year ended 31 December 2014. The Directors consider that the Acquisition will bring positive contribution to the earnings of the Enlarged Group but the quantification of such contribution will depend on the future performance of the Target Company.

MANAGEMENT DISCUSSION AND ANALYSIS OF THE TARGET COMPANY

The accountants' report of the Target Company for the three years ended 31 December 2012, 2013 and 2014 (the "**Relevant Periods**") was set out in Appendix II to this circular. Set out below is the management discussion and analysis of the Target Company for the corresponding period:

Business review

The Target Company primarily engages in the business of property leasing during the years ended 31 December 2012, 2013 and 2014. The Property are classified as investment properties of the Target Company and been generating rental income to the Target Company.

The Tenancy Agreement was entered into between the Target Company as landlord and the Car Parking Company as tenant in respect of the Property for a term of three years commencing from 1 June 2012 to 31 May 2015. Pursuant to the Tenancy Agreement, the Car Parking Company will pay to the Target Company the higher of (i) the basic monthly rental of HK$135,000 or (ii) the percentage monthly rental as calculated based on the predetermined percentage of the aggregate of the Car Parking Company's monthly gross receipts or revenue received from leasing out those car parking spaces and all income derived from business conducted at the Property.

Financial review

The Target Company recorded revenue for each of the financial years ended 31 December 2012, 2013 and 2014 of approximately HK$2,852,000, HK$3,101,000 and HK$3,171,000, respectively. Revenue of the Target Company represents rental income from leasing car parking spaces.

Administration expenses for each of the financial years ended 31 December 2012, 2013, and 2014 mainly represented depreciation charges of the investment properties which were stated at costs and depreciated on straight line method over the estimated useful lives of the investment properties.

The Target Company recorded profit for each of the financial years ended 31 December 2012, 2013 and 2014 amounting to approximately HK$976,000, HK$1,309,000 and HK$1,207,000, respectively.

Liquidity and financial resources

The principal sources of funding for the operation of the Target Company has been advances from a director and internally generated funds.

As at 31 December 2012, 2013 and 2014, the bank and cash balances of the Target Company was approximately HK$2,837,000 and HK$5,311,000 and HK$7,628,000, respectively.

Treasury policies

The Target Company generally financed its operation with internally generated resources and debt financing activities. All financing methods will be considered so long as such methods are suitable and beneficial to the Target Company.

Capital structure and gearing ratio

During the Relevant Periods, the issued share capital of the Target Company was HK$10,000.

As at 31 December 2012, 2013 and 2014, the total borrowing of the Target Company represents the amount due to a director of the Target Company (unsecured, non-interest bearing and has no fixed terms of repayment) which was approximately HK$40,894,000 and the gearing ratio (total liabilities divided by total assets) was 101%, 98% and 95% respectively.

Segment Information

The operation of the Target Company represents a single operating and reportable segment, which is property leasing. As such, there is no segment information available for the three years ended 31 December 2012, 2013 and 2014.

Pledge of assets

As at 31 December 2012, 2013 and 2014, the carrying amounts of the investment properties of the Target Company was amounted to approximately HK$39,068,000, HK$37,936,000 and HK$36,803,000, respectively which have been pledged to a bank to secure a bank mortgage loan granted to the Target Company. The bank mortgage loan had been fully settled in year 2009 and the investment properties are subject to discharge of mortgage charge on or before the Completion Date.

Contingent liabilities and capital commitments

The Target Company did not have any significant contingent liabilities and capital commitments as at 31 December 2012, 2013 and 2014.

Significant investment

During the Relevant Periods, the Target Company has no significant investment except for the Property. As at the Latest Practicable Date, the Target Company did not have any future plans for material investments.

Major acquisition or disposal

As at 31 December 2012, 2013 and 2014, no major acquisition or disposal was undertaken by the Target Company.

Foreign exchange exposure

During the Relevant Periods, the reporting currency and transactional currency of the Target Company was Hong Kong dollars. The Target Company was thus not exposed to any substantial risks in foreign exchange fluctuations. The Target Company does not use financial instruments for hedging purpose.

Employees and remuneration policy

As at 31 December 2012, 2013 and 2014, no employee was employed by the Target Company and no emoluments were paid to the directors of the Target Company. Therefore, no emoluments were paid by the Target Company to any individual.

LISTING RULES IMPLICATION

As at the Latest Practicable Date, Ms. Ma, mother of Mr. Yeung, an executive Director, owned 60% of each of the 1st Vendor and 2nd Vendor, therefore both Vendors are connected persons of the Company as defined under the Listing Rules. As some of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition exceed 25% but below 100%, the Acquisition constitutes a major and connected transaction of the Company and is therefore subject to the reporting, announcement, circular and the Independent Shareholders' approval requirements under Chapter 14 and Chapter 14A of the Listing Rules.

Since the Acquisition constitutes a connected transaction for the Company and given the connection between Ms. Ma and Mr. Yeung, Mr. Yeung had abstained from voting on the relevant Board resolution in this aspect. Save for Mr. Yeung, none of the Directors have a material interest in the Acquisition and were required to abstain from voting on the relevant Board resolution in respect of the Acquisition.

THE EGM

The EGM will be convened and held at 11:00 a.m. on 2 July 2015 at 35/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong for the Independent Shareholders to consider, and if thought fit, to approve, the Acquisition and the transactions contemplated under the SPA by way of poll.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of (i) the Vendors; and (ii) the remaining ultimate beneficial owners of the Vendors (other than Ms. Ma) and their respective associates did not hold any Shares, or options or securities convertible or exchangeable into Shares as at the Latest Practicable Date. As at the Latest Practicable Date, Mr. Yeung held 125,000,000 Shares, representing approximately 13.26% of the Shares in issue. Saved for Mr. Yeung, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as no Shareholder has a material interest in the Acquisition, no Shareholder is required to abstain from voting in respect of the ordinary resolution at the EGM to approve the Acquisition and the transactions contemplated under the SPA.

The Independent Board Committee comprising all independent non-executive Directors has been established to make recommendations to the Independent Shareholders regarding the SPA and the transactions contemplated thereunder. Pan Asia has been appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in the same regard.

The notice convening the EGM is set out on pages EGM-1 to EGM-2 of this circular. A proxy form for use at the EGM is enclosed. Whether or not you are able to attend the EGM, you are requested to complete and return the enclosed proxy form in accordance with the instructions printed thereon to the office of the Company's Hong Kong branch share registrar and transfer office in Hong Kong, Union Registrars Limited at A18/F, Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong as soon as possible but in an event not less than 48 hours before the time scheduled for the EGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending or voting in person at the EGM or any adjourned meeting should you so wish.

RECOMMENDATION

The Directors (including the independent non-executive Directors after taking into account of the advice of the Independent Financial Adviser) consider that the terms of the SPA are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders should vote in favour of the relevant resolution to be proposed at the EGM to approve the SPA.

Your attention is drawn to the letter from the Independent Board Committee containing its recommendation to the Independent Shareholders set out on page 24 of this circular and the letter from Pan Asia containing its recommendation to the Independent Shareholders and the principal factors which it has considered in arriving at its recommendation with regard to the Acquisition, as set out on pages 25 to 47 of this circular.

ADDITIONAL INFORMATION

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

Yours faithfully,
By Order of the Board
China Environmental Resources Group Limited
Yeung Chi Hang
Chairman and Chief Executive Officer

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)

15 June 2015

To the Independent Shareholders

Dear Sir and Madam,

MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE PROPOSED ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF THE TARGET COMPANY AND THE SALE LOAN

We refer to the circular to the Shareholders dated 15 June 2015 (the "**Circular**") of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

The Independent Board Committee has been formed to advise the Independent Shareholders as to whether, in our opinion, the SPA and the transactions contemplated thereunder (including the issue of the Promissory Note) are in the interests of the Company and its Shareholders as a whole and the terms of which are fair and reasonable so far as the Independent Shareholders are concerned. Pan Asia has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

We wish to draw your attention to the "Letter from Pan Asia" as set out on pages 25 to 47 of the Circular. We have considered the terms and conditions of the SPA, the advice of Pan Asia and the other factors contained in the "Letter from the Board" as set out on pages 6 to 23 of the Circular.

In our opinion, so far as the Independent Shareholders are concerned, the terms of the SPA and the transactions contemplated thereunder (including the issue of the Promissory Note) are fair and reasonable, on normal commercial terms and in the interests of the Company and its Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the SPA and the transactions contemplated thereunder (including the issue of the Promissory Note).

Yours faithfully,
For and on behalf of the
Independent Board Committee

Mr. Wong Kwai Sang	**Mr. Ong Chi King**	**Mr. Heung Chee Hang, Eric**
Independent non-executive Director	*Independent non-executive Director*	*Independent non-executive Director*

The following is the full text of the letter from the Independent Financial Adviser which sets out its advice to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition prepared for the purpose of inclusion in this circular.

PAN ASIA CORPORATE FINANCE LIMITED

Unit 1504, 15th Floor,
The Center,
99 Queen's Road Central,
Central, Hong Kong

15 June 2015

To: The Independent Board Committee and the Independent Shareholders of China Environmental Resources Group Limited

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE PROPOSED ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF THE TARGET COMPANY AND THE SALE LOAN

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition, details of which are set out in the Letter from the Board (the "**Letter from the Board**") in the Company's circular dated 15 June 2015 (the "**Circular**") to the Shareholders, of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

On 26 March 2015 (after trading hours), the Purchaser, the Vendors and the Target Company entered into the SPA, pursuant to which (i) the Vendors have conditionally agreed to sell and the Purchaser has conditionally agreed to acquire the Sale Shares; and (ii) the Vendors have conditionally agreed to sell and assign and the Purchaser has conditionally agreed to take up an assignment of the Sale Loan. The Transaction Consideration for the Acquisition will be satisfied by a combination of cash and by issue of the Promissory Note. Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company.

The Vendors (i.e. 1st Vendor and the 2nd Vendor) are investment holding companies and their sole business activities are holding shares in the Target Company. As at the Latest Practicable Date, both 1st Vendor and 2nd Vendor have the same shareholding structure and are owned as to (i) 60% by Ms. Ma, mother of Mr. Yeung, an executive Director of the Company; (ii) 20% by Mr. Cheng Kwee, a director of the Target Company; and (iii) 20% by Mr. Cheung Chung Chit, an Independent Third Party.

As at the Latest Practicable Date, Ms. Ma owned 60% of each of the 1st Vendor and 2nd Vendor, therefore the Vendors are connected persons of the Company as defined under the Listing Rules. As some of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition exceed 25% but below 100%, the Acquisition constitutes a major and connected transaction of the Company and is therefore subject to the reporting, announcement, circular and the Independent Shareholders' approval requirements under Chapter 14 and Chapter 14A of the Listing Rules.

Since the Acquisition constitutes a connected transaction for the Company and given the connection between Ms. Ma and Mr. Yeung, Mr. Yeung had abstained from voting on the relevant Board resolution in this aspect. Save for Mr. Yeung, none of the Directors have a material interest in the Acquisition and were required to abstain from voting on the relevant Board resolution in respect of the Acquisition.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of (i) the Vendors; and (ii) the remaining ultimate beneficial owners of the Vendors (other than Ms. Ma) and their respective associates did not hold any Shares, or options or securities convertible or exchangeable into Shares as at the Latest Practicable Date Save for Mr. Yeung, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as no Shareholder has a material interest in the Acquisition, no Shareholder is required to abstain from voting in respect of the ordinary resolution at the EGM to approve the Acquisition and the transactions contemplated under the SPA.

An Independent Board Committee comprising all the independent non-executive Directors, namely, Mr. Wong Kwai Sang, Mr. Ong Chi King and Mr. Heung Chee Hang Eric, has been established to advise the Independent Shareholders in respect of the terms of the SPA and the transactions contemplated thereunder. In our capacity as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders for the purposes of the Listing Rules, we are required to give an independent opinion as to whether the terms of the SPA are on normal commercial terms, fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole, and whether the Independent Shareholders should vote in favour of the resolution to be proposed at the EGM to approve the Acquisition.

BASIS OF OUR OPINION

In formulating our opinion and recommendation to the Independent Board Committee and the Independent Shareholders, we have relied on the accuracy of the statements, information, opinions and representations contained or referred to in the Circular as well as the information and representations provided to us by the Company, the Directors and the management of the Company.

We have assumed that all information, representations and opinions contained or referred to in the Circular, which have been provided to us by the Company, the Directors and the management of the Company and for which they are solely and wholly responsible, were true and accurate at the time when they were made and continue to be true up to the Latest Practicable Date. Should there be any subsequent material changes which occurred during the period from the date of the Circular up to the date of the EGM that would affect or alter our opinion on the SPA, we will notify the Independent Board Committee and the Independent Shareholders as soon as possible.

We have no reason to doubt the truth, accuracy or completeness of the information and representations made to us by the management of the Group. We have been advised that no material facts have been omitted from the information supplied and opinions expressed. As such, we have no reason to suspect that any relevant information has been withheld or omitted from the information provided and referred to in the Circular or the reasonableness of the opinions and representations provided by the management of the Group to us, nor are we aware of any facts or circumstances which would render the information provided and representations made to us untrue, inaccurate or misleading.

We consider that we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our opinion. We have not, however, conducted any independent investigation into the business and affairs or the future prospects of the Group, nor have we carried out any independent verification of the information provided by the management of the Group.

All Directors issuing the Circular jointly and severally accept full responsibility for the accuracy of information contained in the Circular and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading.

This letter is issued for the information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the SPA and the transactions contemplated thereunder and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

OUR QUALIFICATIONS AND INDEPENDENCE

Pan Asia has been licensed by the Securities and Futures Commission (the "**SFC**") since 1992 and is a licensed corporation engaging in Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO. Mr Cheung, who is the Chairman of Pan Asia and signs off on this letter, is licensed by the SFC as a Responsible Officer and a Principal licence holder of Pan Asia, and has over 20 years' experience in the financial services industry in Hong Kong.

We confirm that we are not associated with the Company's directors, substantial shareholders and their associates, and are of the view that we meet the independence guidelines set out in Rule 13.84 of the Listing Rules.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation on the Acquisition, we have taken into consideration the following principal factors and reasons:

1. Background information

(a) The Group's business activities

The Group is primarily engaged in the green businesses of research, development and application of technologies and solutions, manufacture, sale and trading of products, materials, systems and services for green market segments including the environmental markets, agricultural markets, organic markets and green technology markets in the PRC market and overseas. On 18 December 2014, the Company acquired a money lenders licence.

(b) The Group's financial performance

The following table summarises the financial information of the Group for the two years ended 30 June 2014 and the six months ended 31 December 2014, which have been extracted from the annual report of the Company for the year ended 30 June 2014 (the "**AR 2013/14**") and the interim report for the six months ended 31 December 2014 (the "**IR 2014/15**") respectively. Please refer to the "Financial information of the Group" set out in Appendix I to the Circular for details.

Consolidated Statement of Comprehensive Income

	For the year ended 30 June		**For the six months ended 31 December**	
	2014	**2013**	**2014**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Audited)	(Audited)	(Unaudited)	(Unaudited)
Revenue	9,955	31,014	2,700	5,142
Profit (loss) for the year	(69,161)	(42,132)	(11,007)	(18,388)

Consolidated Statement of Financial Position

	For the year ended 30 June		For the six months ended 31 December	
	2014	**2013**	**2014**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Audited)	(Audited)	(Unaudited)	(Unaudited)
Total assets	1,070,865	928,329	1,062,278	1,064,397
Total liabilities	227,176	217,621	229,494	214,369
Net asset value attributable to owners of the Company	843,689	710,708	832,784	850,028

(i) For the six months ended 31 December 2014

According to the IR 2014/15, for the six months ended 31 December 2014, turnover of the Group decreased by 47% to HK$2.7 million (2013: HK$5.142 million) and gross profit of HK$0.9 million (2013: HK$2.98 million) was recorded. IR 2014/15 stated that the Group's revenue depends significantly on the ability to harvest on the plantation land and the growth of the trees on the plantation land may be affected by unfavorable local weather conditions and natural disasters, which, due to global climatic change, seem to occur frequently for the past few years.

Notwithstanding that the total profit of the reportable segments was recorded at approximately HK$5.257 million (2013: a loss of about HK$8.98 million), the Group's consolidated loss for the six months ended 31 December 2014 was about HK$11 million (2013: a loss of HK$18.39 million), which was caused, for the most part, by the huge increase in corporate and unallocated loss from HK$8.2 million for the corresponding period in 2013 to HK$13.565 million for the six months ended 31 December 2014, which represented a rise of approximately 54%.

(ii) For the year ended 30 June 2014

According to the AR 2013/14, for the year ended 30 June 2014, the Group recorded a consolidated turnover at approximately HK$9.96 million (2013: approximately HK$31.01 million), representing a decrease of 67.9% as compared with the year ended 30 June 2013 (the "**Previous Year**"). The Group's gross profit decreased by 72.01% to approximately HK$7.33 million (2013: approximately HK$26.19 million). The decrease in gross profit was mainly attributable to the decrease in green technology advisory fee income.

The loss for the year significantly increased to approximately HK$69.16 million from Previous Year's loss of approximately HK$42.13 million, mainly attributable to the approximately HK$38.96 million loss on changes in fair value less costs to sale of biological assets and the decrease in green technology advisory fee income.

In respect of the Company's fund raising exercises for the year ended 30 June 2014, it is noted that the Company announced on 15 August 2013 an open offer of not less than 602,988,342 offer shares and not more than 607,773,342 offer shares at a price of HK$0.27 per offer share, on the basis of thirty-three offer shares for every ten shares held on the Record Date to raise between approximately HK$162.8 million and approximately HK$164.1 million. Proceeds from the open offer were intended to be used as the deposit for an acquisition and the remaining amount, as general working capital of the Group. The Company announced on 22 November 2013 that a total of 602,988,342 ordinary shares of HK$0.02 each had been allotted and issued to qualifying shareholders of the Company on the basis of thirty-three offer shares for every ten shares held on 31 October 2013, at a subscription price of HK0.27 per share.

On 26 March 2014 the Company announced that it had entered into a placing agreement with a placing agent in respect of the placement of 157,142,418 ordinary shares of HK$0.02 each to independent investors at a price of HK$0.375 per share under the general mandate. Proceeds from the placing were intended to be used as general working capital of the Group. The placement was completed on 4 April 2014.

(c) Information on the Target Group

As extracted from the Letter from the Board, the Target Company is a property holding company incorporated in Hong Kong on 25 August 1992 with limited liability. The Target Company is owned as to 99.99% and 0.01% by the 1st Vendor and 2nd Vendor respectively. The Target Company is the registered owner of the Property.

The Property comprises (i) 72 car parking spaces located at Building 1; and (ii) 23 car parking spaces located at Building 2. The Property was acquired by the Target Company in 1992 and 1997 respectively at an aggregate consideration of HK$59,180,000. The Property is classified as an investment property of the Target Company and has been generating rental income to the Target Company as per the Tenancy Agreement dated 9 May 2012 entered into by the Target Company and the Car Parking Company for a 3-year term between 1 June 2012 and 31 May 2015. A new Tenancy Agreement between the Target Company and the Car Parking Company was signed on 26 May 2015 for a 6-month period commencing on 1 June 2015.

Set out below is the unaudited financial information of the Target Company for the year ended 31 December 2013 and 2014:

	Year ended 31 December	
	2013	**2014**
	HK$'000	*HK$'000*
Turnover	3,101	3,171
Net profit before taxation	1,689	1,556
Net profit after taxation	1,309	1,207

The audited net assets of the Target Company as at 31 December 2014 amounted to approximately HK$2,070,000.

2. Reasons for and benefits of the Acquisition

Having regard to the risks and uncertainties caused by unprecedented extent of natural disasters in the PRC, the Group scaled down its original plan of herbal crops plantation of approximately 10,000 Chinese Mu unplanted land to approximately 1,450 Chinese Mu for organic herbal crops of Chinese wolfberry. The revised plantation plan reduced the risks and uncertainties of the adverse impact on the newly grown saplings which are highly vulnerable to natural disasters and availed more resources for protection of the Group's existing poplar trees assets on the plantation land zone against weather natural disasters. There was no turnover on the sale of plantation products and the trading business of plantation materials for the six months period ended 31 December 2014.

With respect to the Group's operating plantation land of approximately 30,000 mu (Chinese Mu) in Shihezi City, the southern and northern parts of Xinjiang Region experienced in 2013 and 2014 frequent heavy rains, floods, landslides, earthquakes and other natural disasters as well as extreme uncertainties and risks in the Group's plantation business activities, which have been affected by worsening economic conditions and unstable natural factors.

As far as the green technology segment, which is the major revenue source of the Group, is concerned, it has contributed over 90% to the Group's revenue for the six months ended 31 December 2014. This segment comprises the research and development, project establishment, application and sale of green and environmental product, technology, service and related products for sustainable development. An agreement was signed in September 2013 for generating green technology advisory fee and a supplemental agreement has been signed to extend the service provision period for generating further income.

For these reasons, the Group has continued with its protective business approach which include tight credit control and pricing measures to corporate clients, trading of plantation materials, transfer the operating right of new plantation activities and protection of existing biological assets.

On 18 December 2014, the Group obtained the money lenders license. The Directors consider it will be beneficial to the Company to explore new opportunities in the money lending business to broaden its source of income and expand the business operations in order to generate profits and return for the Company and the Shareholders. The money lending business is still under development and the Group targets to earn the first interest income in the fourth quarter of 2015.

In view of the challenging economic and business environment, the Directors consider that it is beneficial for the Group to seek suitable investment opportunities from time to time to diversify its existing business portfolio into new lines of business with growth potential with a view to broadening its source of potential income.

The Directors are therefore of the view that investing in Hong Kong's property market is a relatively prudent investment option for providing the Group with a steady income stream and for capturing capital appreciation potential given the limited number of properties put on the market each year. The Directors also consider that car parking spaces are very limited in Hong Kong and they are relatively easier to lease out and have limited maintenance costs as compared to residential or commercial properties. In addition, car parking spaces will also enjoy capital appreciation potential as residential or commercial properties in their own right.

In this context, Mr. Chung Siu Wah, an executive Director, has taken note of Ms. Ma's interests in the Property and discussed with Mr. Yeung Chi Hang, an executive Director, in December 2014 for the possibility of the Acquisition with a view to enabling the Group to capture growth potential in car parking spaces in Hong Kong. Prior to entering into the SPA, the Company made reasonable enquires regarding market prices for car parking spaces in adjacent area to the Property and considered that the Transaction Consideration is not excessive given its possible discount to the Valuation. The Directors further considered that the negotiation process with other potential vendors which hold a number of car parking spaces as the Target Company will be lengthy, so the Group did not approach those other companies. In addition, the Directors took into account the business potential of the Target Company and the potential appreciation of the Property. Based on the good prospects of car parking space as described in the paragraphs below and the reduction in the time searching for other similar properties by acquiring the Target Company from a connected person, we concur, on balance, with the Directors' view that the Acquisition is in the interests of the Company.

To achieve financial growth and broaden its income stream, which is consistent with the Group's stated strategy of exploring potential investment opportunities to supplement its existing business activities, the Purchaser entered into the SPA with the Vendors and the Target Company in respect of the Acquisition on 26 March 2015. It is expected that the Acquisition will be beneficial to the Group for bringing additional and stable cashflow into the Group in the form of rental income. As a result, the Directors consider that the Acquisition as fair and reasonable and in the interests of the Company and the Shareholders as a whole.

While we are no expert in the car parking rental market in Hong Kong and hence are not in a position to authoritatively predict its prospects, we have, however, reviewed, from desktop research, certain public information as well as press and media reports to assess the basis of the potential benefits of the Acquisition. According to statistics released by the government, between 2004 and 2014 the total number of licensed private cars in Hong Kong increased by approximately 43.6% from 344,713 (http://www.statistics.gov.hk/pub/B10100032005AN05B0600.pdf) to 495,038 (http://www.statistics.gov.hk/pub/B10100022015MM04B0100.pdf) while the total number of parking spaces for private cars increased from about 589,900 to about 646,400 (i.e. about 9.58%) in the same period. Public parking spaces account for about 30% of the total number of parking spaces for private cars during the period (http://www.info.gov.hk/gia/general/201502/11/P201502110407.htm).

With land at a premium in Hong Kong, most Hong Kong homes including luxury apartment buildings do not often offer car parking spaces to residents. Given the huge discrepancy in the growth of the number of private cars and of parking spaces as shown above and private car owners' need for parking spaces at places of residence at night, the demand for parking spaces in Hong Kong far outstrips its supply in Hong Kong and rental for car parking spaces is bound to go up as a result. The recent relaxation of the doubled ad valorem stamp duty on car parking spaces in a residential property has also heated up the investment market for car parking spaces again. According to one media report (http://money.cnn.com/2014/10/09/real_estate/hong-kong-parking-space/), the number of registered parking lots sold in August 2014 climbed to 956, a 29% increase from July 2014 and the highest in 20 months, and in one sale in May 2014, a single space in a residential neighbourhood on Hong Kong Island was sold for HK$4.24 million, which set the record of the most expensive parking space ever sold in Hong Kong.

The above information shows that there is evidence of an upward trend in both the sale price and rentals of car parking spaces in Hong Kong, provided that there is no major and sudden shock to this market in the near future such as the imposition of new types of stamp duty and/or tightening of the existing stamp duty regime. However, it is observed that the amount of the annual rental income of HK$3 million for the past two years accounted for only about 2% of the Transaction Consideration of HK$140 million, and is even lower than the annual interest expense of HK$3.6 million accrued on the Promissory Note. Although the amount of rental in the new 6-month Tenancy Agreement was revised upwards by approximately 48% (from a monthly rent of HK$130,000 to HK$200,000), it is unlikely that the rental income from the Property will be higher than that generated by capital appreciation. As a result, capital appreciation of the Property in the future rather than rentals is likely to bring the stated benefit to the Company.

In light of the challenging operating environment faced by the Group in its planation related and green technology business as well as its loss-making financial position, we inquired with the Company whether or not it had other better use of the internal resources instead of the Acquisition. The Company indicated that an alternative option towards which its internal resources could be applied is the money lending business. However, given its stringent policy on limiting default risk, the Group has experienced difficulty in finding suitable borrowers with records of good credit. As a result, the Directors are of the view, with which we concur, that the Acquisition and hence the rental income from the Property would provide the Group with more reliable and stable earnings, not to mention the Property's potential for capital appreciation in the future, than the money lending business would, and should be pursued.

Given (i) the above-mentioned difficult operating environment which the Group has faced; (ii) the continuing protective business approach adopted by the Group; and (iii) the good prospects of car parking spaces in Hong Kong, we concur with the Directors that the Acquisition represents, on balance, a potentially profitable investment of the Group's internal resources and is likely to diversify its existing business portfolio and broaden its income stream.

3. Principal terms of the SPA

On 26 March 2015, Prima Choice Limited, which is the Purchaser and a wholly owned subsidiary of the Company, entered into the SPA with the Vendors in relation to the Property. The principal terms of the SPA are as follows:

(a) Assets to be acquired

Pursuant to the SPA, (i) the Purchaser has conditionally agreed to acquire the Sale Shares, representing the entire issued share capital of the Target Company, at the Share Consideration; and (ii) the Purchaser has conditionally agreed to take up an assignment of the Sale Loan, representing all amounts, including principal and interest, which is owed by the Target Company to the Vendors as at Completion Date, at the Loan Consideration.

(b) Consideration

The Transaction Consideration (comprising the Share Consideration and the Loan Consideration) for the Acquisition shall be calculated as follows:

Transaction Consideration = HK$140,000,000.00 + Sum X – Sum Y

Where:

Sum X = the aggregate amount of the following tangible assets of the Target Company:

(i) utility deposits, management fee deposits, rates, government rent and other expenses prepaid in relation to the Property for the period up to and inclusive of the Completion Date as shown in the Apportionment Account; and

(ii) any cash and bank balance as shown in the Completion Accounts, or HK$50,000.00, whichever is lower.

Sum Y = the aggregate amount of the liabilities of the Target Company on the Completion Date, other than the Sale Loan, as shown in the Completion Accounts and the amount payable by the Vendors under the Apportionment Account, if any.

The Transaction Consideration shall be settled in the following manner:

a) the Deposit (i.e. HK$42,000,000) shall be paid to the 1st Vendor upon the Vendors' production of duly executed Share Charge together with the Vendor's resolutions and BVI legal opinion proving, among others, that the Vendors have the power and capacity to charge and sell the Sale Shares; and

b) the balance of the Transaction Consideration shall be paid to the 1st Vendor upon Completion, of which HK$60,000,000 shall be satisfied by the Promissory Note and the remaining balance shall be paid in cash.

According to the Directors, the Transaction Consideration was arrived at based on normal commercial terms after arm's length negotiations between the Purchaser and the Vendors – it was determined after taking into account the following factors:

a) the preliminary valuation of 100% interest of the Property (the "**Valuation**") of approximately HK$150,000,000 as at 18 March 2015 based on a valuation report prepared by an independent valuer (the "**Valuation Report**");

b) the net asset value of the Target Company;

c) amount of the Sale Loan; and

d) the reasons and benefits of the Acquisition as stated under the section headed "Reasons for and benefits of the Acquisition" in the Circular.

The Transaction Consideration (assuming difference between Sum X and Sum Y as stipulated above to be zero) represents a discount of approximately 6.7% to the Valuation. Valuation Report is contained in Appendix IV to the Circular ("**Appendix IV**").

(c) Conditions precedent

Completion of the SPA and the obligations of the Purchaser under the SPA are subject to nine conditions precedent (the "**Conditions Precedent**") which are set out in full on pages 10-12 of the Circular and summarised as follows:

- If necessary, (i) disclosure of true identities of the Vendors' directors, ultimate beneficiaries and their related parties; and (ii) passing of a resolution at the EGM to approve the SPA;

- the Vendors having shown and proved that the Target Company has a good title to the Property in accordance with Sections 13 and 13A of the Conveyancing and Property Ordinance (Cap. 219);

- there having been no outstanding notices, orders, complaints or requirements issued by any governmental body, authority or department to the Target Company in respect of the Property;

- the Vendors having provided the documents or information as required by the Due Diligence Checklist as soon as practicable after the date of the SPA and at least seven (7) Business Days prior to the Completion Date;

- the Target Company having no liabilities or indebtedness (whether actual or contingent) as at Completion other than;

  - ⇨ the Sale Loan;

  - ⇨ all deferred tax liabilities, if any; and

  - ⇨ accrued expenses and other accounts payable in the ordinary course of business, if any;

- there having been no breach of the Warranties from the date of the SPA up to and inclusive of the Completion Date; and

- the Purchaser are satisfied with the result of the review of the accounts of the Target Company and the outcome of the due diligence performed on the Target Company.

If any of the above conditions is not fulfilled on Completion, the Purchaser is entitled to terminate the SPA by giving notice in writing to the Vendors (whereupon the SPA shall become null and void and of no further effect), without prejudice to the rights accrued to the parties prior to such termination.

(d) Completion

Completion shall take place on or before 2:00 p.m. on the Completion Date. If the Completion does not proceed due to the Vendors' failure or inability to discharge any of their obligations under the SPA, the Purchaser may:

- defer Completion to a Business Day not more than seven (7) days after the Completion Date; or

- proceed to Completion so far as practicable but without prejudice to the Purchaser's rights to the extent that the Vendors fails in its obligations under the SPA; or

- rescind the SPA upon giving written notice with immediate effect to the Vendors.

Further details on Completion are set out on page 12 of the Circular.

4. Payment of the Transaction Consideration

As at 31 December 2014, the Group had cash and cash equivalents, which were principally Renminbi and Hong Kong Dollar, of approximately HK$96.5 million, and recorded net current assets of approximately HK$104.3 million. In view of the above, the Directors are of the view that the Group has sufficient resources to settle the cash portion of the Transaction Consideration.

In addition, The Company will repay the Promissory Note by the internal resources available to the Enlarged Group at the time of repayment as derived from the funds generated from the business operations of the Enlarged Group. The Company will consider other means of fund raising, including bank borrowings and equity fund raising, if there are insufficient funds to repay the Promissory Note. The selection of bank borrowings and/or equity fund raising will be subject to management's assessment after considering the following factors or a combination of the following factors of the Enlarged Group at that time, such as results of operations, financial conditions, gearing level, market sentiment in capital market and credit market, and level of loan interest rate, etc. Up to the Latest Practicable Date, the Board has no concrete plan or intention to (i) repay in full or part of the principal amount of the Promissory Note before the maturity; and (ii) carrying out any equity fund raising activities for the repayment of the Promissory Note.

5. Assessment of the principal terms of the SPA

(a) Basis of Transaction Consideration

(i) Valuation of the Property

As stated in the Valuation Report, which is contained in Appendix IV to the Circular ("**Appendix IV**"), the market value of the Property as at 18 March 2015 was HK$150,000,000.

For the purpose of satisfying the relevant Listing Rules' disclosure requirements, we understand that the Company has commissioned Access Partner Consultancy & Appraisals Limited, an independent valuer (the "**Independent Valuer**") to conduct the Valuation.

Experience of the Valuer and their engagement:

For our due diligence, we have reviewed the Independent Valuer's qualifications and experience in relation to the performance of the Valuation. We understand that it possesses experience in performing valuation services in respect of business and intangible assets valuation, financial instruments valuation, real estate valuation, plant and machinery valuation and merger and acquisition valuation. Mr. Raymond Chan, who is an associate director of the Independent Valuer and the person in charge of the Valuation, is a member of Hong Kong Institute of Surveyors and has over 10 years' valuation experience in Hong Kong and the PRC.

Furthermore, we have enquired with the Independent Valuer as to its independence with respect to the Group, and have received its confirmation that the Independent Valuer is an independent third party and has no prior relationship with the Company, the connected persons of the Company and other parties to the proposed Acquisition. We have also reviewed the Independent Valuer's terms of engagement, in particular its scope of work and considered such scope as appropriate to the opinion required to be given and there is no limitation on the scope of work which might adversely impact on the degree of assurance given by them in the valuation report.

Valuation methodology and assumptions:

We have reviewed the Valuation Report dated 15 June 2015, and discussed with the Independent Valuer regarding, amongst others, the basis and assumptions used and the methodology adopted in conducting and arriving at the valuation of the Property at HK$150,000,000 as at 18 March 2015, and raised questions on areas which required further explanation.

We understand that there are three generally accepted property valuation approaches, namely, market approach, cost approach and income approach. The valuation was prepared by the Independent Valuer using a direct comparison method under the market approach, by assuming that the owner sells the property in the market in the existing state without the benefit of deferred term contracts, leasebacks, joint ventures, management agreements or any similar arrangements, by making references to comparable sale transactions as available in the relevant market. Further, we appreciate that the Property was valued with the assumption that in its existing state with the benefit of immediate vacant possession, by making reference to comparable sales evidence or offerings as available in the relevant market.

We have reviewed information provided by the Independent Valuer in relation to the Valuation and the market comparables to the Property. To the best of our knowledge, we found no material information that would adversely affect the fairness and reasonableness of the preparation of the Valuation Report.

The cost approach, on the other hand, considers the cost to reproduce or replace in new condition the property valued in accordance with current market prices for similar property, adjusted for accrued depreciation as evidenced by observed condition or obsolescence present, whether arising from physical, functional or economic causes. Actual costs incurred for the upgrading of the property to be appraised will also be considered in this approach. The cost approach generally provides the most reliable indication of value for a property in the absence of a known market based on comparable sales and is often used for valuing specialised properties which rarely change hands and for which there are few or no comparables. The cost approach, therefore, was considered as inapplicable in this case.

Our understanding of the income approach, which is the last of the three accepted valuation approaches, is that it is based on the principle that the value of a property reflects the quality and quantity of the income it is expected to generate over time. Income-producing properties are typically purchased for investment purposes, and thus a property's ability to earn income is the critical element affecting its value from a market point of view. For leased properties like the Property, the income approach takes into account the net rental income derived from the existing lease and/or achievable in the existing market with due allowance for the reversionary income potential of the leases, which have then been capitalised to determine the market value at an appropriate capitalisation rate.

Since the car parking spaces generate regular income to their owner, namely, the Target Company, by way of rentals under the Tenancy Agreement, we inquired with the Independent Valuer why it had decided to use the market approach instead of the income approach to value the Property. According to the Independent Valuer, as the Tenancy Agreement was about to expire on 31 May 2015 and it had little information at the time whether or not the Tenancy Agreement would be renewed for another term, it then decided, in light of the availability of several market transactions in areas close to the Property, to adopt the market approach rather than the income approach to value the Property.

Following the signing of the new Tenancy Agreement on 26 May 2015, the Independent Valuer considered the income approach by taking into account the renewal of the Tenancy Agreement for 6 months and direct comparison method after the leased period, and concluded that there is no change to the original valuation of the Property by the direct comparison method, i.e. HK$150 million.

During our discussion with the Independent Valuer, we have not identified any major factors which cause us to doubt the fairness and reasonableness of the principal basis and assumptions adopted for or the information used in the Valuation. We also note that the Valuation Report has been prepared in accordance with generally accepted valuation procedures and in compliance with the requirements contained in Chapter 5 and Practice Note 12 of the Listing Rules and in accordance with requirements contained in the HKIS Valuation Standards (2012 Edition). Nevertheless, Independent Shareholders should note that valuation of assets or properties usually involves assumptions and therefore the Valuation may or may not reflect the true market value of the Property accurately.

In view that (i) the direct comparison method under the market approach is one of the most commonly applied methodologies in property valuation, with many precedent cases involving companies listed on various stock exchanges; (ii) in addition to the direct comparison method, the income approach has also been used to assess the value of the Property; and (iii) the Independent Valuer has performed a thorough assessment in the preparation of the Valuation Report, we consider that the Valuation Report has been reasonably prepared and is normal in nature without any unusual assumptions and consequently, regard the Valuation as a fair assessment of the market value of the Property.

All things considered, including, without limitation, (i) the independence, qualification and experience of the Independent Valuer; (ii) the relevant application of the valuation methods; and (iii) the preparation of the Valuation Report as per Chapter 5 and Practice Note 12 requirements under the Listing Rules and generally accepted valuation procedures respectively, we are of the view that the methodology, bases and assumptions adopted for the Valuation are reasonable and we concurred with the Independent Valuer's opinion. As such, we consider the Valuation to be a fair reference for Independent Shareholders to assess the fairness and reasonableness of the Property.

(ii) The Promissory Note

As mentioned before, the balance of the Transaction Consideration will be paid to the 1st Vendor by way of a promissory note. Principal terms of the Promissory Note are as follows:

Issuer:	The Company
Principal amount:	HK$60,000,000
Issue date:	Completion Date
Maturity date:	Third anniversary date of the Completion Date
Interest:	Interest shall be calculated at 6% per annum on the principal amount then outstanding on a daily basis
Transferability:	The Promissory Note and the interest and rights of the noteholder shall be assignable by endorsement without Company's prior written consent but with written notice 28 days in advance of such assignment.

Early redemption by the Company:	The Company shall give 28 days prior written notice to early redeem the Promissory Note, in whole or in part.
Application for listing:	No application will be made for the listing of the Promissory Note on any stock exchange.

As stated in the Letter from the Board, the terms of the Promissory Note have been determined after arm's length commercial negotiation between the Purchaser and the Vendors with reference to the prevailing market condition and the financial position of the Group. The Directors consider the terms of the Promissory Note to be fair and reasonable and in the interest of the Company and its Shareholders as a whole.

We have discussed with the Company regarding other possible financing alternatives including issue of consideration shares or convertible bonds and pre-emptive issues. The Company considered that (i) issue of consideration shares or convertible bonds would dilute shareholding of the existing Shareholders; and (ii) pre-emptive issues such as right issue and open offer would require the Group to incur significant costs including underwriting commissions, documentation/administration costs and other professional fees, and meanwhile such alternatives would normally require months for completion.

By contrast, it is noted that (i) the issue of the Promissory Note will have no immediate impact to the Group's working capital; and (ii) the early redemption clause of the Promissory Note is solely at the discretion of the Company which provides the Group with flexibility to settle the balance of the Transaction Consideration earlier than stipulated and save interests after the Directors' assessment on the working capital sufficiency of the Group. For these reasons, we concur with the Company that the issue of the Promissory Note is in the interests of the Company and the Shareholders.

To assess the fairness and reasonableness of the major terms of the Promissory Note, we have, on a best effort basis, identified a list of 37 transactions involving the issue of promissory note(s) by companies listed on the Stock Exchange for fund raising and/or transaction settlement purposes in a period of 15 months prior to and including the date of the SPA i.e. 26 March 2015 (the "**Comparable Period**") for the purpose of comparison (the "**Comparable Transactions**").

Notwithstanding that the companies being compared are different from the Company in terms of their business operations, financial positions and future prospects, we regard the Comparable Transactions as being able to give us a general reference in terms of the recent market practice and conditions regarding the issue of promissory notes because there were 37 Comparable Transactions in the 15-month Comparable Period, which is exhaustive and represents a reasonable number of similar transactions in a relatively long period of time for the purpose of comparison. Accordingly, we are of the view that the Comparable Period sets an appropriate basis for our analysis and that the Comparable Transactions represent fair and representative samples.

Having said that, Shareholders should note that the promissory notes of the Comparable Transactions are subject to different terms or clauses under their respective agreements, and we have not conducted any in-depth investigation into the respective factors. Therefore, the terms of the Promissory Note may not represent an identical comparison, and hence, the table below is for general reference to the major terms of the promissory notes involving in the Comparable Transactions only. Details of the Comparable Transactions are summarised in Table 1 below:

Table 1: Recent issue of promissory notes by listed companies

Date of announcement	Company name	Stock code	Principal *('000)*	Interest rate per annum	Maturity *(year)*
10 March 2015	Madex International (Holdings) Limited	231	HK$400,000	2.00%	3
16 February 2015	Enterprise Development Holdings Limited	1808	HK$160,000	6.00%	3
6 February 2015	Cypress Jade Agricultural Holdings Limited	875	HK$100,000	3.00%	3
21 January 2015	China Environmental Energy Investment Limited	986	HK$63,750	8.00%	1
19 December 2014	China Agroforestry Low-Carbon Holdings Limited	1069	HK$35,000	8.0%	3.0
11 December 2014	Quali-Smart Holdings Limited	1348	HK$20,000	5.0%	1.5
9 December 2014	Merdeka Mobile Group Limited	8163	HK$32,000	0.0%	3.5
5 December 2014	Loudong General Nice Resources (China) Holdings Limited	988	HK$60,000	0.0%	3.0
3 December 2014	AVIC Joy Holdings (HK) Limited	260	RMB150,000	1.5%	3.0
13 November 2014	Madex International (Holdings) Limited	231	HK$428,000	5.0%	3.0
13 November 2014	GreaterChina Professional Services Limited	8193	HK$110,000	3.0%	2.0
12 November 2014	TLT Lottotainment Group Limited	8022	HK$18,000	2.0%	1.0
3 November 2014	Sinoref Holdings Limited	1020	HK$33,000	3.0%	2.0

Date of announcement	Company name	Stock code	Principal *('000)*	Interest rate per annum	Maturity *(year)*
21 October 2014	National United Resources Holdings Limited	254	HK$75,000	6.0%	0.5
17 October 2014	Fornton Group Limited	1152	HK$150,000	12.5%	2.0
16 October 2014	China Properties Investment Holdings Limited	736	HK$70,000	8.0%	2.5
30 September 2014	China HealthCare Holdings Limited	673			
	Promissory note I		HK$213,000	0.0%	1.0
	Promissory note II		HK$193,000	0.0%	1.5
19 September 2014	ICube Technology Holdings Limited	139			
	Promissory note I		HK$88,000	2.5%	4.0
	Promissory note II		HK$102,000	2.5%	4.0
19 September 2014	Freeman Financial Corporation Limited	279	HK$88,000	2.5%	4.0
18 September 2014	China Environmental Energy Investment Limited	986	HK$58,000	8.0%	1.0
17 September 2014	Sino Resources Group Limited	223	HK$13,900 (approx.)	0.0%	1.0
29 August 2014	China Oil Gangran Energy Group Holdings Limited	8132	HK$100,000	7.0%, 7.5%	3.0, 5.0
13 August 2014	TLT Lottotainment Group Limited	8022	HK$30,000	2.0%	1.0
11 August 2014	Sino Credit Holdings Limited	628	HK$240,000	0.0%	5.0
24 June 2014	China Environmental Investment Holdings Limited	260	HK$100,000	2.0%	1.0
23 June 2014	Aurum Pacific (China) Group Limited	8148			
	Promissory note I		HK$1,000	0.0%	1.0
	Promissory note II		HK$1,000	0.0%	2.0
19 June 2014	VXL Capital Limited	727	HK$120,000	3.0%	1.0
12 May 2014	China Environmental Energy Investment Limited	986	HK$30,000	8.0%	1.0
23 April 2014	Nanny Holdings Limited	275	HK$300,000	5.0%	1.0
23 April 2014	ITC Corporation Limited	372	HK$300,000	5.0%	1.0

Date of announcement	Company name	Stock code	Principal	Interest rate per annum	Maturity
			('000)		*(year)*
8 April 2014	Polyard Petroleum International Group Limited	8011	HK$9,800	3.0%	2.0
4 April 2014	China Properties Investment Holdings Limited	736	HK$9,000	8.0%	1.0
2 April 2014	Tian Shan Development (Holdings) Limited	2118	US$30,000	15.0%	2.0
28 March 2014	Sino Resources Group Limited	223			
	Promissory note I		HK$52,000	0.0%, 3.0%, 6.0%	1.5
	Promissory note II		HK$8,500	0.0%, 3.0%, 6.0%	1.5
25 February 2014	China Star Entertainment Limited	326	HK$200,000	10.0%	1.0
30 January 2014	Lenovo Group Limited	992	HK$1,500,000	0.0%	3.0
24 January 2014	China Environmental Energy Investment Limited	986	HK$123,200	9.0%	1.0
17 January 2014	Shougang Concord Technology Holdings Limited	521	HK$743,100	0.0%	3.0
			Maximum	**15.0%**	**5.0**
			Minimum	**0.0%**	**0.5**
			Average	**4.11%**	**2.04**
	The Company	**1130**		**6.0%**	**3.0**

Source: the website of the Stock Exchange

(a) Interest rate:

As shown in Table 1 above, the interest rate of the promissory notes of the Comparable Transactions ranged from nil to 15.0%, with an average of approximately 4.11%. Among the 37 Comparable Transactions, 15 of them involved the issue of promissory note(s) with an interest of not less than 6.0%. The interest rate of 6.0% of the Promissory Note falls within the range but is slightly higher than the average interest rates of the Comparable Transactions as well as the current HSBC Hong Kong Dollar Best Lending Rate, which is 5%. That said, we have further taken into consideration the Company's sole discretion with respect to the early redemption clause under the Promissory Note and the flexibility and benefit such clause, as described above, will bring to the Company and hence, consider that the interest rate of the Promissory Note as fair and reasonable.

(b) Maturity:

From Table 1 we can see that the period of maturity of the promissory notes of the Comparable Transactions ranged from 0.5 to 5.0 years, with an average of about 2.04 years. The maturity period of the Promissory Note (i.e. 3 years) therefore falls within the said range and is close to the average. Accordingly, we consider that the length of the maturity period of the Promissory Note as fair and reasonable.

In view that (i) the interest rate of the Promissory Note falls within the range of interest rates of the Comparable Transactions, where more than one-third of the Comparable Transactions involved the issue of promissory note(s) with interest rates of not less than 6.0%; (ii) the effect of 6% interest rate charged on the Promissory Note will be diluted by the early redemption clause of the Promissory Note which provides the Group with flexibility to replay the balance of the Transaction Consideration earlier than stipulated, and (iii) the duration of maturity of the Promissory Note falls within the range and is close to the average of that of the Comparable Transactions, we consider that the terms of the Promissory Note are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

(b) Others major terms

In addition, we have also reviewed other major terms in the SPA such as that of the Conditions Precedents and Completion, and not aware of any terms being unusual and not on normal commercial terms.

For the above reasons, we are of the opinion that the terms of the SPA are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

6. Possible financial effects of the Acquisition

As confirmed by the Directors, upon Completion, the Target Company shall become an indirect wholly-owned subsidiary of the Company and the financial statements of the Target Company will be consolidated into the accounts of the Group after Completion.

Effect on net asset value:

With reference to the unaudited pro forma financial information of the Enlarged Group as contained in Appendix III to the Circular ("**Appendix III**"), it is noted that the Acquisition would not result in any reduction in the net assets of the Enlarged Group. This, together with the generally good prospects of car parking spaces in Hong Kong (both in the form of rental income and sale price) as set out before, lead us to concur, on balance, with the Directors' view that the Acquisition is likely to have a positive impact on the future profits of the Group in the form of regular rental income.

Effect on earnings:

As mentioned before, upon Completion, the Target Company will become an indirectly owned subsidiary of the Company and the Target Company's results will be incorporated into that of the Enlarged Group. According to the annual report of the Group for the year ended 30 June 2014, the Group recorded an audited consolidated loss attributable to owners of the Company of approximately HK$81.4 million for the year ended 30 June 2014. However, based on the accountants' report of the Target Company as set out in Appendix II to this circular, the Target Company recorded an audited profit attributable to owners of the Target Company of approximately HK$1.2 million for the year ended 31 December 2014.

In view of the satisfactory financial performance of the Target Company together with the glowing market prospects of car parking spaces in Hong Kong, the Directors consider that the Acquisition will bring positive contribution to the earnings of the Enlarged Group but the quantification of such contribution will depend on the future performance of the Target Company. It should, however, be noted that the aforementioned analyses are for illustrative purpose only and do not purport to represent how the financial position of the Enlarged Group will be upon Completion.

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, in particular the following factors: (i) the amount of the Transaction Consideration which represents a discount of approximately 6.7% to the market value of the Property; and (ii) the principal terms of the Promissory Note are fair and reasonable, we are of the opinion that (i) the terms of the SPA are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Acquisition is in the interests of the Company and the Shareholders as a whole even though it is not conducted in the ordinary and usual course of business of the Group. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the EGM to approve the SPA and the transactions contemplated under it, and we further recommend that the Independent Shareholders vote in favour of the resolution(s) in this regard.

Yours faithfully
For and on behalf of
Pan Asia Corporate Finance Limited
Billy C. W. Cheung
Chairman

1. THREE-YEAR FINANCIAL INFORMATION

Financial information of the Group for the year ended 30 June 2012, the year ended 30 June 2013, the year ended 30 June 2014 and six months ended 31 December 2014 are disclosed on pages 32-113 of the 2012 annual report published on 18 October 2012, pages 30-100 of the 2013 annual report published on 24 October 2013, pages 40-95 of the 2014 annual report published on 17 October 2014 and pages 4-25 of the 2014 interim report published on 2 March 2015 respectively, which are published on both the website of the Stock Exchange (http://www.hkex.com.hk) and the website of the Company (http://www.greencer.com/). Please refer to the hyperlinks as stated below:

2012 annual report:

http://www.hkexnews.hk/listedco/listconews/SEHK/2012/1018/LTN20121018226.pdf

2013 annual report:

http://www.hkexnews.hk/listedco/listconews/SEHK/2013/1024/LTN20131024233.pdf

2014 annual report:

http://www.hkexnews.hk/listedco/listconews/SEHK/2014/1017/LTN20141017408.pdf

2014 interim report

http://www.hkexnews.hk/listedco/listconews/SEHK/2015/0302/LTN201503021535.pdf

2. INDEBTEDNESS STATEMENT

Borrowings

As at the close of business on 30 April 2015, being the latest practicable date for the purpose of ascertaining the indebtedness of the Enlarged Group prior to the printing of this circular, The Enlarged Group had total outstanding borrowings of approximately HK$40,894,000.

Amount due to a director

As at the close of business on 30 April 2015, being the latest practicable date for the purpose of this statement of indebtedness, the Enlarged Group had indebted to a director of the Target Company of approximately HK$40,894,000. The amount due to a director of the Target Company represented advances from Fortune Group Investment Limited, a director of the Target Company. The balance was unsecured, non-interest bearing and has no fixed terms of repayment.

Operating commitment

The Enlarged Group leased out its investment properties under operating lease arrangement with a rental term of 3 years. The following table sets forth future non-cancellable minimum lease payments in respect of leases of which the Enlarged Group acts as lessor as at the close of business on 30 April 2015:

	HK$'000
Within one year	135

The Enlarged Group also entered into non-cancellable operating lease arrangements for (i) office premises with fixed rental for an average term of 2 to 3 years; and (ii) contracted to use and operate certain plantation land with an initial lease term of thirty years with fixed annual concession fee. The following table sets forth the future minimum lease payments under non-cancellable operating leases of which the Enlarged Group acts as lessee as at the close of business on 30 April 2015:

	HK$'000
Within one year	3,038
In the second to fifth year inclusive	152
After five years	691
	3,881

Off balance sheet arrangements

Save as disclosed above and apart from intra-group liabilities and normal trade payables in the ordinary course of business, as at the close of business on 30 April 2015, the Enlarged Group did not have any other outstanding mortgages, charges, debentures or other loan capital, bank overdrafts or loans, other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptance or acceptance credits, guarantees or other material contingent liabilities.

3. WORKING CAPITAL

The Directors are of the opinion that, after taking into account the existing cash and bank balances and other internal resources available and also the effect of the Acquisition, the Enlarged Group has sufficient working capital for its present requirements and for at least 12 months from the date of this circular in the absence of unforeseen circumstances.

4. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial position or trading position of the Group since 30 June 2014, being the date to which the latest published audited financial statements of the Group was made up.

5. FINANCIAL AND TRADING PROSPECT OF THE ENLARGE GROUP

Upon Completion, the Target Company will become an indirect wholly owned subsidiary of the Company and the financial information of the Target Company will be consolidated into the consolidated financial statements of the Group. Based on the unaudited pro forma financial information of the Enlarged Group as set out in Appendix III to this circular, net assets recorded by the Group as at 31 December 2014 was approximately HK$832.8 million, the unaudited pro forma net assets of the Enlarged Group will be approximately HK$832.8 million after Completion.

In coming year, after Completion, the Enlarged Group will continue to develop its existing businesses. Business development of the Enlarged Group will continue to be monitored by the management of the Enlarged Group where periodic business performance review will be conducted. Based on the results of the business review, the Enlarged Group will allocate appropriate resources to different business segments of the Enlarged Group depending on the then business environment and performance of each segment with the view of improving its business performance.

Concurrently, the Enlarged Group will continue its business growth strategy in exploring suitable investment opportunities from time to time for diversifying and expanding the business scope of the Group for enhancing its earnings and maximizing its Shareholders' value.

The Directors view that the Acquisition will diversify the income source and will result in an enlarged asset portfolio of the Enlarged Group. Under prevailing economic environment, the Directors consider that investing in the property market in Hong Kong is a relatively prudent investment option for providing the Group with a steady income stream and for capturing capital appreciation potential in Hong Kong property market.

In view of the financial performance of the Target Company and rental income to be generated by the Property, the Directors expect that the Acquisition represents an opportunity for the Group to diversify from its existing business to a profitable business which will meet the Group's business development objectives and bring immediate contributions to the Group for achieving improved return for the Enlarged Group.

As at the Latest Practicable Date, the refundable deposit of HK$90 million, in relation to a terminated acquisition proposal of a hotel business, is still overdue (the "**Deposit**"). It should be noted that the Deposit has been charged over the entire equity interest of a Hong Kong company of the target company. The Company has through its solicitors served a demand letter to the Vendor on 30 April 2015 to demand the return of the Deposit of HK$90 million. The Company is in the course of seeking legal advice on the non-repayment and is still under negotiation with the vendor for the collection of the outstanding amount. The Company will make further announcement to update on the progress of the recovery of the Deposit in due course.

The following is the text of a report received from the reporting accountants, ZHONGHUI ANDA CPA Limited, Certified Public Accountants, Hong Kong, prepared for the purpose of incorporation in this circular.

中汇 ZHONGHUI

15 June 2015

The Board of Directors
China Environmental Resources Group Limited
(incorporated in the Cayman Islands with limited liability)

Dear Sirs,

We set out below our report on the financial information (the "**Financial Information**") relating to Harvest Top Development Limited (the "**Target Company**") for each of the three years ended 31 December 2012, 2013 and 2014 (the "**Relevant Periods**") for inclusion in a circular issued by China Environmental Resources Group Limited (the "**Company**") dated 15 June 2015 (the "**Circular**") in connection with the proposed acquisition of the entire equity interests of the Target Company (the "**Acquisition**").

The Target Company, which is engaged in of property investment, was incorporated in Hong Kong on 25 August 1992 with limited liability.

The statutory financial statements of the Target Company were prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). The statutory financial statements of the Target Company were audited by One One CPA Limited, Certified Public Accountants registered in Hong Kong.

For the purpose of this report, the directors of the Target Company have prepared the financial statements of the Target Company for the Relevant Periods in accordance with HKFRSs ("**Underlying Financial Statements**").

We have performed an independent audit on the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and have examined the Underlying Financial Statements for the Relevant Periods in accordance with Auditing Guideline 3.340 "Prospectus and the Reporting Accountant" issued by the HKICPA.

The Financial Information of the Target Company for the Relevant Periods set out in this report has been prepared from the Underlying Financial Statements. No adjustments were considered necessary to the Underlying Financial Statements in preparing our report for inclusion in the Circular.

The preparation of the Underlying Financial Statements are the responsibility of the directors of the Target Company. The directors of the Company are responsible for the contents of the Circular in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the Target Company as at 31 December 2012, 2013 and 2014; and of the results and cash flows of the Target Company for the Relevant Periods

Emphasis of Matters Relating to Going Concern Basis

Without qualifying out opinion, we draw attention to note 2 to the Financial Information which mentions that as at 31 December 2012 the Target Company had net current liabilities and net liabilities of approximately HK$38,231,000 and HK$446,000, respectively. And as at 31 December 2013 and 2014, the Target Company has net current liabilities of approximately HK$35,704,000 and HK$33,278,000, respectively. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern. Details of the Company obtaining sufficient resources to satisfy its working capital needs are set out in note 2 to the financial information.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December		
		2012	**2013**	**2014**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	*7*	2,852	3,101	3,171
Other income	*8*	–	1	1
Administrative expenses		(1,561)	(1,413)	(1,616)
Profit before tax		1,291	1,689	1,556
Income tax expenses	*9*	(315)	(380)	(349)
Profit and total comprehensive income for the year	*10*	976	1,309	1,207

STATEMENTS OF FINANCIAL POSITION

		At 31 December		
		2012	**2013**	**2014**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
NON-CURRENT ASSETS				
Investment properties	*13*	39,068	37,936	36,803
CURRENT ASSETS				
Trade and other receivables	*14*	202	212	223
Bank and cash balances	*15*	2,837	5,311	7,628
Current tax assets		–	–	43
		3,039	5,523	7,894
CURRENT LIABILITIES				
Accruals and other payables	*16*	277	278	278
Amount due to a director	*17*	40,894	40,894	40,894
Current tax liabilities		99	55	–
		41,270	41,227	41,172
NET CURRENT LIABILITIES		(38,231)	(35,704)	(33,278)
TOTAL ASSETS LESS CURRENT LIABILITIES		837	2,232	3,525
NON-CURRENT LIABILITIES				
Deferred taxation	*18*	1,283	1,369	1,455
NET (LIABILITIES)/ASSETS		(446)	863	2,070
CAPITAL AND RESERVE				
Share Capital	*19*	10	10	10
Reserves		(456)	853	2,060
TOTAL EQUITY		(446)	863	2,070

STATEMENTS OF CHANGES IN EQUITY

	Share Capital *HK$'000*	(Accumulated losses)/ retained earnings *HK$'000*	Total *HK$'000*
At 1 January 2012	10	(1,432)	(1,422)
Profit and total comprehensive income for the year	–	976	976
At 31 December 2012 and 1 January 2013	10	(456)	(446)
Profit and total comprehensive income for the year	–	1,309	1,309
At 31 December 2013 and 1 January 2014	10	853	863
Profit and total comprehensive income for the year	–	1,207	1,207
At 31 December 2014	10	2,060	2,070

STATEMENTS OF CASH FLOWS

	Year ended 31 December		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
Cash flows from operating activities			
Profit before tax	1,291	1,689	1,556
Adjustments for:			
Interest income	–	(1)	(1)
Depreciation	1,132	1,132	1,133
Operating profit before working capital changes	2,423	2,820	2,688
Change in trade and other receivables	(12)	(10)	(11)
Change in accruals and other payables	20	1	–
Cash generated from operations	2,431	2,811	2,677
Income tax paid	(140)	(338)	(361)
NET CASH GENERATED FROM OPERATING ACTIVITIES	2,291	2,473	2,316
Cash flows from investing activities			
Interest received	–	1	1
NET CASH GENERATED FROM INVESTING ACTIVITIES	–	1	1
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,291	2,474	2,317
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	546	2,837	5,311
CASH AND CASH EQUIVALENTS AT END OF YEAR			
Bank and cash balances	2,837	5,311	7,628

NOTES TO FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Target Company was incorporated in Hong Kong on 25 August 1992 with limited liability. The address of its registered office and principal place of business are Room 501, 5/F., 113 Argyle Street, Mongkok, Kowloon, Hong Kong.

The principal activity of the Target Company is property investment in Hong Kong.

The Financial Information is presented in Hong Kong dollars ("**HK$**"), which is the same as the functional currency of the Target Company.

2. BASIS OF PREPARATION

As at 31 December 2012 the Target Company had net current liabilities and net liabilities of approximately HK$38,231,000 and HK$446,000, respectively. And as at 31 December 2013 and 2014 the Target Company had net current liabilities of approximately HK$35,704,000 and HK$33,278,000, respectively. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Target Company's ability to continue as a going concern. Therefore, the Target Company may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Financial Information has been prepared on a going concern basis, the validity of which depends upon the financial support of the controlling shareholder, at a level sufficient to finance the working capital requirements of the Target Company. The controlling shareholder has agreed to provide adequate funds for the Target Company to meet its liabilities as they fall due. The directors of the Target Company are therefore of the opinion that it is appropriate to prepare the Financial Information on a going concern basis. Should the Target Company be unable to continue as a going concern, adjustments would have to be made to the Financial Information to adjust the value of the Target Company's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

3. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS

The Target Company had adopted all the HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2014. HKFRSs comprise Hong Kong Financial Reporting Standards ("**HKFRS**"); Hong Kong Accounting Standards ("**HKAS**"); and Interpretations.

The Target Company has not applied the new and revised HKFRSs that have been issued but are not yet effective. The Target Company has already commenced an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material effect on the results of operations and financial position of the Target Company.

4. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared in accordance with HKFRSs issued by HKICPA and applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The Financial Information has been prepared under the historical cost convention. The significant accounting policies applied in the preparation of the Financial Information are set out below.

Functional and presentation currency

The Financial Information is presented in Hong Kong dollars, rounded to the nearest thousand, which is the Target Company's presentation currency and functional currency.

Investment properties

Investment properties are buildings held to earn rentals and/or for capital appreciation. An investment property is measured initially at its cost including all direct costs attributable to the property.

After initial recognition, investment property is stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the investment properties. The depreciation is calculated using the straight line method to allocate the cost to the residual value over its estimated useful life of ranging from 49 to 55 years.

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

The gain or loss on disposal of an investment property is the difference between the net sales proceeds and the carrying amount of the property, and is recognised in the profit or loss.

Operating leases

Leases that do not substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as operating leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Target Company becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Target Company transfers substantially all the risks and rewards of ownership of the assets; or the Target Company neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade and other receivables is established when there is objective evidence that the Target Company will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowances is the difference between the receivables' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. The amount of the allowance is recognised in profit or loss.

Impairment losses are reversed in subsequent periods and recognised in profit or loss when an increase in the receivables' recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the receivables at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Cash and cash equivalents

For the purpose of the statements of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Target Company's cash management are also included as a component of cash and cash equivalents.

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Target Company after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Target Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Trade and other payables

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Target Company and the amount of revenue can be measured reliably.

a) Rental income is recognised on a straight-line basis over the lease term; and

b) Interest income is recognised on a time-proportion basis using the effective interest method.

Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Target Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Target Company intends to settle its current tax assets and liabilities on a net basis.

Related parties

A related party is a person or entity that is related to the Target Company.

(A) A person or a close member of that person's family is related to the Target Company if that person:

- (i) has control or joint control over the Target Company;
- (ii) has significant influence over the Target Company; or
- (iii) is a member of the key management personnel of the Target Company or of a parent of the Target Company.

(B) An entity is related to the Target Company if any of the following conditions applies:

- (i) The entity and the Target Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Target Company or an entity related to the Target Company. If the Target Company is itself such a plan, the sponsoring employers are also related to the Target Company.
- (vi) The entity is controlled or jointly controlled by a person identified in (A).
- (vii) A person identified in (A)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Impairment of assets

At the end of each reporting period, the Target Company reviews the carrying amounts of its assets except receivables to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Target Company estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Target Company has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

Events after the reporting period

Events after the reporting period that provide additional information about the Target Company's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial information. Events after the reporting period that are not adjusting events are disclosed in the notes to the Financial Information when material.

5. CRITICAL JUDGMENTS AND KEY ESTIMATES

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors of the Target Company have made the following judgements that have the most significant effect on the amounts recognised in the Financial Information.

Going concern basis

The financial information has been prepared on a going concern basis, the validity of which depends upon the financial support of the controlling shareholder at a level sufficient to finance the working capital requirements of the Target Company. Details are explained in note 2 to the Financial Information.

6. FINANCIAL RISK MANAGEMENT

The Target Company's activities expose it to a variety of financial risks: credit risk and liquidity risk. The Target Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Target Company's financial performance.

(a) Credit risk

The carrying amount of the bank and cash balances, trade and other receivables included in the statements of financial position represents the Target Company's maximum exposure to credit risk in relation to the Target Company's financial assets.

The credit risk on cash and bank balances is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Target Company's credit risk is primarily attributable to its trade receivable which mainly represented rental income receivable from one of the leading Hong Kong car parking management companies under medium term tenancy agreement. In order to minimise credit risk, the directors of the Target Company have closely monitored credit limits and approvals of the trade debt to ensure that adequate impairment losses are recognised for irrecoverable debts. In this regard, the directors of the Target Company consider that the Target Company's credit risk is significantly reduced.

(b) Liquidity risk

The Target Company's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term. All of the Target Company's financial liabilities are due within one year.

The maturity analysis of the Target Company's financial liabilities is as follows:

	Carrying amount	Contractual cashflows	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2012						
Accruals and other payables	277	277	277	–	–	–
Amount due to a director	40,894	40,894	40,894	–	–	–
	41,171	41,171	41,171	–	–	–
At 31 December 2013						
Accruals and other payables	278	278	278	–	–	–
Amount due to a director	40,894	40,894	40,894	–	–	–
	41,172	41,172	41,172	–	–	–
At 31 December 2014						
Accruals and other payables	278	278	278	–	–	–
Amount due to a director	40,894	40,894	40,894	–	–	–
	41,172	41,172	41,172	–	–	–

(c) Fair values

The carrying amounts of the Target Company's financial assets and financial liabilities as reflected in the statements of financial position approximate their respective fair values.

7. REVENUE

The Target Company's revenue which represents rental income received for the Relevant Periods are as follows:

	Year ended 31 December		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
Rental income	2,852	3,101	3,171

8. OTHER INCOME

	Year ended 31 December		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
Bank interest income	–	1	1

9. INCOME TAX EXPENSES

	Year ended 31 December		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
Current tax - Hong Kong Profits Tax	229	294	263
Deferred tax *(Note 18)*	86	86	86
	315	380	349

Hong Kong Profits Tax has been provided at a rate of 16.5% on the estimated assessable profit for the Relevant Periods.

The reconciliation between the income tax expense and the product of profit before tax multipled by the Hong Kong profits tax rate.

	Year ended 31 December		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
Profit before tax	1,291	1,689	1,556
Tax at domestic income tax rate of 16.5%	213	279	257
Tax effect of expenses that are not deductible	112	111	112
Tax effect of tax reduction	(10)	(10)	(20)
Tax charge at the Target Company's effective rate	315	380	349

10. PROFIT FOR THE YEAR

The Target Company's profit for the Relevant Periods is stated after charging the following:

	Year ended 31 December		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
Auditor's remuneration	7	8	8
Depreciation	1,132	1,132	1,133
Directors' emoluments	–	–	–
Staff costs including directors' emoluments	–	–	–

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

During the Relevant Periods, no employee was employed by the Target Company and no emoluments were paid to the directors of the Target Company. Therefore, no emoluments were paid by the Target Company to any individual.

12. DIVIDENDS

The directors of the Target Company do not recommend the payment of any dividend in respect of the Relevant periods.

13. INVESTMENT PROPERTIES

	HK$'000
Cost	
At 1 January 2012, 31 December 2012, 1 January 2013, 31 December 2013, 1 January 2014 and 31 December 2014	60,194
Accumulated depreciation	
At 1 January 2012	19,994
Charge for the year	1,132
At 31 December 2012 and 1 January 2013	21,126
Charge for the year	1,132
At 31 December 2013 and 1 January 2014	22,258
Charge for the year	1,133
At 31 December 2014	23,391
Carrying amount	
At 31 December 2012	39,068
At 31 December 2013	37,936
At 31 December 2014	36,803

The estimated aggregate fair value of the investment properties as at 31 December 2012, 2013 and 2014 were approximately HK$90,000,000, HK$130,000,000 and HK$150,000,000, respectively, which have been arrived at on the basis of a valuation carried out on those dates by Access Partner Consultancy & Appraisals Limited ("**Access Partner**"), an independent qualified professional valuer. Access Partner has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation of investment property at 31 December 2012, 2013 and 2014 was arrived at using the comparison method based on market observable transactions of similar properties in other locations and adjusted to reflect the conditions and location of the subject property (level 2 fair value measurement).

In accordance with HKFRS13 "Fair Value Measurement", the above valuation techniques and the inputs used to measure the fair value is categorised into level 2 among the three levels of the fair value hierarchy. Level 2 inputs represent inputs other than quoted prices of identical assets or liabilities indicated within level 1 that are observable for the asset or liability, either directly or indirectly.

At 31 December 2012, 2013 and 2014, all investment properties are in medium-term leases in Hong Kong.

At 31 December 2012, 2013 and 2014, the carrying amount of investment properties of approximately HK$39,068,000, HK$37,936,000 and HK$36,803,000, respectively, were secured for a bank mortgage loan granted to the Target Company (note 21).

14. TRADE AND OTHER RECEIVABLES

	As at 31 December		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
Trade receivable	114	124	135
Deposit paid	88	88	88
	202	212	223

The Target Company's trading term with its customer is mainly on credit 30 days.

An ageing analysis of trade receivable, based on the invoice date, are as follows:

	As at 31 December		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
Less than 30 days	114	124	135

15. BANK AND CASH BALANCES

	As at 31 December		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
Bank balances	2,837	5,311	7,628

Cash at bank carries interest at prevailing market interest rates of 0.01% per annum at 31 December 2012, 2013 and 2014.

The maximum exposure to credit risk approximates the carrying amounts of the Target Company's cash and cash equivalents at each of the reporting dates.

16. ACCRUALS AND OTHER PAYABLES

	As at 31 December		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
Accruals	7	8	8
Rental deposit received	270	270	270
	277	278	278

17. AMOUNT DUE TO A DIRECTOR

	As at 31 December		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
Fortune Group Investment Limited	40,894	40,894	40,894

As at 31 December 2012, 2013 and 2014, an amount due to a director represented advances from Fortune Group Investment Limited, a director of the Target Company. The balance was unsecured, non-interest bearing and has no fixed terms of repayment.

18. DEFERRED TAX

The following are the major deferred tax liabilities recognised by the Target Company.

	Accelerated tax depreciation
	HK$'000
At 1 January 2012	1,197
Charged to profit or loss	86
At 31 December 2012 and 1 January 2013	1,283
Charged to profit or loss	86
At 31 December 2013 and 1 January 2014	1,369
Charged to profit or loss	86
At 31 December 2014	1,455

19. SHARE CAPITAL

	As at 31 December		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
			(Note)
Aurthorised, issued and fully paid:			
10,000 ordinary shares	10	10	10

Note: Under the Hong Kong Companies Ordinance (Cap. 622), which commenced operation on 3 March 2014, the concept of authorised share capital no longer exists. In accordance with section 135 of the Hong Kong Companies Ordinance (Cap. 622), the Target Company's shares no longer have a par or nominal value with effect from 3 March 2014. There is no impact on the number of shares in issue or the relative entitlement of any of the members as a result of this transition.

CAPITAL MANAGEMENT

The Target Company's objectives when managing capital are to safeguard the Target Company's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance. The Target Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions.

The Target Company monitors its capital structure on the basis of liability-to-asset ratio, which is calculated by dividing total liabilities by total assets. The liability-to-asset ratios of the Target Company as of 31 December 2012, 2013 and 2014 are 101%, 98 and 95%, respectively. The major capital source of the Target Company was mainly came from advances from a director as disclosed in note 17.

20. OPERATING LEASE COMMITMENTS

(a) As lessor

At the end of each reporting period, the total future minimum lease income under non-cancellable operating leases of the Target Company are receivable as follows:

	As at 31 December		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
Within one year	1,620	1,620	675
In the second to fifth years inclusive	2,295	675	–
	3,915	2,295	675

21. PLEDGE OF ASSETS

Assets with the following carrying amounts have been pledged over a bank mortgage loan which had been fully settled in 2009:

	As at 31 December		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
Investment properties	39,068	37,936	36,803

22. CONTINGENT LIABILITIES

As at 31 December 2012, 2013 and 2014, the Target Company did not have any significant contingent liabilities.

23. RELATED PARTY TRANSACTIONS

Other than the balances with related parties as disclosed elsewhere in the Financial Information, the Target Company did not enter into any other significant related party transactions during the Relevant Periods.

Compensation to key management personnel

The directors of the Target Company consider that they are the only key management personnel of the Target Company. No emolument was paid or payable to the directors of the Target Company during the Relevant Periods.

24. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Company in respect of any period subsequent to 31 December 2014.

Yours faithfully,
ZHONGHUI ANDA CPA Limited
Certified Public Accountants
Sze Lin Tang
Practising Certificate Number P03614
Hong Kong

The following is the text of a report received from ZHONGHUI ANDA CPA Limited, Certified Public Accountants, Hong Kong, prepared for the purpose of incorporation in this circular.

I. REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

中汇
ZHONGHUI

ZHONGHUI ANDA CPA Limited
Certified Public Accountants

15 June 2015

The Board of Directors
China Environmental Resources Group Limited

Dear Sirs,

We have completed our assurance engagement to report on the compilation of pro forma financial information of China Environmental Resources Group Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The pro forma financial information consists of the unaudited pro forma consolidated statement of assets and liabilities as at 31 December 2014 and related notes (the "**Pro Forma Financial Information**") as set out in Appendix III of the circular issued by the Company dated 15 June 2015 (the "**Circular**"). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are set out in Appendix III of the Circular.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the Acquisition on the Group's financial position as at 31 December 2014 as if the Acquisition had taken place on 31 December 2014. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's unaudited condensed consolidated financial information for the period ended 31 December 2014, on which a review report has been published. Information about the Target Company's financial position as at 31 December 2014 has been extracted by the Directors from the accountants' report of the Target Company as set out in Appendix II to the Circular.

Directors' Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the Pro Forma Financial Information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements ("**HKSAE**") 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountant comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Pro Forma Financial Information in accordance with paragraph 29 of Chapter 4 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Financial Information.

The purpose of Pro Forma Financial Information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction as at 31 December 2014 would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

– The related pro forma adjustments give appropriate effect to those criteria; and

– The Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the Group, the event or transaction in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Pro Forma Financial Information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Pro Forma Financial Information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Yours faithfully,
ZHONGHUI ANDA CPA Limited
Certified Public Accountants
Sze Lin Tang
Practicing Certificate Number P03614

Hong Kong, 15 June 2015

II. UNAUDITED PRO FORMA FINANCIAL INFORMATION ON THE ENLARGED GROUP

(1) INTRODUCTION TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

Capitalised terms used herein shall have the same meanings as those defined in this Circular, unless the context requires otherwise.

The accompanying unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group (the "**Unaudited Pro Forma Financial Information**") has been prepared by the directors (the "**Director**") of China Environmental Resources Group Limited (the "**Company**") to illustrate the effect of the acquisition of the entire issued share capital (the "**Sale Shares**") of Harvest Top Development Limited (the "**Target Company**").

The Unaudited Pro Forma Financial Information is prepared based on the unaudited condensed consolidated statement of financial position of the Group as at 31 December 2014 as extracted from the interim report of the Group for the six months ended 31 December 2014 and the audited statement of financial position of the Target Company as at 31 December 2014 as extracted from the accountants' report as set out in Appendix II of this Circular after making certain proforma adjustments resulting from the Acquisition.

The Unaudited Pro Forma Financial Information is prepared based on a number of assumptions, estimates, uncertainties and currently available information, and is provided for illustrative purposes only. Accordingly, as a result of the nature of the Unaudited Pro Forma Financial Information, it may not give a true picture of the actual financial position of the Group that would have been attained had the Acquisition actually occurred on 31 December 2014. Furthermore, the Unaudited Pro Forma Financial Information does not purport to predict the Group's future financial position.

The Unaudited Pro Forma Financial Information should be read in conjunction with the financial information of the Group as set out in Appendix I of this Circular, the financial information of the Target Company as set out in Appendix II of this Circular and other financial information included elsewhere in this Circular.

(2) UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP

	The Group	Pro forma adjustments				The Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Note 5)*	
Non-current assets						
Investment in a subsidiary	–	138,408	–	(138,408)	–	–
Investment properties	–	–	36,803	95,444	1,242	133,489
Property, plant and equipment	2,212	–	–	–	–	2,212
Biological assets	723,243	–	–	–	–	723,243
Intangible asset	126,807	–	–	–	–	126,807
Secured deposit for acquisition of subsidiaries	90,000	–	–	–	–	90,000
Derivative financial instrument	–	177	–	–	–	177
	942,262	138,585	36,803	(42,964)	1,242	1,075,928
Current assets						
Trade and other receivables	14,478	–	223	–	–	14,701
Financial assets at fair value through profit or loss	9,015	–	–	–	–	9,015
Bank and cash balances	96,523	(78,405)	7,628	–	(1,242)	24,504
Current tax assets	–	–	43	–	–	43
	120,016	(78,405)	7,894	–	(1,242)	48,263
Current liabilities						
Trade and other payables	8,199	–	278	–	–	8,477
Amount due to a director	–	–	40,894	(40,894)	–	–
Current tax liabilities	7,547	–	–	–	–	7,547
	15,746	–	41,172	(40,894)	–	16,024
Net current assets	104,270	(78,405)	(33,278)	40,894	(1,242)	32,239
Total assets less current liabilities	1,046,532	60,180	3,525	(2,070)	–	1,108,167
Non-current liabilities						
Deferred tax liabilities	213,748	–	1,455	–	–	215,203
Promissory note	–	60,180	–	–	–	60,180
	213,748	60,180	1,455	–	–	275,383
NET ASSETS	832,784	–	2,070	(2,070)	–	832,784

(3) NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

(1) The balances have been extracted from the unaudited consolidated statement of financial position of the Group as at 31 December 2014 as set out in the interim report of the Company for the six months ended 31 December 2014.

(2) The adjustments represent consideration payable by the Group with respect to the Acquisition. Pursuant to the sales and purchase agreement dated 26 March 2015 (the "**SPA**"), the transaction consideration, subject to adjustments, payable for the Acquisition is HK$140,000,000. The Purchaser and the Vendors agreed that the transaction consideration before adjustments shall be settled in the following manner:

(a) the Deposit in the sum of HK$42,000,000 shall be paid to the 1st Vendor upon the Vendors' production of duly executed Share Charge over the Sales Share, together with the Vendor's resolutions and BVI legal opinion proving that the Vendors are subsisting and good standing, with power and capacity to charge and sell the Sale Shares and there would be due execution to the satisfaction of the Purchaser's Solicitors;

(b) issuance of the assignable Promissory Note to the Vendors amounting to HK$60,000,000; and

(c) the remaining balance shall be paid in cash.

Adjustments to the consideration

Pursuant to the SPA, the transaction consideration shall be adjusted under the following considerations:

(a) any utility deposits, management fee deposits, rates, government rent and other expenses prepaid in relation to the investment properties of the Target Company for the period up to and inclusive of the Completion Date that should be adjusted to increase the amount of the transaction consideration;

(b) cash and bank balances, subject to a maximum amount of HK$50,000, as shown in the statement of financial position of the Target Company as at the Completion Date, that should be adjusted to increase the amount of the transaction consideration; and

(c) other than the Sale Loan, the aggregate amount of the liabilities of the Target Company as shown in the statement of financial position of the Target Company as at the Completion Date and any amounts payable by the Vendors should be adjusted to reduce the amount of the transaction consideration.

For the purpose of this Unaudited Pro Forma Financial Information, it is assumed that the audited statement of financial position of the Target Company as at 31 December 2014, which are extracted from the accountants' report as set out in Appendix II of this Circular, is the Completion Accounts and the calculation of the transaction consideration has been adjusted in the following:

	HK$'000
Transaction consideration before adjustments	140,000
Adjustment for:	
Add: Prepayments and deposits	88
Bank and cash balances	50
Less: Accruals and other payables	(278)
Deferred tax liabilities	(1,455)
Transaction consideration after adjustments	138,405

An analysis of the adjusted transaction consideration of the Acquisition assuming the Acquisition had taken place on 31 December 2014 is set out as below:

	Face value	**Pro-forma Fair value as at 31 December 2014**
	HK$'000	*HK$'000*
Consideration:		
– Deposit *(note b)*	42,000	42,000
– Promissory Note *(note a)*	60,000	60,003
– Cash *(note b)*	36,405	36,405
	138,405	138,408

Note:

(a) Pursuant to the SPA, the Company has an early redemption option to early redeem the Promissory Note, in whole or in part. Consequently, the Promissory Note shall be split in liability component and derivative component.

For the purpose of this Unaudited Pro Forma Financial Information, the Company has engaged Access Partner Consultancy & Appraisals Limited, an independent firm of qualified professional valuer, to perform a valuation on the fair values of liability component and derivative component of the Promissory Note as at 31 December 2014.

The fair value of the liability component is estimated to be approximately HK$60,180,000. The valuation of the Promissory Note has been undertaking by discounting the contractual cash flows over the contractual term of the Promissory Note at the discount rate at 5.89%, as considered by the Vendors are appropriate to reflect the riskiness of the Promissory Note, with reference being made to the prevailing market rates.

The fair value of the derivative component (derivative asset) is estimated to be approximately HK$177,000. The fair value is estimated using Swaption Model which is determined by adopting numbers of assumptions as considered appropriate by the Company. The total fair values of the Promissory Note will have to be reassessed as at the date of issuance upon completion of the Acquisition.

(b) The carrying amounts approximate to their respective fair values.

(3) The adjustment represents the assets and liabilities of the Target Company as at 31 December 2014, assuming the Acquisition had taken place on 31 December 2014. The assets and liabilities of the Target Company as at 31 December 2014 are extracted from the accountants' report of the Target Company as set out in Appendix II to this circular.

(4) Under Hong Kong Financial Reporting Standards, the Acquisition was accounted for as an acquisition of assets and liabilities as the Target Company proposed to be acquired by the Group does not constitute a business. Assuming that the Acquisition had taken place on 31 December 2014, the fair value of the transaction consideration is allocated as follows:

	HK$'000
Fair value of transaction consideration *(see Note 2)*	138,408
Less: The Sale Loan acquired*	(40,894)
Net assets being acquired#	(2,070)
Allocation to investment properties	95,444

* Assignment of the Sale Loan owing by the Target Company to the Vendors amounting to HK$40,894,000, being taken up by the Group;

\# For the purpose of the Unaudited Pro Forma Financial Information, it is assumed that, other than the investment properties (which are stated at cost less accumulated depreciation and impairment losses), the fair value of other identifiable assets and liabilities approximate to their respective carrying amounts of the assets and liabilities of the Target Company as at 31 December 2014. Therefore, the remaining transaction consideration of approximately HK$95,444,000 is allocated to the investment properties accordingly.

(5) The adjustment represents estimated acquisition-related costs of approximately HK$1,242,000 which would be capitalized in investment properties upon completion of the Acquisition under HKAS 40 "Investment Property".

(6) Save as set out above, the Unaudited Pro Forma Financial Information does not take into account any trading results or other transactions of the Group and the Target Company subsequent to the date of the financial statements as included in the Unaudited Pro Forma Financial Information.

The following is the text of a valuation report, prepared for the purpose of incorporation in this circular, received from Access Partner Consultancy & Appraisals Limited, an independent valuer, in connection with its valuation as of 18 March 2015 of the Property held by the Group.

ACCESS PARTNER
CONSULTANCY & APPRAISALS

15/F, No. 80 Gloucester Road,
Wanchai,
Hong Kong

15 June 2015

The Board of Directors
China Environmental Resources Group Limited
2/F., Shui On Centre,
6-8 Harbour Road,
Wanchai, Hong Kong

Dear Sir/Madam,

Re: Property Valuation of 95 Car Parking Spaces in Hong Kong

In accordance with your instructions for us to value the property intended to be acquired by China Environmental Resources Group Limited (the "**Company**") and/or its subsidiaries (together with the Company referred to as the "**Group**"), we confirm that we have carried out inspections, made relevant searches and enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the property as at 18 March 2015 for the purpose of incorporation in the circular of the Company dated 15 June 2015.

1. BASIS OF VALUATION

Our valuation of the property is our opinion of the market value of the concerned property which we would define as intended to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

Market value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

2. VALUATION METHODOLOGY

We have valued the property by the direct comparison approach assuming sale of the property in its existing state with the benefit of vacant possession and by making reference to comparable sales transactions as available in the relevant market and also considered the basis of capitalization of the net income receivable, if necessary.

3. TITLE INVESTIGATION

For the property in Hong Kong, we have carried out land searches at the Land Registry. However, we have not scrutinized all the original documents to verify ownership or to ascertain the existence of any lease amendments which may not appear on the copies handed to us.

4. VALUATION ASSUMPTIONS

Our valuation has been made on the assumption that the owner sells the property in the market in its existing state without the benefit of deferred term contracts, leasebacks, joint ventures, management agreements or any similar arrangements which would serve to affect the value of such property. In addition, no account has been taken of any option or right of pre-emption concerning or affecting the sale of the property and no allowance has been made for the property to be sold in one lot or to a single purchaser.

5. SOURCE OF INFORMATION

In the course of our valuation, we have relied to a very considerable extent on the information provided by the Group and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, identification of property, particulars of occupation, site / floor areas, ages of buildings and all other relevant matters which can affect the value of the property. All documents have been used for reference only.

We have no reason to doubt the truth and accuracy of the information provided to us. We have also been advised that no material facts have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and have no reason to suspect that any material information has been withheld.

6. VALUATION CONSIDERATION

We have inspected the exterior and, where possible, the interior of certain property. No structural survey has been made in respect of the property. However, in the course of our inspections, we did not note any serious defects. We are not, however, able to report that the property are free from rot, infestation or any other structural defects. No tests were carried out on any of the building services.

We have not carried out on-site measurement to verify the site / floor areas of the property under consideration but we have assumed that the site / floor areas shown on the documents handed to us are correct. Except as otherwise stated, all dimensions, measurements and areas included in the valuation certificates are based on information contained in the documents provided to us by the Group and are therefore approximations.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property are free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

7. REMARKS

Our valuation is prepared in compliance with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and in accordance with the HKIS Valuation Standards (2012 Edition) published by The Hong Kong Institute of Surveyors.

Unless otherwise stated, all monetary amounts stated are in Hong Kong Dollars (HKD).

We enclose herewith our valuation certificate.

Yours faithfully,
For and on behalf of
Access Partner Consultancy & Appraisals Limited
Raymond Chan
MHKIS
Associate Director

Note: Mr. Raymond Chan is a member of Hong Kong Institute of Surveyors. He has over 10 years' valuation experience in Hong Kong and the PRC.

VALUATION CERTIFICATE

Property intended to be acquired by the Group in Hong Kong for investment

Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 18 March 2015
Car Parking Spaces Nos. 1-72, Harbour View Garden, Car Parking Spaces Nos. A24-46 on 3th Floor, Harbour View Garden Tower III (also known as Harbour View Garden (Phase II)), No. 2 Catchick Street, Hong Kong 144/12,718th equal and undivided shares of and in the Remaining Portion of Section A & Sections B, C, D, E, F, G, H and the Remaining Portion of Sub-section 1 of Section A and the Remaining Portion of Section C of Inland Lot No. 1301. ("**Lot A**") 23/3,922nd equal and undivided shares of and in the Remaining Portion of Inland Lot No. 1301. ("**Lot B**")	The property comprises 95 car parking spaces in a residential development, known as Harbour View Garden, completed in 1994. Inland Lot No. 1301 is held under Government Lease for a term of 999 years commencing on 24 June 1892.	The property is used as a fee-paying public carpark. The property is leased to Wilson Parking (Holdings) Limited (the "**Tenant**") under a tenancy for a term of 3 years commencing on 1 June 2012 to 31 May 2015, with option for renewal, at a monthly rent of the greater of HKD135,000 (inclusive of Government Rates, Rent, and Property Tax) or 60% of all monthly receipts by the Tenant.	HKD150,000,000

Notes:

1. The registered owner of the property is Harvest Top Development Limited.

2. The property is subject to the following encumbrances:

   Lot A

   a. Legal charge to secure General Banking Facilities in favour of Chiyu Banking Corporation Limited vide Memorial No. UB7000472 dated 6 March 1997.

   Lot B

   b. Legal Charge to secure General Bank Facilities in favour of Chiyu Banking Corporation Limited vide Memorial No. UB7351115 dated 1 November 1997.

3. The property lies within an area zoned "Residential Group (A)" under Kennedy Town & Mount Davis Outline Zoning Plan No. S/H1/19.

4. Our inspection was performed by Mr. Ng Chun Fai, who has over 6 years' valuation experience, in March 2015.

5. Based on our latest market research, the property in the subject locality has a rental rate range between HKD3,000 and HKD6,000.

6. Subsequently, the tenancy agreement has been renewed on 26 May 2015 for a term of 6 months commencing on 1 June 2015 to 30 November 2015 at a monthly rent of the greater of HKD200,000 (inclusive of Government Rates, Rent, and Property Tax) or 60% of all monthly receipts by the Tenant.

1. 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 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.

2. SHARE CAPITAL OF THE COMPANY

As at the Latest Practicable Date, the authorised and issued share capital of the Company were as follows:

Authorised:		*HK$*
15,000,000,000	ordinary shares of HK$0.02 each	300,000,000.00
Issued and fully paid or credited as fully paid:		*HK$*
942,854,508	ordinary shares of HK$0.02 each	18,857,090.16

The Shares are primarily listed on the main board of the Stock Exchange and secondarily listed on the SGX-ST. Other than the Stock Exchange and the SGX-ST, no part of the share capital or any other securities of the Company is listed on or dealt in any stock exchange and no application is being made or is currently proposed or sought for the Shares or any other securities of the Company to be listed on or dealt in any other stock exchange.

As at the Latest Practicable Date, there were no arrangement under which future dividends are waived or agreed to be waived.

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

3. DISCLOSURE OF INTERESTS

Interests of Directors

As at the Latest Practicable Date, the interest or short position the Directors and chief executive of the Company in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register of the Company referred to therein or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules were as follows:

Name	Nature of interest	Number of Shares held	Approximate percentage of shareholding in the Company
Mr. Yeung Chi Hang	Beneficial owner	125,000,000	13.26%

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interest or short position in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register of the Company referred to therein or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange.

Interest of substantial Shareholders

So far as is known to the Directors and chief executive of the Company, as at the Latest Practicable Date, the following persons (other than the Directors or chief executive of the Company) had interests or short positions in the Shares or the underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Aggregate long position in the Shares and underlying shares of the Company:

Name	Nature of interest	Number of Shares held	Approximate percentage of shareholding in the Company
Mr. Cheng Tun Nei	Beneficial owner	80,378,816	8.53%
Mr. Chu Ying Man	Beneficial owner	70,000,000	7.42%

Save as aforesaid, as at the Latest Practicable Date, the Directors were not aware of any other person who had an interest or short positions in the Shares or underlying Shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or who was interested in 10% or more of the nominal value of any class of share capital, or options in respect of such capital, carrying rights to vote in all circumstances at general meetings of the Company.

4. LITIGATION

As at the Latest Practicable Date, neither the Company nor any member of the Enlarged Group was engaged in any litigation or arbitration or claim of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened by or against the Company or any member of the Enlarged Group.

5. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors has any existing or proposed service contract with any member of the Group which is not expiring or terminable by the Group within one year without payment of compensation (other than statutory compensation).

6. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or their respective close associates (as defined in the Listing Rules) was interested in any business apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with the business of the Group.

7. DISCLOSURE OF OTHER INTEREST

As at the Latest Practicable Date:

a) none of the Directors was materially interested in any contract or arrangement subsisting at the date of this circular which is significant in relation to the business of the Enlarged Group; and

b) none of the Directors in this appendix had any direct or indirect interest in any assets which had been, since 30 June 2014 (the date to which the latest published audited consolidated financial statements of the Group were made up), acquired, disposed of by, or leased to any member of the Enlarged Group, or were proposed to be acquired, disposed of by, or leased to any member of the Enlarged Group.

8. MATERIAL CONTRACTS

The following contracts, not being contracts in the ordinary course of business of the Enlarged Group, were entered into by the members of the Enlarged Group during the period commencing two years preceding the date of this circular and are or may be material:

(a) The Group

(i) the SPA;

(ii) the placing agreement dated 26 March 2014 entered into between the Company and Get Nice Securities Limited relating to the placing of 157,142,418 new shares at HK$0.375 per placing share;

(iii) the sale and purchase agreement and supplemental agreement entered between Prima Choice Limited, a wholly owned subsidiary of the Company as purchaser and Grand Keen Limited as vendor on 27 November 2013 and 16 December 2013 respectively relating to the acquisition of the entire issued share capital of Clear Wisdom Limited at a total consideration of HK$300 million and terminated by a termination agreement entered between Prima Choice Limited and Grand Keen Limited on 28 October 2014;

(iv) the underwriting agreement dated 12 August 2013 entered into between the Company and China Rise Securities Company Limited relating to the subscription of maximum 607,773,342 new shares at HK$0.27 per placing share; and

(v) the placing agreement dated 10 June 2013 entered into between the Company and Freeman Securities Limited relating to the placing of 30,453,958 new shares at HK$0.20 per placing share.

(b) The Target Company

(i) the SPA.

9. EXPERTS AND CONSENTS

The following is the qualification of the experts or professional advisers who have given opinion or advice contained in this circular:

Name	Qualification
Pan Asia Corporate Finance Limited	A licensed corporation to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
Zhonghui Anda CPA Limited	Certified Public Accountant
Access Partner Consultancy & Appraisals Limited (collectively, the "**Experts**")	Independent valuer

As at the Latest Practicable Date, each of the Experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and report and references to its name in the form and context in which it appears.

As at the Latest Practicable Date, none of the Experts had any interest, either direct or indirect, in any assets which have been, since 30 June 2014, being the date to which the latest published audited consolidated financial statements of the Group were made up, acquired or disposed of by or leased to or were proposed to be acquired or disposed of by or leased to any member of the Enlarged Group nor had any shareholding in any member of the Enlarged Group nor any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Enlarged Group.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours on any weekday other than public holidays at the principal place of business of the Company in Hong Kong at 2/F, Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong from 15 June 2015, the date of this circular up to and including 2 July 2015, the date of the EGM:

a) the memorandum of association and the Articles of the Company;

b) the annual reports of the Company for the three years ended 30 June 2012, 2013 and 2014;

c) the interim report of the Company for the six months ended 31 December 2014;

d) the accountants' report on the Target Company, the text of which is set out in Appendix II to this circular;

e) the letter on the unaudited pro forma financial information of the Enlarged Group issued by Zhonghui Anda CPA Limited set out in Appendix III to this circular;

f) the letter from the Independent Board Committee, the text of which is set out on page 24 of this circular;

g) the letter of advice from Pan Asia Corporate Finance Limited, the Independent Financial Adviser, the text of which is set out on pages 25 to 47 of this circular;

h) the valuation report on the Property, the text of which is set out in Appendix IV to this circular;

i) the consent letter referred to in the paragraph under the heading "Expert and Consent" in this Appendix to this circular;

j) the material contracts disclosed in the paragraph under the heading "Material Contracts" in this Appendix to this circular; and

k) this circular.

11. MISCELLANEOUS

(a) The registered office of the Company is situated at Ugland House, South Church Street, P.O. Box 309, George Town, Grand Cayman, Cayman Islands, British West Indies and its principal place of business in Hong Kong is located at 2/F, Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong.

(b) The secretary of the Company is Mr. Lo Tai On, a member of the Hong Kong Institute of Certified Public Accountants. He has over 20 years of experience in the field of company secretarial services.

(c) The share registrar and transfer office of the Company is Union Registrars Limited at A18/F, Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong.

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 11:00 a.m. on 2 July 2015 at 35/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong for the purpose of considering and, if thought fit, passing the following resolution as ordinary resolution:

ORDINARY RESOLUTION

"**THAT**

(a) the SPA (as defined in the circular dated 15 June 2015 despatached to the Shareholders of the Company (the "**Circular**") a copy of which has been produced to the EGM marked as "A" and signed by the chairman of the EGM for identification purpose) a copy of which has been produced to the meeting and marked as ''B'' and signed by the chairman of the EGM for the purpose of identification and the terms and conditions thereof be and are hereby approved, confirmed and ratified;

(b) issue of the Promissory Note (as defined in the Circular) pursuant to the terms and conditions of the SPA be and is hereby approved;

(c) all other transactions contemplated under the SPA be and are hereby approved; and

(d) any one Director be and is hereby authorised to do such acts and deeds in his sole and absolute discretion and opinion deemed expedient and appropriate to implement and effect the SPA and the transactions contemplated thereunder."

By order of the Board
China Environmental Resources Group Limited
Yeung Chi Hang
Chairman and Chief Executive Officer

Hong Kong, 15 June 2015

Notes:

1. Any shareholder entitled to attend and vote at the extraordinary general meeting shall be entitled to appoint another person as his/her proxy to attend and vote instead of him/her. A shareholder who is the holder of two or more shares may appoint more than one proxy to represent him/her and vote on his/her behalf. A proxy need not to be a shareholder of the Company.

2. In order to be valid, a proxy form together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, must be deposited at the Company's branch share registrar in Hong Kong, Union Registrars Limited at A18/F, Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong not less than 48 hours before the time appointed for the extraordinary general meeting (or any adjournment thereof).

3. Delivery of a proxy form shall not preclude a shareholder from attending and voting in person at the extraordinary general meeting and in such event, the instrument appoint a proxy shall be deemed to be revoked.

4. Where there are joint holders of any shares, any one of such joint holder may vote, either in person or by proxy in respect of such shares as if he/she was solely entitled hereto; but if more than one of such joint holders be present at the extraordinary general 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 of the Company.

5. A proxy form for use at the extraordinary general meeting is attached herewith.

6. Any voting at the extraordinary general meeting shall be taken by poll.

7. The proxy form shall be in writing under the hand of the appointer or his attorney duly authorized in writing or, if the appointer is a corporation, either under its seal or under the hand of an officer, attorney or other person authorized to sign the same.

As at the date of this notice, the board comprises five executive Directors, namely Mr. Yeung Chi Hang, Mr. Leung Kwong Choi, Mr. Wong Po Keung, Mr. Chung Siu Wah and Mr. Chen Yuyang; and three independent non-executive Directors, namely Mr. Wong Kwai Sang, Mr. Ong Chi King, and Mr. Heung Chee Hang Eric.