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

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

**If you have sold or otherwise transferred** all your shares in China Environmental Resources Group Limited, you should at once hand this circular to the purchaser(s) or transferee(s) or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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**CHINA ENVIRONMENTAL RESOURCES GROUP LIMITED**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1130)**

**REFRESHMENT OF GENERAL MANDATE TO ISSUE SHARES  
AND  
NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Independent financial adviser to the Independent Board Committee and  
the Independent Shareholders**

**AMASSE CAPITAL**  
**寶 積 資 本**

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A letter of recommendation from the Independent Board Committee to the Independent Shareholders is set out on page 8 of this circular. A letter of advice from the independent financial adviser, Amasse Capital Limited, to the Independent Board Committee and the Independent Shareholders on the Refreshment of General Mandate is set out on pages 9 to 15 of this circular.

A notice convening the EGM of China Environmental Resources Group Limited to be held at 35/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on Thursday, 6 June 2013 at 10:30 a.m. is set out on pages 16 to 17 of this circular.

Whether or not you are able to attend the meeting, you are requested to complete the accompanying form of proxy, in accordance with the instructions printed thereon and deposit the same at the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

20 May 2013

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## DEFINITIONS

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*In this circular, the following expressions have the meanings respectively set opposite them unless the context otherwise requires:*

“Articles of Association”	the articles of association of the Company as amended, supplemented or modified from time to time
“Board”	the board of Directors
“Bright Delight”	Bright Delight Group Limited, a company incorporated under the laws of the British Virgin Islands with limited liability
“Company”	China Environmental Resources Group Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	the meaning ascribed to it in the Listing Rules
“Director(s)”	the director(s) of the Company
“Existing General Mandate”	the general and unconditional mandate granted to the Directors to allot and issue Shares with an aggregate nominal value not exceeding 20% of the then aggregate nominal value of the issued share capital of the Company as at the date of the annual general meeting of the Company held on 21 November 2012
“EGM”	the extraordinary general meeting of the Company to be held at 35/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on Thursday, 6 June 2013 at 10:30 a.m. to consider and, if thought fit, approve the Refreshment of General Mandate
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board, comprising Mr. Wong Kwai Sang, Mr. Christopher David Thomas and Mr. Chan Ka Yin, all of whom are independent non-executive Directors, formed to advise the Independent Shareholders on the Refreshment of General Mandate

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## DEFINITIONS

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“Independent Financial Adviser”	Amasse Capital Limited, a licensed corporation eligible to carry out Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders on the Refreshment of General Mandate
“Independent Shareholder(s)”	Shareholder(s) who are not required, under the Listing Rules, to abstain from voting at the EGM to consider and, if thought fit, approve the Refreshment of General Mandate
“Latest Practicable Date”	13 May 2013, being the latest practicable date prior to the printing of this circular for ascertaining information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New General Mandate”	the general and unconditional mandate proposed to be granted to the Directors to allot and issue Shares with an aggregate nominal value not exceeding 20% of the then aggregate nominal value of the issued share capital of the Company as at the date of the EGM
“Refreshment of General Mandate”	the proposed refreshment of the Existing General Mandate into the New General Mandate
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.02 each in the share capital of the Company
“Share Consolidation”	the consolidation of every 20 issued and unissued new Shares into one consolidated Share, which was effected on 1 March 2013
“Shareholders”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	Hong Kong Code on Takeovers and Mergers
“%”	per cent

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## LETTER FROM THE BOARD

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### CHINA ENVIRONMENTAL RESOURCES GROUP LIMITED

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1130)**

*Executive Directors:*

Mr. Zhou Hongbo

*(Chairman and Chief Executive Officer)*

Mr. Kwok Wai, Wilfred

Mr. Leung Kwong Choi

*Independent non-executive Directors:*

Mr. Wong Kwai Sang

Mr. Christopher David Thomas

Mr. Chan Ka Yin

*Registered office:*

Ugland House

South Church Street,

P.O. Box 309

George Town

Grand Cayman

Cayman Islands

British West Indies

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

2/F., Shui On Centre

6-8 Harbour Road

Wanchai, Hong Kong

20 May 2013

*To the Shareholders*

Dear Sir or Madam,

### **REFRESHMENT OF GENERAL MANDATE TO ISSUE SHARES AND NOTICE OF EXTRAORDINARY GENERAL MEETING**

#### **Introduction**

The purpose of this circular is to provide you with (i) information relating to the Refreshment of General Mandate; (ii) the recommendation of the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Refreshment of General Mandate; and (iv) the notice of the EGM to be convened and held for purpose of considering, if thought fit, approving the Refreshment of General Mandate.

#### **Existing General Mandate**

At the annual general meeting of the Company held on 21 November 2012, the then shareholders of the Company approved, among other things, an ordinary resolution to grant the Directors the Existing General Mandate to allot and issue up to 513,079,160 new shares with the then par value of HK\$0.05 each (equivalent to 25,653,958 Shares after the Share Consolidation).

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## LETTER FROM THE BOARD

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As at the Latest Practicable Date, the Existing General Mandate had been utilized as to 480,000,000 shares of the Company with then par value of HK\$0.05 each (equivalent to 24,000,000 Shares after the Share Consolidation), representing approximately 93.6% of the number of new shares with then par value of HK\$0.05 each which were allowed to be allotted, issued and dealt with under the Existing General Mandate. As set out in the announcement (the “**Announcement**”) of the Company dated 20 March 2013, regarding the placing of new shares (the “**Placing**”), a maximum of 24,000,000 Shares with par value of HK\$0.02 each will be issued under the Existing General Mandate. It is stated in the Announcement that the net proceeds from the Placing of approximately HK\$6.13 million will be used for the Group’s general working capital.

### **Reasons for the Refreshment of General Mandate**

The Company is an investment holding company. Its subsidiaries are principally 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, green medical markets and green technology markets in the People’s Republic of China and overseas.

Since the granting of the Existing General Mandate at the annual general meeting of the Company held on 21 November 2012, there has been no refreshment of the Existing General Mandate. Therefore, after the Placing, only 33,079,160 additional shares with then par value of HK\$0.05 each (equivalent to 1,653,958 Shares after the Share Consolidation) can be issued under the Existing General Mandate.

As referred to in the interim report of the Company, as at 31 December 2012, the Company has cash on hand of approximately HK\$2.9 million. The Company had proposed to conduct a HK\$20 million placement of convertible bonds back in February 2012, however, due to adverse conditions in the global economy and financial markets as well as the volatility in the Hong Kong stock market, the placing agreement in respect of the said placement was terminated on 31 March 2012. Since then, the Board has been actively seeking other feasible fund raising methods to raise additional funds for general working capital, and its possible business expansion. The Board considers that the Refreshment of General Mandate would provide the Company with flexibility to raise funds for (i) its future business development and/or any opportunities to be identified by the Company; and (ii) general working capital through equity financing.

The Board has been reviewing and/or involving in discussions on potential projects from time to time. Save for previously disclosed in the Company’s announcements dated 6 December 2010 and 23 April 2013 in respect of the conditional acquisition of the entire issued share capital of Bright Delight and up to the Latest Practicable Date, the Company has not entered into any agreement, arrangement and understanding about any potential investment opportunities. Given that equity financing (i) does not incur any interest paying obligations on the Group as compared with bank financing; (ii) is less costly and time-consuming than raising funds by way of rights issue or open offer; and (iii) provides the Company with the capability to capture any capital raising opportunity as and when it arises, the Board proposes to refresh the Existing General Mandate for the Directors to allot, issue and deal with new Shares with an aggregate nominal amount of not exceeding 20% of the

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## LETTER FROM THE BOARD

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aggregate nominal amount of the issued share capital of the Company as at the date of the EGM. The New General Mandate is proposed to the Shareholders prior to the Company's next annual general meeting and therefore, under Rule 13.36(4) of the Listing Rules, the Refreshment of General Mandate will be subject to the Independent Shareholders' approval at the EGM.

### Fund raising activities of the Company during the past twelve months

Set out below is the equity fund raising activities conducted by the Company in the past twelve months prior to the Latest Practicable Date:

<b>Date of announcement</b>	<b>Fund raising activities</b>	<b>Net proceeds raised (approximate)</b>	<b>Intended use of proceeds</b>	<b>Actual use of net proceeds (approximate)</b>
20 March 2013	Placing of new shares under a general mandate	HK\$6.13 million	General working capital of the Group	<ol style="list-style-type: none"><li>1. Approximately HK\$3.4 million was used to settle professional fees and general administrative expenses of the Group; and</li><li>2. Approximately HK\$2.73 million is currently in the Group's bank account and was unutilized. Such amount will be utilized to settle part of the payment obligation of approximately of HK\$5.8 million of an acquisition by 30 June 2013, details of which was announced by the Company on 23 April 2013</li></ol>

Save as and except for the above, the Company had not conducted any other equity fund raising activities in the past twelve months immediately prior to the Latest Practicable Date.

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## LETTER FROM THE BOARD

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### **General**

As at the Latest Practicable Date, the issued share capital of Company consisted of 152,269,790 Shares. An ordinary resolution will be proposed to the Independent Shareholders to approve the Refreshment of General Mandate to authorise the Directors to allot, issue and deal with new Shares, being the number of Shares not exceeding 20% of the issued share capital of the Company as at the date of the EGM.

The Independent Board Committee, comprising Mr. Wong Kwai Sang, Mr. Christopher David Thomas and Mr. Chan Ka Yin, all being the independent non-executive Directors, has been formed to consider the Refreshment of General Mandate. Amasse Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

Pursuant to Rule 13.36(4)(a) of the Listing Rules, any controlling Shareholders and their respective associates, or where there is no controlling Shareholder, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the relevant resolution to approve the Refreshment of General Mandate to be proposed at the EGM. As there is no controlling Shareholder, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the relevant resolution to approve the Refreshment of General Mandate. As at the Latest Practicable Date, none of the Directors and their respective associates has any shareholdings in the Company.

### **Voting by way of poll**

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

### **EGM**

The notice of EGM is set out on pages 16 to 17 to this circular. At the EGM, an ordinary resolution will be proposed to approve the Refreshment of General Mandate.

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



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## LETTER FROM THE BOARD

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### **Period during which the New General Mandate will remain effective**

The New General Mandate will, if granted, remain effective until the earliest of (i) the conclusion of the next annual general meeting of the Company; (ii) the date by which the next annual general meeting is required to be held; and (iii) the date upon which such authority is revoked or varied by an ordinary resolution of the Shareholders in a general meeting of the Company.

### **Responsibility Statement**

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

### **Consent**

Amasse Capital Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter set out therein and reference to its name in the form and context in which they appear respectively.

### **Recommendation**

Having considered the reasons as set out herein, the Board hereby recommends the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the EGM to approve the Refreshment of General Mandate.

You are advised to read carefully the letter from the Independent Board Committee on page 8 of this circular and the letter from the Independent Financial Adviser set out on pages 9 to 15 of this circular. The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, considers that the Refreshment of General Mandate is to be fair and reasonable and in the interest of the Company and its Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the relevant ordinary resolution to be proposed at the EGM to approve the Refreshment of General Mandate.

By Order of the Board  
**China Environmental Resources Group Limited**  
**Zhou Hongbo**  
*Chairman and Chief Executive Officer*

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**LETTER FROM THE INDEPENDENT BOARD COMMITTEE**

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**CHINA ENVIRONMENTAL RESOURCES GROUP LIMITED**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1130)**

20 May 2013

*To the Independent Shareholders*

Dear Sir or Madam,

**REFRESHMENT OF GENERAL MANDATE TO ISSUE SHARES**

We refer to the circular from the Company to the Shareholders dated 20 May 2013 (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.

We have been appointed to advise you in connection with the Refreshment of General Mandate, details of which are set out in the “Letter from the Board” set out on page 8 of the Circular. We wish to draw your attention to the “Letter from the independent financial adviser” set out on pages 9 to 15 of the Circular, which contains the independent financial adviser’s advice regarding the Refreshment of General Mandate.

We consider the advice of the independent financial adviser, the Refreshment of General Mandate is to be fair and reasonable and in the interest of the Company and its Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant ordinary resolution to be proposed at the EGM to approve the Refreshment of General Mandate.

Yours faithfully,

**Chan Ka Yin**

**Wong Kwai Sang**

**Christopher David Thomas**

*Independent Non-executive Directors*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the text of a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Refreshment of General Mandate, and is prepared for inclusion in this circular.*

**AMASSE CAPITAL**  
寶 積 資 本

20 May 2013

*The Independent Board Committee and  
the Independent Shareholders*

**China Environmental Resources Group Limited**

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

Dear Sirs,

### REFRESHMENT OF GENERAL MANDATE TO ISSUE SHARES

#### INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Refreshment of General Mandate, details of which are set out in this circular, of which this letter forms a part. We have been retained by the Company to advise the Independent Board Committee and the Independent Shareholders as to whether the Refreshment of General Mandate is fair and reasonable and whether the grant of the New General Mandate to the Board to exercise the power of the Company to allot and issue shares not exceeding 20% of the issued share capital of the Company as at the date of the EGM is in the interests of the Company and its Shareholders as a whole, and to advise Independent Shareholders on how to vote. Unless the context otherwise requires, capitalised terms used in this letter have the same meanings as those defined in this circular.

As at the Latest Practicable Date, there is no controlling Shareholder as defined under the Listing Rules. If on the date of the EGM, the Company has any controlling Shareholder(s), the controlling Shareholder(s) and their associates or, where there are no controlling Shareholder(s), Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates, if they hold any Shares, shall abstain from voting in favor of the relevant resolutions for approving the New General Mandate pursuant to Rule 13.36(4)(a) of the Listing Rules.

The Independent Board Committee, comprising Mr. Wong Kwai Sang, Mr. Christopher David Thomas and Mr. Chan Ka Yin, all being independent non-executive Directors, has been established to consider the terms of the New General Mandate and to advise the Independent Shareholders in relation to the Refreshment of General Mandate.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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In formulating our opinion and advice, we have relied upon accuracy of the information and representations contained in this circular and information provided to us by the Company and its Director(s). We have assumed that all statements and representations made or referred to in this circular were true at the time they were made and continue to be true at the date of the EGM. We have also assumed that all statements of belief, opinion and intention made by the Director(s) in this circular were reasonably made after due and careful enquiry.

We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Company and its Director(s) and have been confirmed by the Directors that no material facts and representations the omission of which would make any statement in this circular, including this letter, misleading. We have not, however, conducted any independent in-depth investigation into the business affairs, financial position or future prospects of the Group, nor have we carried out any independent verification of the information provided by the Director(s) and management of the Company. We consider that we have reviewed sufficient information to reach an informed view and to justify reliance on the accuracy of the information and representations contained in this circular and to provide a reasonable basis for our recommendation regarding the Refreshment of General Mandate.

### **PRINCIPAL FACTORS CONSIDERED**

In giving our recommendation to the Independent Board Committee and the Independent Shareholders in respect of the Refreshment of General Mandate, we have taken into consideration the following factors and reasons:

#### **1. Background and Reasons for the Refreshment of General Mandate**

The Group is principally 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, green medical markets and green technology markets in the People's Republic of China and overseas.

At the annual general meeting of the Company held on 21 November 2012, the Shareholders passed among others, ordinary resolutions to grant the Directors the Existing General Mandate to issue, allot and otherwise deal with a maximum of 513,079,160 new shares, representing 20% of the total nominal amount of the share capital of the Company in issue on the date of passing such resolutions, which was equivalent to 25,653,958 Shares after the Share Consolidation.

As a result of the placing of 24,000,000 new Shares (the "Placing") announced on 20 March 2013, the existing General Mandate has been utilised as to approximately 93.6% of the aggregate number of Shares which may be allotted and issued under the Existing General Mandate. There has been no refreshment of the Existing General Mandate since the said annual general meeting.

In order to provide the Company with maximum financial flexibility for the Group to issue new Shares in the future, the Board proposed to seek approval by the Independent Shareholders at the EGM in respect of the New General Mandate, in which the Directors shall be granted the authority to allot

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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and issue not exceeding 20% of the issued share capital of the Company as at the date of the EGM. The New General Mandate will be in force when it is approved by the Independent Shareholders at the EGM. As at the Latest Practicable Date, the total number of issued Shares were 152,269,790 Shares. For illustrative purpose and on the assumptions that there will be no further issue of new Shares from the Latest Practicable Date to the date of the EGM (both dates inclusive), 152,269,790 Shares will be in issue as at the date of the EGM and the Board will be granted the power to allot and issue further 30,453,958 Shares, being 20% of the total number of issued shares of the Company as at the date of the EGM, under the New General Mandate when it is approved by the Independent Shareholders at the EGM.

As set out in the Company's interim report for the six months ended 31 December 2012, the unaudited consolidated cash and bank balance of the Group was approximately HK\$3.0 million as compared to the total current liabilities of approximately HK\$81.3 million as at 31 December 2012. Considering that the significant loss of the business of the Group since 2010/2011 financial year, the Group's principal businesses still facing huge challenges and the net current liability position of approximately HK\$44.8 million, we consider that there is no certainty that the existing cash level will be adequate for its future working capital uses. In addition, we also noted the payment obligation of approximately HK\$5.8 million on or before 30 June 2013 in relation to the supplemental agreement to an acquisition, details of which was announced by the Company dated 23 April 2013. In light of the above, even though the Company has recently raised fund by utilizing the Existing General Mandate, it would be fair and reasonable for the Group to remain financial flexible in obtaining future financing to meet its urgent liquidity needs, if any, by the Refreshment of General Mandate.

Further, in the event that the Group identifies suitable investment opportunities and does not have sufficient cash on hand, and it fails to obtain loans on terms which the Directors consider acceptable to the Group, or it cannot find other alternatives to finance such investment opportunity in a timely manner, the Group may lose its bid in an otherwise favorable investment.

Accordingly, we consider that the Refreshment of General Mandate is fair and reasonable and is in the interests of the Company and its Shareholders as a whole.

### 2. **Financial Flexibility**

The Directors believe that the Refreshment of General Mandate will enable the Company to take advantage of the market condition to raise additional funds for the Company through the issue of new Shares when the Directors think fit and appropriate in view of the then liquidity position of the Group and when suitable investment opportunities are identified.

We consider that the granting of the New General Mandate could enhance the financing flexibility of the Company to raise capital, if and when required, through placing of Shares for further strengthen the Company's capital base and further development of the Group. While the Directors consider that investment decisions may have to be made immediately should suitable investment opportunities arise, we agree that the New General Mandate would then provide the Group with the maximum flexibility allowed under the Listing Rules to take advantage of market conditions to raise additional capital, through placing of new Shares as consideration, for funding such investments in the future when opportunities are identified and as Directors think appropriate.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The Board has been reviewing and/or involving in discussions on potential projects from time to time. Save for previously disclosed in the Company's announcements dated 6 December 2010 and 23 April 2013 in respect of the conditional acquisition of the entire issued share capital of Bright Delight, and up to the Latest Practicable Date, the Company has not entered into any agreement, arrangement and understanding about any potential investment opportunities.

### 3. Other Financing Alternatives

Other than raising fund by way of placing of new Shares, the Board indicates that the Company will consider other financing methods such as bank financing, debt financing, rights issue and open offer in order to meet its liquidity needs and financing requirements arising from any future investment of the Group, depending on the then financial position, capital structure, cost of funding of the Group and urgency of such funding needs as well as the then market condition. However, the Directors are of the view that the ability of the Group to obtain bank and debt financing usually depends on the Group's profitability, financial position and the then prevailing market condition. Debt financing will usually incur interest burden on the Group. Furthermore, bank and debt financing may be subject to lengthy negotiations with banks while rights issue and open offer may be subject to lengthy procedures in publishing the prospectus, and subscribing and allotting offer shares to investors. In light of the above, the Directors consider that these alternatives to be relatively uncertain and time-consuming as compared to placing of new Shares under general mandate to obtain additional funding.

As such, the New General Mandate will serve as one of the alternatives for the Company to finance the Group's investment and the Board will use the method that serves the best interests of the Group. We consider that it is sensible to make reference to the then financial position, capital structure, cost of funding of the Group and urgency of such funding needs as well as the then market condition in order to decide a suitable financing method for the future investment of the Group.

### 4. Potential Dilution to Shareholdings of the Shareholders

Shareholders should note that the New General Mandate if approved by the Independent Shareholders at the EGM will be and continue to be in force until the earliest of (i) the conclusion of the Company's next annual general meeting, (ii) the expiration of the period within which the next annual general meeting of the Company is required to be held, and (iii) the revocation or variation of the authority given under the relevant resolutions to be proposed as ordinary resolutions of the Shareholders in general meeting.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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For illustrative purpose, the table below sets out the potential dilution effect on the shareholding of the Company upon full utilization of the New General Mandate on the assumptions that there will be no further issue of new Shares since the Latest Practicable Date.

	<b>As at the Latest Practicable Date</b>		<b>Upon full exercise of the New General Mandate</b>	
	<b>No. of Shares</b>	<b>Approx. %</b>	<b>No. of Shares</b>	<b>Approx. %</b>
<b>Substantial Shareholders</b>				
Choy Ping Fai	15,205,200	10.0	15,205,200	8.3
The Cathay Investment Fund, Limited	13,196,000	8.7	13,196,000	7.2
<b>Public</b>				
Shares to be issued under the New General Mandate	—		30,453,958	16.7
Public Shareholders	<u>123,868,590</u>	<u>81.3</u>	<u>123,868,590</u>	<u>67.8</u>
<b>Total</b>	<u><u>152,269,790</u></u>	<u><u>100</u></u>	<u><u>182,723,748</u></u>	<u><u>100</u></u>

Upon utilization in full of the New General Mandate, 30,453,958 new Shares can be allotted and issued, representing approximately 20% and 16.7% of the total issued share capital of the Company as at the Latest Practicable Date and the then enlarged issued share capital of the Company respectively. The aggregate shareholding of the public Shareholders upon full utilization of the New General Mandate will, therefore, decrease from approximately 81.3% to approximately 67.8%, representing a potential maximum dilution of approximately 16.7%.

Considering that the shareholding of all the existing Shareholders will be diluted proportionally to their respective shareholdings upon utilization of the New General Mandate, we consider that such maximum potential dilution to the shareholdings of the Shareholders to be justifiable.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 5. Fund raising activities in the past twelve months

Set out below is the equity fund raising activities conducted by the Company in the past twelve months prior to the Latest Practicable Date:

<b>Date of announcement</b>	<b>Fund raising activities</b>	<b>Net proceeds raised (approximate)</b>	<b>Intended use of proceeds</b>	<b>Actual use of net proceeds (approximate)</b>
20 March 2013	Placing of new shares under a general mandate	HK\$6.13 million	General working capital of the Group	<ol style="list-style-type: none"><li>1. Approximately HK\$3.4 million was used to settle professional fees and general administrative expenses of the Group; and</li><li>2. Approximately HK\$2.73 million is currently in the Group's bank account and was unutilized. Such amount will be utilized to settle part of the payment obligation of approximately of HK\$5.8 million of an acquisition by 30 June 2013, details of which was announced by the Company on 23 April 2013</li></ol>

Save as and except for the above, the Company had not conducted any other equity fund raising activities in the past twelve months immediately prior to the Latest Practicable Date.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### RECOMMENDATION

Taking into account that

- (i) the Group was in net liability position as at 31 December 2012;
- (ii) the New General Mandate will allow the increase in capital which may be raised by way of new equity issue under the New General Mandate so as to improve the financial position of the Group;
- (iii) the New General Mandate will provide an alternative of financing to the Group for any urgent funding needs and/or future development of its business and potential investment as and when such opportunities arise; and
- (iv) the fact that the shareholding of all the existing Shareholders will be diluted proportionally to their respective shareholdings upon utilization of the New General Mandate,

we consider that the Refreshment of General Mandate is fair and reasonable and is in the interests of the Company so far as the Shareholders as a whole are concerned.

Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the New General Mandate.

Yours faithfully,  
For and on behalf of  
**Amasse Capital Limited**  
Michael Lam  
*Managing Director*

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## NOTICE OF EGM

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### CHINA ENVIRONMENTAL RESOURCES GROUP LIMITED

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1130)**

#### NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the extraordinary general meeting (the “EGM”) of China Environmental Resources Group Limited (the “Company”) will be held at 35/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on Thursday, 6 June 2013 at 10:30 a.m., for the purpose of considering and, if thought fit, passing, with or without modification, the following resolution as an ordinary resolution of the Company:

#### ORDINARY RESOLUTION

“**THAT**

- (a) subject to paragraph (c) below, the exercise by the directors of the Company (the “Directors”) during the Relevant Period (as defined in paragraph (d) below) of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements, options and rights of exchange or conversion which might require the exercise of such powers be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) above shall be in addition to any other authorization given to the Directors and shall authorise the Directors during the Relevant Period (to be defined in paragraph (d) below) to make or grant offers, agreements, options and rights of exchange or conversion which might require the exercise of such powers after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors pursuant to the approval granted in paragraph (a) above, otherwise than pursuant to (i) a Rights Issue (to be defined in paragraph (d) below), or (ii) any share option schemes of the Company approved by The Stock Exchange of Hong Kong Limited, or (iii) any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the articles of association of the Company, or (iv) the exercise of the outstanding conversion rights attaching to any convertible securities issued by the Company, which are convertible into shares of the Company, shall not exceed 20 per cent. of the aggregate nominal amount of the issued share capital of the Company as at the date of passing this resolution, and the said approval shall be limited accordingly; and

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## NOTICE OF EGM

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(d) for the purposes of this resolution:

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

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

“Rights Issue” means an offer of shares open for a period fixed by the Directors to holders of shares on the register on a fixed record date in proportion to their then holdings of such shares (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of any relevant jurisdiction, or the requirements of any recognized regulatory body or any stock exchange, in any territory outside Hong Kong).”

By Order of the Board  
**China Environmental Resources Group Limited**  
**Zhou Hongbo**  
*Chairman and Chief Executive Officer*

Hong Kong, 20 May 2013

*Notes:*

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

*As at the date of this notice, the Board comprises of Mr. Zhou Hongbo (Chairman and Chief Executive Officer), Mr. Kwok Wai, Wilfred, Mr. Leung Kwong Choi as executive directors, Mr. Wong Kwai Sang, Mr. Christopher David Thomas and Mr. Chan Ka Yin as independent non-executive directors.*