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If you have sold or transferred all your shares in China Environmental Resources Group Limited (the "Company"), you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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CHINA ENVIRONMENTAL RESOURCES GROUP LIMITED

中國環境資源集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1130)

- (1) CONTINUING CONNECTED TRANSACTION
– TENANCY AGREEMENT;
(2) REFRESHMENT OF GENERAL MANDATE
TO ALLOT AND ISSUE SHARES;
(3) REFRESHMENT OF SCHEME MANDATE LIMIT;
AND
(4) NOTICE OF EXTRAORDINARY GENERAL MEETING**

Financial adviser to the Company



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



A letter from the Independent Board Committee is set out on pages 16 to 17 of this circular and a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 18 to 28 of this circular.

A notice convening the EGM of the Company to be held at 11:00 a.m. on Friday, 29 July 2016 at 35/F, Central Plaza, 18 Harbour Road, Wan Chai, Hong Kong is set out on pages EGM-1 to EGM-4 of this circular. A form of proxy for use at the EGM is enclosed with this circular.

Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same with the Company's branch share registrar and transfer office in Hong Kong, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

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DEFINITIONS

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

“2015 AGM”	the 2015 annual general meeting of the Company held on 11 November 2015
“associate(s)”	has the meaning as ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	China Environmental Resources Group Limited (Stock Code: 1130), a company incorporated in the Cayman Islands with limited liability and the Shares of which have a primary listing on the main board of the Stock Exchange and a secondary listing on the Singapore Exchange Securities Trading Limited
“connected person(s)”	the meaning ascribed thereto under the Listing Rules
“controlling Shareholder(s)”	has the same meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened to consider and if thought fit approve (i) the Tenancy Agreement (including the proposed annual caps thereof); (ii) the proposed grant of the Refreshed General Mandate; and (iii) the proposed refreshment of the Scheme Mandate Limit
“Existing General Mandate”	the general mandate granted to the Directors by the Shareholders at the 2015 AGM to allot, issue and deal with Shares of not exceeding 20% of the then issued share capital of the Company as at the date of the 2015 AGM
“Group”	the Company and its subsidiaries
“Harvest Top”	Harvest Top Development Limited, a company incorporated Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company

DEFINITIONS

“High Brand”	High Brand Limited (鴻升有限公司), a company incorporated in Hong Kong, and is indirectly owned as to 50% by Mrs. Yeung
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	an independent board committee of the Company comprising all the independent non-executive Directors
“Independent Financial Adviser” or “Grand Moore”	Grand Moore Capital Limited, a corporation 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 to the Independent Board Committee and the Independent Shareholders in respect of the Tenancy Agreement (including the proposed annual caps thereof) and proposed grant of the Refreshed General Mandate
“Independent Shareholder(s)”	Shareholder(s) other than any controlling Shareholders and their associates, or where there are no controlling Shareholders, any Director (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates
“Latest Practicable Date”	6 July 2016, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Yeung”	Mr. Yeung Chi Hang, an executive Director, the Chairman and chief executive officer of the Company and a substantial Shareholder
“Mrs. Yeung”	Ms. Ma Shu Chin (alias Ms. Ma Shuk Kam), mother of Mr. Yeung

DEFINITIONS

“Option(s)”	option(s) granted or to be granted under the Share Option Scheme
“Property”	Unit 2811, 28th Floor, West Tower, Shun Tak Centre, No.168-200 Connaught Road Central, Hong Kong
“Refreshed General Mandate”	the new general mandate proposed to be sought at the EGM to authorize the Directors to allot, issue and deal with Shares not exceeding 20% of the issued share capital of the Company as at the date of the passing of the relevant resolution
“Scheme Mandate Limit”	the total number of Shares which may be allotted and issued upon exercise of all options to be granted by the Board under the Share Option Scheme and any other share option scheme(s) of the Company to subscribe up to 10% of the Shares in issue as at the date of approval of the Share Option Scheme and thereafter, if refreshed, the total number of Shares which may be allotted and issued upon exercise of all options to be granted shall not exceed 10% of the Shares in issue as at the date of approval by the Shareholders of the refreshed limit
“SFO”	Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
“Shareholder(s)”	holder(s) of the Share(s)
“Share Option Scheme”	the share option scheme adopted by the Company on 11 November 2015
“Share(s)”	ordinary share(s) of HK\$0.02 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tenancy Agreement”	the tenancy agreement dated 6 July 2016 entered into between Harvest Top as tenant and High Brand as landlord in relation to the leasing of the Property
“%”	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
Mr. Leung Kwong Choi
Mr. Wong Po Keung
Mr. Chung Siu Wah
Mr. Chik To Pan

Registered office:

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

Independent non-executive Directors:

Mr. Wong Kwai Sang
Mr. Ong Chi King
Mr. Heung Chee Hang Eric

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

Room 2811, 28/F
West Tower
Shun Tak Centre
200 Connaught Road Central
Hong Kong

12 July 2016

*To the Shareholders and, for information only,
the holders of the Options*

Dear Sir or Madam,

- (1) CONTINUING CONNECTED TRANSACTION
– TENANCY AGREEMENT;
(2) REFRESHMENT OF GENERAL MANDATE
TO ALLOT AND ISSUE SHARES;
(3) REFRESHMENT OF SCHEME MANDATE LIMIT;
AND
(4) NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the announcement of the Company dated 6 July 2016, in relation to, among other things, (i) the Tenancy Agreement (including the proposed annual caps thereof), (ii) the proposed grant of the Refreshed General Mandate; and (iii) the proposed refreshment of the Scheme Mandate Limit.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with the information regarding, among others, (i) details of the Tenancy Agreement (including the proposed annual caps thereof); (ii) the proposed grant of the Refreshed General Mandate; (iii) the proposed refreshment of the Scheme Mandate Limit; (iv) the recommendation from the Independent Board Committee to the Independent Shareholders on the Tenancy Agreement (including the proposed annual caps thereof) and the proposed grant of the Refreshed General Mandate; (v) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders on the Tenancy Agreement (including the proposed annual caps thereof) and the proposed grant of the Refreshed General Mandate; and (vi) the notice of the EGM.

CONTINUING CONNECTED TRANSACTION – TENANCY AGREEMENT

On 6 July 2016, Harvest Top, a wholly-owned subsidiary of the Company, as tenant, has entered into the Tenancy Agreement with High Brand as landlord, in respect of the leasing of the Property.

The principal terms of the Tenancy Agreement are set out below:

Parties:	High Brand as landlord and Harvest Top as tenant
Property being used:	Unit 2811, 28th Floor, West Tower, Shun Tak Centre, No. 168-200 Connaught Road Central, Hong Kong
Term:	1 August 2016 to 31 July 2018 (both days inclusive)
Monthly rental:	HK\$173,740 per month exclusive of rates, government rent, management fees, air-condition charge, water charge, electricity charge, gas charge and all other outgoings. The rental is payable in advance on the first day of each month.
Deposit:	HK\$593,442 (representing three months' rent and management fee and one quarter of government rates) and is payable upon signing of the Tenancy Agreement
Proposed annual caps:	Based on the monthly rental payable under the Tenancy Agreement, the table below sets out the proposed annual caps as contemplated under the Tenancy Agreement for the three years ending 30 June 2019:

For the year ending 30 June 2017 HK\$	For the year ending 30 June 2018 HK\$	For the year ending 30 June 2019 HK\$
1,911,140	2,084,880	173,740

LETTER FROM THE BOARD

Condition

The transactions contemplated under the Tenancy Agreement will be subject to the fulfillment of the following condition:

- (i) the passing by the Independent Shareholders at the EGM of a resolution approving the Tenancy Agreement and the transactions contemplated thereunder (including the proposed annual caps thereof).

If the condition for the Tenancy Agreement set out above is not fulfilled on or before 31 July 2016, the Tenancy Agreement shall cease and determine and thereafter neither party shall have any obligations and liabilities towards each other thereunder and shall have no further claims against the other under the Tenancy Agreement for costs, damages compensation or otherwise, save for any antecedent breaches of the terms thereof.

Reasons for and Benefits for entering into the Tenancy Agreement

The Property is currently used by the Group as office premises. The Directors are of the view that the lease of the Property under the Tenancy Agreement will help the Group to maintain stability in operations and it may minimize the administrative time and cost for finding and relocating to a new premises.

The terms of the Tenancy Agreement were negotiated on an arm's length negotiations with reference to the prevailing market rent for comparable premises in the vicinity. The monthly rental rate of the Property per square feet is comparable to the market rental rate of a neighboring unit located on the same floor in West Tower of Shun Tak Centre.

The Directors (including the independent non-executive Directors after considering the advice from the Independent Financial Adviser) are of the view that:

- (i) the terms of the Tenancy Agreement are on normal commercial terms that are fair and reasonable;
- (ii) the proposed annual caps are fair and reasonable; and
- (iii) the continuing connected transactions contemplated under the Tenancy Agreement are and will be conducted in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

Mr. Yeung has abstained from voting at the board meeting of the Company held to approve the Tenancy Agreement and the annual cap amounts in view of the deemed interests in the transaction by virtue of Mrs. Yeung (who has 50% indirect equity interest in High Brand), being the mother of Mr. Yeung. Save for Mr. Yeung, none of the Directors have a material interest in the Tenancy Agreement and were required to abstain from voting on the relevant Board resolution in respect of the Tenancy Agreement.

LETTER FROM THE BOARD

Information of the Group and Harvest Top

The principal activity of the Company is investment holding.

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, green technology markets in the PRC and overseas, provision of financial services, securities trading and investment, car parking space rentals and motor trading.

The principal activity of Harvest Top is property investment.

Information of High Brand

The principal business activity of High Brand is property investment.

Listing Rules Implications

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the Latest Practicable Date, 50% of the issued share capital of High Brand is owned by Mrs. Yeung, being the mother of Mr. Yeung, and is therefore an associate of Mr. Yeung and hence a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the transactions as contemplated under the Tenancy Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As one of the applicable percentage ratios exceeds 5% on an annual basis, the transactions contemplated under the Tenancy Agreement are subject to reporting, announcement, Independent Shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules.

The Company will convene the EGM for the purpose of seeking the approval of the Independent Shareholders on the Tenancy Agreement (including the proposed annual caps thereof).

As at the Latest Practicable Date, Mr. Yeung held 187,500,000 Shares and given the connection between Mrs. Yeung and Mr. Yeung, Mr. Yeung is deemed to have material interest in the Tenancy Agreement, Mr. Yeung and his associates will abstain from voting on the relevant resolution to be proposed at the EGM. 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 Tenancy Agreement, no other Shareholder is required to abstain from voting in respect of the ordinary resolution at the EGM to approve the Tenancy Agreement (including the proposed annual caps thereof).

LETTER FROM THE BOARD

PROPOSED GRANT OF REFRESHED GENERAL MANDATE

Existing General Mandate

At the 2015 AGM, the Shareholders approved, among other things, the Existing General Mandate which authorised the Directors to allot and issue not more than 282,856,352 Shares, being 20% of the then entire issued share capital of the Company of 1,414,281,762 Shares as at the date of the 2015 AGM.

Utilisation of the Existing General Mandate

Reference is made to the Company's announcements dated 26 April 2016 and 13 May 2016 in relation to the placing of 282,856,352 Shares (the "Placing"). The Existing General Mandate was fully utilised upon completion of the Placing of a total of 282,856,352 Shares to not less than six places on 13 May 2016.

Proposed refreshment of the Existing General Mandate

The Board proposed to refresh the Existing General Mandate for the Directors to allot and issue new Shares up to 20% of the issued share capital of the Company as at the date of passing of such resolution at the EGM.

As at the Latest Practicable Date, the Company had an aggregate of 1,697,138,114 Shares in issue and no Shares are available to be issued pursuant to the Existing General Mandate. Save for the proposed grant of the Refreshed General Mandate, there has been no refreshment of the Existing General Mandate since the 2015 AGM.

Subject to the approval of the Independent Shareholders of the Refreshed General Mandate, and assuming that no other Shares will be issued and/or repurchased by the Company on or prior to the date of the EGM, the Shares in issue as at the date of the EGM would be 1,697,138,114 Shares, which means that under the Refreshed General Mandate, the Directors would be authorised to allot and issue a maximum of 339,427,622 Shares, being 20% of the Shares in issue as at the Latest Practicable Date.

The Refreshed General Mandate will, if granted, expire at the earliest of: (a) the conclusion of the next annual general meeting of the Company; (b) the expiration of the period within which the Company is required by its articles of association or any applicable laws to hold its next annual general meeting; and (c) the passing of an ordinary resolution by the Shareholders in a general meeting revoking or varying the authority given by such mandate to the Directors.

LETTER FROM THE BOARD

Shareholding structure of the Company

The following table sets out (by reference to the information on shareholdings available to the Company as at the Latest Practicable Date) the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) for illustration purpose only, upon full utilisation of the Refreshed General Mandate assuming that there will be no other change to the share capital of the Company from the Latest Practicable Date up to the date of full utilisation of the Refreshed General Mandate.

	As at the Latest Practicable Date		Upon full utilisation of the Refreshed General Mandate	
	<i>Number of Shares</i>	<i>Approximate %</i>	<i>Number of Shares</i>	<i>Approximate %</i>
Mr. Yeung Chi Hang (<i>Note 1</i>)	187,500,000	11.05%	187,500,000	9.21%
Shares available to be issued under the Refreshed General Mandate	–	–	339,427,622	16.67%
Other public Shareholders	<u>1,509,638,114</u>	<u>88.95%</u>	<u>1,509,638,114</u>	<u>74.12%</u>
Total	<u>1,697,138,114</u>	<u>100%</u>	<u>2,036,565,736</u>	<u>100%</u>

Note 1: Mr. Yeung Chi Hang is an executive Director.

LETTER FROM THE BOARD

Equity fund raising activity of the Company in the past twelve months

Except for the equity fund raising activity as mentioned below, the Board confirms that there has not been any equity fund raising exercise made by the Company in the twelve months immediately preceding the Latest Practicable Date.

Date of announcement	Event	Net proceeds (approximately)	Intended use of proceeds as announced	Actual use of proceeds
22 June 2015	Placing of 188,570,901 Shares under general mandate	HK\$116.3 million	General working capital of the Group	Terminated on 10 July 2015
17 July 2015	Open offer on the basis of one offer share for every two existing shares	HK\$131.88 million	(i) approximately HK\$60 million for the repayment of a promissory note; (ii) approximately HK\$62 million for the expansion of existing money lending business, setting up new business and funding future investment opportunities; and (iii) the remaining balances as general working capital	Use as intended
26 April 2016	Placing of 282,856,352 Shares under general mandate	HK\$45.62 million	(i) setting up new business and funding future investment opportunities; and (ii) general working capital of the Group	(i) HK\$3.30 million used as general working capital; and (ii) the remaining balance of approximately HK\$42.32 million is maintained at bank for the intended use.

LETTER FROM THE BOARD

Reasons for the Refreshed General Mandate

As explained in the above paragraph headed “Utilisation of the Existing General Mandate”, as a result of the completion of the Placing, the Existing General Mandate has been fully utilized. No new Shares may be further allotted and issued under the Existing General Mandate. The next annual general meeting of the Company will only be held until around November 2016, which is around five months from the date of this circular.

As at the Latest Practicable Date, the Directors had no concrete plan for fund raising and there was currently no concrete proposal presented by potential investor(s) for investment in the Shares. Nevertheless, the Board propose to seek the approval of the Independent Shareholders at the EGM for the refreshment of the Existing General Mandate such that should (i) future funding needs arise; (ii) attractive terms for investment in the Shares become available from potential investors; and/or (iii) investment opportunities that have earning potentials arise, the Board will be able to respond to the market promptly as fund raising exercise and/or issue of the Company’s securities as a consideration pursuant to a general mandate provides the Company with a more simple and less lead time process than other types of fund raising exercises or issue of the Company’s securities as a consideration under specific mandate as well as to avoid the uncertainties in such circumstances that specific mandate may not be obtained in a timely manner.

The Directors consider that funding requirements or appropriate investment opportunities may or may not arise at any time prior to the next annual general meeting. If such opportunities arise prior to the next annual general meeting, decisions may have to be made within a short and limited period of time. The Board considers that equity financing under a general mandate will (i) provide more flexibility for financing to the Group for future possible funding needs and enable the Company to capture possible equity fund raising in a timely manner when compared to specific mandates; (ii) provide an opportunity for the Group to issue the Company’s securities as consideration for possible future investment opportunities; (iii) incur no interest obligations on the Group and thus the cost of funding under general mandates is lower than debt financing; (iv) be less costly and time-consuming than equity fund raising by way of rights issue or open offer; and (v) provide a good opportunity to enlarge the shareholder and capital base of the Company.

In view of the above and notwithstanding that the Group has no current intention nor plans to utilize the Refreshed General Mandate as at the Latest Practicable Date, the Directors consider that the Refreshed General Mandate will empower the Directors to issue new Shares under the refreshed limit in a timely manner as and when necessary. This could provide the Company with flexibility and ability to capture any appropriate capital raising or investment opportunities promptly when they arise in the future. Moreover, the Refreshed General Mandate could provide the Group with the flexibility to have immediate access to cash resources as and when potential investment and/or business investment opportunities arise which will be crucial for the Group’s business development. The Board therefore considers that the Refreshed General Mandate is fair and reasonable and in the best interests of the Company and its Shareholders as a whole.

LETTER FROM THE BOARD

Listing Rules Implications

As the proposed grant of the Refreshed General Mandate is to be proposed to the Shareholders before the Company's next annual general meeting, pursuant to the Listing Rules, this proposal is subject to the Independent Shareholders' approval by way of poll at the EGM. Pursuant to Rule 13.36(4)(a) of the Listing Rules, the Refreshed General Mandate requires the Independent Shareholders' approval at the EGM at which any of the controlling Shareholders and their associates or, where there are no controlling Shareholders, 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. As there is no controlling Shareholder, Mr. Yeung, being executive Director, held 187,500,000 Shares representing approximately 11.05% of the Shares in issue as at the Latest Practicable Date, is required to abstain from voting in favour of the relevant resolution in respect of the granting of the Refreshed General Mandate. In such an event, the Board was advised by Mr. Yeung that he has no intention to vote against the relevant resolution.

Save as disclosed above, to the best of the Directors' knowledge, information and belief have made all reasonable enquiries, no other Shareholder is required to abstain from voting on the proposed resolution on the grant of the Refreshed General Mandate at the EGM.

PROPOSED REFRESHMENT OF SCHEME MANDATE LIMIT

Background of the Scheme Mandate Limit

The Share Option Scheme was approved and adopted by the Shareholders at the 2015 AGM. The Company has not refreshed the Scheme Mandate Limit since then. Apart from the Share Option Scheme, the Company has no other share option scheme currently in force.

The purpose of the Share Option Scheme is to provide the Group with a flexible means of giving incentive to, rewarding, remunerating and/or providing benefits to the Eligible Persons (as defined in Appendix III of the Company's circular dated 12 October 2015) and to provide the Eligible Persons with all opportunity to acquire a personal stake in the Group and to build common objectives of the Group and the Eligible Persons for the betterment of business and profitability of the Group and the Shareholders as a whole.

The subscription price for Shares under the Share Option Scheme will be a price determined by the Directors, but will be at least the highest of (i) the closing price of the Shares on the Main Board as stated in the Stock Exchange's daily quotations sheet on the date of grant of the Option, which must be a business day; (ii) the average closing price of the Shares on the Main Board as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of a Share.

Share Option Scheme

Pursuant to the Share Option Scheme and in compliance with Chapter 17 of the Listing Rules, the total number of Shares which may be allotted and issued upon exercise of all share options to be granted by the Company under the Share Option Scheme and any other share option scheme of the Group must not in aggregate exceed 10% of the Shares in issue as at the

LETTER FROM THE BOARD

date of approval of the Share Option Scheme. The Scheme Mandate Limit may be refreshed by approval of the Shareholders in general meeting provided that the total number of Shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of the Group must not exceed 10% of the Shares in issue as at such date of approval. Share options lapsed in accordance with the terms of the Share Option Scheme shall not be counted for the purpose of calculating the Scheme Mandate Limit.

The Share Option Scheme was approved and adopted by the Shareholders at the 2015 AGM, pursuant to which the Directors were authorized to grant options to subscribe for up to a maximum number of 141,428,176 Shares, which represented 10% of the then total issued share capital of the Company. 70,714,085 Options had been granted under the Share Option Scheme on 22 April 2016 and 70,714,091 Options are available for grants as at the Latest Practicable Date, representing approximately 4.17% of the number of Shares in issue. As at the Latest Practicable Date, save for 70,714,085 Options granted under the Share Option Scheme which remain outstanding, (i) no Options were granted before and are outstanding under the Share Option Scheme; and (ii) no any other options were granted and remain outstanding under other share option scheme. Apart from the Share Option Scheme, the Company has no other share option scheme currently in force.

The Directors are of the view that in order to provide incentives and rewards to the eligible participants for their contribution or potential contribution to the Group by granting Options to them, the Scheme Mandate Limit shall be refreshed to provide the Company with greater flexibility on recruiting and retaining high calibre employees and attracting human resources that are valuable to the Group. The Directors further consider that the proposed refreshment of the Scheme Mandate Limit is in the interest of the Group and Shareholders as a whole as it enables the Company to reward appropriately and motivate the eligible participants.

Proposed Refreshment

If the refreshment of the Scheme Mandate Limit is approved by the Shareholders at the EGM, based on 1,697,138,114 Shares in issue as at the Latest Practicable Date and assuming that no further Shares are issued and/or repurchased by the Company from the Latest Practicable Date up to and including the date of the EGM, the Company will be allowed to grant further Options under the Share Option Scheme for subscription of up to a total of 169,713,811 Shares, representing 10% of the Shares in issue as at the date of passing the resolution (i.e. the date of the EGM).

Pursuant to the Listing Rules, the Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the Share Option Scheme or other schemes at any time will not exceed 30% of the Shares in issue. The Board undertakes that no Options shall be granted under the Share Option Scheme or any scheme(s) of the Company if this will result in the 30% limit being exceeded.

At the EGM, an ordinary resolution will be proposed to the Shareholders to approve the proposed refreshment of Scheme Mandate Limit so as to allow the Company to grant further Options under the Share Option Scheme for subscription of up to a total of 169,713,811 Shares, representing 10% of the Shares in issue as at the date of passing the resolution.

LETTER FROM THE BOARD

Conditions of the refreshment of Scheme Mandate Limit

The refreshment of the Scheme Mandate Limited is conditional upon:

- (i) The passing of the relevant resolution by the Shareholders at the EGM to approve the proposed refreshment of the Scheme Mandate Limit; and
- (ii) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Shares to be issued pursuant to the exercise of the Options to be granted under the refreshed Scheme Mandate Limit.

Application for listing

Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Shares to be issued pursuant to the exercise of Options to be granted under the refreshed Scheme Mandate Limit.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder has a material interest in the proposed refreshment of the Scheme Mandate Limit and no Shareholder will be required to abstain from voting on the relevant resolution to be proposed at the EGM.

EGM

A notice convening the EGM to be held at 11:00 a.m., on Friday, 29 July 2016 at 35/F, Central Plaza, 18 Harbour Road, Wan Chai, Hong Kong, is set out on pages EGM-1 to EMG-4 of this circular.

The resolutions proposed to be approved at the EGM will be taken by poll and an announcement will be made by the Company after the EGM on the results of the EGM.

A form of proxy for use by the Shareholders at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same at the branch share registrar and transfer office of the Company in Hong Kong, Union Registrars Limited at Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee which comprises of Mr. Wong Kwai Sang, Mr. Ong Chi King and Mr. Heung Chee Hang Eric, all being the independent non-executive Directors, has been established to advise the Independent Shareholders on (i) the Tenancy Agreement (including the proposed annual caps thereof); and (ii) the proposed grant of the Refreshed General Mandate.

LETTER FROM THE BOARD

Grand Moore has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of (i) the Tenancy Agreement (including the proposed annual caps thereof); and (ii) proposed grant of the Refreshed General Mandate.

RECOMMENDATION

The Directors (including the independent non-executive Directors whose recommendation is contained in the Letter from the Independent Board Committee on pages 16 to 17 of this circular) are of the view that:

- the Tenancy Agreement was entered into on normal commercial terms and the terms of the Tenancy Agreement (including the proposed annual caps thereof) is in the ordinary and usual course of business of the Group, fair and reasonable and in the interests of the Company and the Shareholders as a whole;
- the proposed grant of the Refreshed General Mandate is fair and reasonable and is in the interests of the Company and the Shareholders as a whole; and
- the proposed refreshment of the Scheme Mandate Limit is fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Accordingly, the Board recommends the Independent Shareholders to vote in favour of the proposed ordinary resolutions regarding (i) the Tenancy Agreement (including the proposed annual caps thereof); (ii) the proposed grant of the Refreshed General Mandate and (iii) the proposed refreshment of the Scheme Mandate Limit, as set out in the notice of the EGM.

ADDITIONAL INFORMATION

Your attention is drawn to (i) the letter from the Independent Board Committee set out on pages 16 to 17 of this circular which contains its recommendation to the Independent Shareholders on the Tenancy Agreement (including the proposed annual caps thereof) and the proposed grant of the Refreshed General Mandate; and (ii) the letter of advice from the Independent Financial Adviser set out on pages 18 to 28 of this circular, which contains, among other matters, its advice to the Independent Board Committee and the Independent Shareholders in relation to the Tenancy Agreement (including the proposed annual caps thereof) and the proposed grant of the Refreshed General Mandate and the principal factors considered by it in arriving at its advice.

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

Yours faithfully,
For and on behalf 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)

12 July 2016

To the Independent Shareholders

Dear Sir or Madam,

**(i) CONTINUING CONNECTED TRANSACTION
– TENANCY AGREEMENT;
AND
(ii) REFRESHMENT OF GENERAL MANDATE
TO ALLOT AND ISSUE SHARES**

We refer to the circular issued by the Company to the Shareholders dated 12 July 2016 (the “Circular”), of which this letter forms part. Terms defined in the Circular shall have the same meanings in this letter unless the context otherwise requires.

We have been appointed as the Independent Board Committee to advise the Independent Shareholders in connection with (i) the Tenancy Agreement (including the proposed annual caps thereof) and (ii) the proposed grant of the Refreshed General Mandate, details of which are set out in the Circular.

We wish to draw your attention to the letter from the Board set out on pages 4 to 15 of the Circular and the letter from the Independent Financial Adviser containing its advice to us and the Independent Shareholders regarding (i) the Tenancy Agreement (including the proposed annual caps thereof) and (ii) the proposed grant of the Refreshed General Mandate set out on pages 18 to 28 of the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered the principal factors and reasons considered by and the advice of the Independent Financial Adviser as set out in pages 18 to 28 to the Circular, we are of the view that:

- the terms of the Tenancy Agreement are on normal commercial terms that are fair and reasonable so far as the Independent Shareholders are concerned and the Tenancy Agreement (including the proposed annual caps) is in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole; and
- the proposed grant of the Refreshed General Mandate is fair and reasonable so far as the Independent Shareholders are concerned and that the proposed grant of the Refreshed General Mandate is in the interests of the Company and the 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 (i) the Tenancy Agreement (including the proposed annual caps thereof) and the transactions contemplated thereunder; and (ii) the proposed grant of the Refreshed General Mandate.

Yours faithfully

For and on behalf of the Independent Board Committee

China Environmental Resources Group Limited

Mr. Wong Kwai Sang

Mr. Ong Chi King

Mr. Heung Chee Hang Eric

Independent

Independent

Independent

non-executive Director

non-executive Director

non-executive Director

LETTER FROM INDEPENDENT FINANCIAL ADVISER

The following is the full text of a letter of advice from Grand Moore, the independent financial adviser to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of incorporation into this circular, setting out its advice to the Independent Board Committee and the Independent Shareholders in respect of the Tenancy Agreement and the proposed grant of the Refreshed General Mandate.



12 July 2016

*To the Independent Board Committee and
the Independent Shareholders*

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTION – TENANCY AGREEMENT AND REFRESHMENT OF GENERAL MANDATE TO ALLOT AND ISSUE SHARES

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Tenancy Agreement (including the proposed annual caps thereof) and the proposed grant of the Refreshed General Mandate, details of which are set out in the “Letter from the Board” (the “**Letter from the Board**”) contained in the circular dated 12 July 2016 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular, unless the context otherwise requires.

On 6 July 2016, Harvest Top, a wholly-owned subsidiary of the Company, as tenant, has entered into the Tenancy Agreement with High Brand as landlord, in respect of the leasing of the Property.

As at the Latest Practicable Date, 50% of the issued share capital of High Brand is owned by Mrs. Yeung, being the mother of Mr. Yeung, and is therefore an associate of Mr. Yeung. Mr. Yeung is an executive Director, the Chairman and chief executive officer of the Company and a substantial Shareholder. Therefore, Mrs. Yeung, being an associate of Mr. Yeung, is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the transaction as contemplated under the Tenancy Agreement constitutes a continuing connected transaction for the Company under Chapter 14A of the Listing Rules.

As one of the applicable percentage ratios exceeds 5% on an annual basis, the transactions contemplated under the Tenancy Agreement are subject to reporting, announcement, Independent Shareholders’ approval and annual review requirements under Chapter 14A of the Listing Rules.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee which comprises of Mr. Wong Kwai Sang, Mr. Ong Chi King and Mr. Heung Chee Hang, Eric, all being the independent non-executive Directors, has been established to consider and advise the Independent Shareholders as to whether the terms of the Tenancy Agreement (including the proposed annual caps thereof) and the proposed grant of the Refreshed General Mandate are fair and reasonable, and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote. We have been appointed by the Company as the Independent Financial Adviser, which has been approved by the Independent Board Committee, and our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders in this regard.

Grand Moore is independent of and not connected with any members of the Group or any of their substantial shareholders, Directors or chief executives, or any of their respective associates, and is accordingly qualified to give an independent advice in respect of the Tenancy Agreement and the proposed grant of the Refreshed General Mandate. Apart from normal professional fees payable to us in connection with this appointment, no arrangement exists whereby Grand Moore will receive any fees or benefits from the Company or the Directors, chief executive or substantial Shareholder or any of their respective associates.

In formulating our recommendation, we have relied on the information and facts supplied by the Company, and the opinions expressed by and the representations of the Directors and the management of the Company. We have assumed that all the information and representations contained or referred to in the Circular were true and accurate in all respects at the date thereof and may be relied upon. We have also assumed that all statements contained and representations made or referred to in the Circular are true at the time that they were made and continue to be true until the date of the EGM. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors, and the Directors have confirmed that no material facts have been withheld or omitted from the information provided and referred to in the Circular, which would make any statement therein misleading.

We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Company, its subsidiaries and associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendation, we have taken into consideration the following principal factors and reasons:

Continuing Connected Transaction – Tenancy Agreement

1. *Background of the Tenancy Agreement*

On 6 July 2016, Harvest Top, a wholly-owned subsidiary of the Company, as tenant, has entered into the Tenancy Agreement with High Brand as landlord, in respect of the leasing of the Property.

2. *Background information of the Group and Harvest Top*

The principal activity of the Company is investment holding and 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, green technology markets in the PRC and overseas, provision of financial services, securities trading and investment, car parking space rentals and motor trading.

Harvest Top is a wholly-owned subsidiary of the Company and its principal activity of Harvest Top is property investment.

3. *Background information of High Brand*

The principal business activity of High Brand is property investment. As at the Latest Practicable Date, High Brand is 50% owned by Mrs. Yeung and 50% owned by Unimark Investment Limited.

4. *Information of the Property*

The Property is an office unit located at Unit 2811, 28th Floor, West Tower, Shun Tak Centre, No. 168-200 Connaught Road Central, Hong Kong, being one of the busiest business district in Hong Kong, with a gross floor area of approximately 2,555 sq. ft and consider having full sea-view. We consider that the location of the Property is consider easily accessible and located at the prime business Central and Sheung Wan area in Hong Kong.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

5. *Principal terms of the Tenancy Agreement*

The principal terms of the Tenancy Agreement are set out below:

Parties:	High Brand as landlord and Harvest Top as tenant
Property being used:	Unit 2811, 28th Floor, West Tower, Shun Tak Centre, No. 168–200 Connaught Road Central, Hong Kong
Term:	1 August 2016 to 31 July 2018 (both days inclusive)
Monthly rental:	HK\$173,740 per month exclusive of rates, government rent, management fees, air-condition charge, water charge, electricity charge, gas charge and all other outgoings. The rental is payable in advance on the first day of each month.
Deposit:	HK\$593,442 (representing three months' rent and management fee and one quarter of government rates) and is payable upon signing of the Tenancy Agreement

Proposed annual caps:	For the year ending 30 June		
	2017	2018	2019
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
	1,911,140	2,084,880	173,740

Condition precedent: The transactions contemplated under the Tenancy Agreement will be subject to the fulfillment of the following condition:

- (i) the passing by the Independent Shareholders at the EGM of a resolution approving the Tenancy Agreement and the transactions contemplated thereunder (including the proposed annual caps thereof).

If the condition for the Tenancy Agreement set out above is not fulfilled on or before 31 July 2016, the Tenancy Agreement shall cease and determine and thereafter neither party shall have any obligations and liabilities towards each other thereunder and shall have no further claims against the other under the Tenancy Agreement for costs, damages compensation or otherwise, save for any antecedent breaches of the terms thereof.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

As set out in the Letter from the Board, the terms of the Tenancy Agreement (including the proposed annual caps thereof) were entered into after arm's length negotiations with reference to the prevailing market rent for comparable premises in the vicinity.

As set out in the Letter from the Board, the proposed annual caps are based on the monthly rental payable under the Tenancy Agreement. We note that the proposed annual caps for the year ending 30 June 2017, 2018 and 2019 represent eleven, twelve and one month(s) of the monthly rental of the Property pursuant to the Tenancy Agreement.

We have compared the monthly rental rate of the Property of HK\$68 per sq. ft. (the "**Property Rental Rate**") to 24 recent rental transactions of Shun Tak Centre that took place in April and May 2016, based on the websites of Centaline Property Agency Limited and Midland IC&I Limited (excluding the same leasing shown in both websites), which ranged between approximately HK\$45 to HK\$68 per sq. ft. (the "**Market Rental Rate**"). Based on our findings, the Property Rental Rate is in line with the Market Rental Rate.

Given that (i) the Tenancy Agreement is entered into after arm's length negotiations; (ii) the proposed annual caps for each of the three years ending 30 June 2019 is equal to the monthly rental of the Property for the relevant aggregate number of months in each financial year; and (iii) the Property Rental Rate is in line with the Market Rental Rate, we are of the view that the terms of the Tenancy Agreement (including proposed annual caps thereof) are on normal commercial terms and in the ordinary and usual course of business of the Company and are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

6. *Reasons for entering into the Tenancy Agreement*

As set out in the Letter from the Board, the Property is currently used by the Group as office premises with the view that the lease of the Property under the Tenancy Agreement will help the Group to maintain stability in operations and it may minimize the administrative time and cost for finding and relocating to a new premises.

As advised by the management of the Company, the Group has been using the Property as office premises since November 2015 with the current lease expiring at the end of July 2016. There are potential factors included but not limiting to the Group shall need to find and relocate to a new premises which would, among other things, incur administrative time, cost for relocation to and re-modelling of new premises and may affect the company's stability in the short term as the Group shall need to notify all of its suppliers, customers and other parties that the Group have had business relationships. As the Property Rental Rate is in line with the Market Rental Rate, the monthly rental of a comparable premises may not be necessarily lower than the Property Rental Rate. The Group may not able to locate an available office premises which is suitable to the Group in terms of size or location.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

Having considered the Property is currently used by the Group as office premises and the potential factors, which will affect the Group if the lease of the Property under the Tenancy Agreement is not entering into and the Group is therefore needed to move to a new premises, that the Group may (i) experience potential instability in operations in the short term; (ii) incur the additional administrative time and cost and experience uncertainties for finding and relocating to a new premises, we are of the view that entering into the Tenancy Agreement is in the ordinary and usual course of business of the Group and is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole.

Refreshment of General Mandate to Allot and Issue Shares

7. Background of and reasons for the Refreshment of General Mandate

At the 2015 AGM, the Shareholders approved, among other things, the Existing General Mandate which authorised the Directors to allot and issue not more than 282,856,352 Shares, being 20% of the then entire issued share capital of the Company of 1,414,281,762 Shares as at the date of the 2015 AGM. Since then, there has been no refreshment of the Existing General Mandate save for the proposed grant of the Refreshed General Mandate.

On 26 April 2016, the Company entered into a placing agreement in respect of the placing of a maximum of 282,856,352 Shares (the “**Placing**”). The 282,856,352 Shares were issued and allotted under the Existing General Mandate on 13 May 2016. Upon completion of the Placing, the number of Shares that can be issued under the Existing General Mandate was fully utilised.

As advised by the Company, the next annual general meeting will not be held until around November 2016, which is around five months away from the Latest Practicable Date. In order to provide the Company with maximum financial flexibility for the Group to issue new Shares before the next annual general meeting, the Board proposed to seek approval from the Independent Shareholders at the EGM in respect of the proposed grant of Refreshed General Mandate.

As stated in the Letter from the Board, the Directors consider that granting of the Refreshed General Mandate to the Director will allow the Directors to make decisions on funding requirements or appropriate investment opportunities within a short and limited period of time at any time prior to the next annual general meeting. The granting of the Refreshed General Mandate to the Director will allow the Board to consider equity financing under a general mandate which will (i) provide more flexibility for financing to the Group for future possible funding needs and enable the Company to capture possible equity fund raising in a timely manner when compared to specific mandates; (ii) provide an opportunity for the Group to issue the Company’s securities as consideration for possible future investment opportunities; (iii) incur no interest obligations on the Group and thus the cost of funding under general mandates is lower than debt financing; (iv) be less costly and time-consuming than equity fund raising by way of rights issue or open offer; and (v) provide a good opportunity to enlarge the shareholder and capital base of the Company. As such, the granting of the Refreshed General Mandate will enable the

LETTER FROM INDEPENDENT FINANCIAL ADVISER

Company to have additional alternative and enhance flexibility in raising capital for the Group in the future to capture the window of opportunity to carry out future fund raising activity and investment by issuing the Company's securities as a consideration pursuant to a general mandate promptly for the future development of the Group as and when the opportunities arise.

8. *Terms of the Refreshed General Mandate*

Maximum number of new Shares to be issued

The Directors shall be granted the authority to allot, issue and deal with additional Shares not exceeding 20% of the issued share capital of the Company as at the date of the EGM.

As at the Latest Practicable Date, the total number of issued Shares was 1,697,138,114 Shares. For illustrative purpose, subject to the passing of the resolution for granting of the Refreshed General Mandate and on the assumption that there will be no change in the issued share capital of the Company from the Latest Practicable Date to the date of the EGM (both dates inclusive), the Board will be allowed to issue a maximum of 339,427,622 Shares upon exercise of the Refreshed General Mandate in full.

Effective period

The Refreshed General Mandate if approved by the Independent Shareholders at the EGM will be in force from the date of EGM until the earliest of (i) the conclusion of the next annual general meeting of the Company; (ii) the expiration of the period within which the Company is required by its articles of association or any applicable laws to hold its next annual general meeting; and (iii) the passing of an ordinary resolution by the Shareholders in a general meeting revoking or varying the authority given by such mandate to the Directors.

We have reviewed the resolution relating to the Refreshed General Mandate contained in the Notice of EGM. We consider that the terms are in normal commercial practice. Accordingly, we are of the view that the terms of the Refreshed General Mandate are fair and reasonable.

9. *Financial position of the Group*

The Group incurred losses for each of the five years ended 30 June 2015 and recorded unaudited losses of approximately HK\$52.8 million for the six months ended 31 December 2015. Net cash outflow from operating activities were approximately HK\$41.0 million and HK\$24.4 million for year ended 30 June 2015 and the six months period ended 31 December 2015, respectively. The Group had unaudited net current assets and cash and cash equivalents of approximately HK\$151.6 million and HK\$67.5 million as at 31 December 2015. The Company intends to apply net proceeds from the Placing of 282,856,352 Shares under the Existing General Mandate in May 2016 of approximately HK\$45.6 million for (i) setting up new business and funding future investment

LETTER FROM INDEPENDENT FINANCIAL ADVISER

opportunities; and (ii) general working capital of the Group. Taking into consideration of the aforesaid, we consider that the Group's internal cash resources may or may not be adequate for its future working capital requirements.

10. Financial flexibility and efficiency

Taking into consideration of the net proceeds from the Placing and the cash and cash equivalents of the Group as at 31 December 2015, the Directors consider that there is no certainty that the Group's internal cash resources will be adequate for its future working capital requirements. Given the financial position of the Group as discussed above, the Group may require financings to meet its working capital needs in the future for its operations and development. Furthermore, the Company is actively exploring business opportunities, sufficient cash reserve is crucial for the development of the Group. In the event that the Group identifies suitable investment opportunities and does not have sufficient cash on hand, and it fails to obtain debt financing 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 favourable investment. As at the Latest Practicable Date, the Group has not yet identified any such business opportunity.

We note that the Group incurred losses for each of the five years ended 30 June 2015. Given the historical financial results of the Group, the Group may not be able to obtain debt financing on favourable terms. Furthermore, the ability of the Group to obtain bank financing in the future will depend on the Group's then profitability, financial position and the availability of securities to be provided to banks. Bank financing may also be subject to lengthy negotiations with banks, lengthy procedures and high documentation preparation costs. In contrast, equity financing is interest and security free by nature. Issue of securities for cash consideration under the Refreshed General Mandate such as placing can be completed within a short period of time.

As stated in the above paragraph headed "7. Background of and reasons for the Refreshment of General Mandate", the Existing General Mandate has been fully utilized as a result of the completion of the Placing. No new Share may be further allotted and issued under the Existing General Mandate. Accordingly, the Directors consider that, with the refreshment of the Existing General Mandate being approved by the Independent Shareholders at the EGM, the Board will be able to respond to the market promptly as fund raising exercise and/or issue of the Company's securities as a consideration pursuant to a general mandate provides the Company with a more simple and less lead time process than other types of fund raising exercises or issue of the Company's securities as a consideration under specific mandate. If the issuance of new Shares for fund raising is required and a specific mandate is sought, the Directors consider that it is uncertain whether the requisite approval from the Shareholders could be obtained in a timely manner so as to capture the window of opportunity to carry out the fund raising activity. Besides, the Directors have also considered other pre-emptive fund raising methods such as rights issue and open offer. However, such fund raising activities are more costly and time consuming. Given the volatility of the equity market, the Refreshed General Mandate has the advantage over such pre-emptive fund raising methods in enabling the Company to capture a favourable equity market condition by conducting

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equity financing in a timely manner. In addition, such pre-emptive fund raising methods are usually required to be conducted on a fully underwritten basis and it may not be possible for the Company to procure underwriters for such fund raising activities on acceptable terms under the prevailing market conditions and in a timely manner to capture the window of opportunity to carry out the fund raising activity. However, the Company also notes that pre-emptive fund raising methods enable all Shareholders to participate to avoid the potential dilution effect to Shareholders. In any event, the Company will balance the pros and cons of the various fund raising methods and to conduct such fund raising which is most appropriate under the circumstances.

The Refreshed General Mandate will offer the Group flexibility to raise equity financing for its working capital requirements in a timely manner. Furthermore, the Group will have the flexibility to capture investment opportunities which may arise at any time and also lapse in a short window of time, and require prompt investment decision by the Group.

Given the financial flexibility and efficiency available to the Company as discussed above, we consider that the Refreshed General Mandate is in the interests of the Company and the Independent Shareholders as a whole.

11. Fund raising activity in the past twelve months

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

Date of announcement	Event	Net proceeds (approximately)	Intended use of proceeds as announced	Actual use of proceeds
22 June 2015	Placing of 188,570,901 Shares under general mandate	HK\$116.3 million	General working capital of the Group	Terminated on 10 July 2015
17 July 2015	Open offer on the basis of one offer share for every two existing shares	HK\$131.88 million	(i) approximately HK\$60 million for the repayment of a promissory note; (ii) approximately HK\$62 million for the expansion of existing money lending business, setting up new business and funding future investment opportunities; and (iii) the remaining balances as general working capital	Use as intended

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Date of announcement	Event	Net proceeds (approximately)	Intended use of proceeds as announced	Actual use of proceeds
26 April 2016	Placing of 282,856,352 Shares under general mandate	HK\$45.62 million	(i) setting up new business and funding future investment opportunities; and (ii) general working capital of the Group	(i) HK\$3.30 million used as general working capital; and (ii) the remaining balance of approximately HK\$42.32 million is maintained at bank for the intended use.

Save as disclosed above, the Board confirms that the Company has not conducted any other equity fund raising activities in the twelve months immediately preceding the Latest Practicable Date.

12. Potential dilution to shareholdings of the Shareholders

For illustrative purpose, the table below sets out (by reference to the information on shareholdings available to the Company as at the Latest Practicable Date) the maximum potential dilution effect on the shareholding of the Company assuming that the Refreshed General Mandate is fully utilised immediately after the approval of granting of the Refreshed General Mandate.

	As at the Latest Practicable Date		Upon full utilisation of the Refreshed General Mandate	
	Number of Shares	Approximate %	Number of Shares	Approximate %
Mr. Yeung Chi Hang (<i>Note 1</i>)	187,500,000	11.05%	187,500,000	9.21%
Shares available to be issued under the Refreshed General Mandate	–	–	339,427,622	16.67%
Other public Shareholders	1,509,638,114	88.95%	1,509,638,114	74.12%
Total	1,697,138,114	100.00%	2,036,565,736	100.00%

Notes:

- Mr. Yeung Chi Hang is an executive Director.
- Assuming that no change in the issued share capital of the Company from the Latest Practicable Date to the date of the EGM.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

Based on the above shareholding table, upon full utilisation of the Refreshed General Mandate, 339,427,622 new Shares can be allotted and issued, representing approximately 20% and 16.67% 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 existing public Shareholders upon full utilisation of the Refreshed General Mandate will, therefore, decrease from approximately 88.95% to approximately 74.12%, representing a potential maximum dilution of approximately 16.67%.

Taking into consideration that (i) the Refreshed General Mandate will provide an additional option to the Group to raise funds for improving its financial position and for its business developments and/or investments; and (ii) the shareholding of all the existing Shareholders will be diluted proportionally to their respective shareholding upon utilisation of the Refreshed General Mandate, we consider that such potential dilution to the shareholdings of the Shareholders to be justifiable.

RECOMMENDATION

Having considered the above principal factors and reasons, we are of the opinion that the terms of the Tenancy Agreement (including the proposed annual caps thereof) and the Refreshed General Mandate are fair and reasonable and on normal commercial terms and in the ordinary and usual course of business of the Company. The entering into the Tenancy Agreement and the grant of the Refreshed General Mandate are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee and the Independent Shareholders to vote in favour of the resolutions approving the Tenancy Agreement and the Refreshed General Mandate at the EGM.

Yours faithfully

For and on behalf of

Grand Moore Capital Limited

Johnny Law
Managing Director

Albert Poon
Director

1. 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 Group. The Directors, having made all reasonable enquires, 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.

2. DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company 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 (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or (ii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 of the Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Aggregate long position in the Shares or underlying Shares

Name of Director	Capacity	Number of Shares held	Number of Options held	Total interest	Approximate percentage of issued share capital of the Company
Yeung Chi Hang	Beneficial owner	187,500,000	14,142,817	201,642,817	11.88%
Wong Po Keung	Beneficial owner	–	14,142,817	14,142,817	0.83%
Chung Siu Wah	Beneficial owner	–	14,142,817	14,142,817	0.83%
Chik To Pan	Beneficial owner	–	14,142,817	14,142,817	0.83%

Save as disclosed above, as at the Latest Practicable Date, the Directors and chief executives of the Company were not aware of any person (other than the Directors and chief executives of the Company) who had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who 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 members of the Group.

3. DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS

Mr. Yeung has deemed interests in the Tenancy Agreement and the tenancy agreement dated 6 August 2015 entered into between International Richway Limited, a wholly-owned subsidiary of the Company, and High Brand by virtue of Mrs. Yeung (who has 50% indirect equity interest in High Brand), being the mother of Mr. Yeung.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date which was significant in relation to the business of the Group.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any assets which had been acquired or disposed of by or leased to any member of the Group or proposed to be acquired or disposed of by or leased to any member of the Group since 30 June 2015, the date to which the latest published audited financial statements of the Group were made up.

4. COMPETING INTERESTS

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

5. DIRECTORS' SERVICE CONTRACTS

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

6. MATERIAL CHANGES

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 30 June 2015, being the date to which the latest published audited financial statements of the Group were made up.

7. EXPERT AND CONSENT

The following are the qualifications of expert who has given the Company opinions or provided advice referred to or contained in this circular:

Name	Qualification
Grand Moore	a corporation licensed under the SFO to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, Grand Moore had no shareholding interest, directly or indirectly, in any member of the Group or right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for shares in any member of the Group.

As at the Latest Practicable Date, Grand Moore did not have any interest, direct or indirect, in any assets which had been acquired of by or leased to any member of the Group or proposed to be acquired or disposed of by or leased to any member of the Group since 30 June 2015, the date to which the latest published audited financial statements of the Group were made up.

Grand Moore has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of the text its letter and/or the references to its name in the form and context in which they respectively appear.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours from 9:00 a.m. to 6:00 p.m. on any weekday (except public holidays) at the principal place of business of the Company at Room 2811, 28/F, West Tower, Shun Tak Centre, 200 Connaught Road Central, Hong Kong from the date of this circular up to and including the date of the EGM:

- (a) the Tenancy Agreement;
- (b) the tenancy agreement dated 6 August 2015 entered into between International Richway Limited, a wholly-owned subsidiary of the Company, and High Brand;
- (c) the letter from the Independent Board Committee dated 12 July 2016;
- (d) the letter from Independent Financial Adviser dated 12 July 2016;
- (e) the written consent referred to in the section headed "Expert and Consent" in this appendix; and
- (f) this circular.



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 OF EXTRAORDINARY GENERAL MEETING

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 Friday, 29 July 2016 at 35/F, Central Plaza, 18 Harbour Road, Wan Chai, Hong Kong, for the purpose of considering and, if thought fit, passing (with or without modifications) the following resolutions:

ORDINARY RESOLUTIONS

1. “**THAT**

- (a) the tenancy agreement dated 6 July 2016 (the “**Tenancy Agreement**”, a copy of which has been produced to the meeting marked “A” and initialed by the chairman of the meeting for identification purposes) entered into between High Brand Limited and Harvest Top Development Limited for the purposes of, among other things, setting the annual caps in respect of the leasing of the property situated at Unit 2811, 28th Floor, West Tower, Shun Tak Centre, No.168-200 Connaught Road Central, Hong Kong contemplated thereunder for the three years ending 30 June 2019 be and are hereby approve, ratified and confirmed; and
- (b) any one of the directors of the Company (“**Director(s)**”) be and is hereby authorized to do all such acts and things, to sign and execute all documents or agreements under hand (and, where required, under the common seal of the Company together with any one Director or the company secretary of the Company for and on behalf of the Company as he/she may consider necessary, desirable, appropriate or expedient in connection with and/or to implement and/or give effect to the Tenancy Agreement and the transactions contemplated thereunder and to agree to such verification, announcement or waiver as are, in the opinion of the Directors, in the interests of the Company.”

NOTICE OF EGM

2. “THAT

- (a) subject to paragraph (c) below, the exercise by the directors of the Company (the “**Directors**”) during the Relevant Period (as hereinafter defined in paragraph (d)) of all the powers of the Company to allot, issue or grant additional shares in the capital of the Company and to make or grant offers, agreements and options (including bonds, warrants, debentures and other securities which carry rights to subscribe for or are convertible into such shares of the Company) which would or might require the exercise of such power be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) above shall authorise the Directors during the Relevant Period to make or grant offers, agreements and options (including bonds, warrants, debentures and other securities which carry rights to subscribe for or are convertible into shares of the Company) which would or might require the exercise of such power after the end of the Relevant Period;
- (c) the aggregate number of shares of the Company allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the Directors pursuant to the approval in paragraph (a) above otherwise than
 - (i) a Rights Issued (as hereinafter defined); or
 - (ii) the exercise of rights of subscription or conversion under the terms of any existing warrants, bonds, debentures, notes or other securities issued by the Company which carry rights to subscribe for or are convertible into shares of the Company; or
 - (iii) an issue of shares under any option scheme or similar arrangement for the time being adopted for the grant or issue to employees of the Company and/or any of its subsidiaries or any other eligible person(s) of shares or rights to acquire shares of the Company; or
 - (iv) an issue of shares as scrip dividends pursuant to the articles of association of the Company, from time to time shall not exceed 20% of the aggregate number of the issued shares of the Company as at the date of passing this resolution and the said approval shall be limited accordingly; and

NOTICE OF EGM

(d) for the purposes of this resolution:

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

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

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

3. “**THAT** subject to and conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting listing of, and permission to deal in, the shares of the Company (the “**Shares**”) which may be issued by the Company pursuant to the exercise of the share options to be granted under the refreshed scheme mandate limit for the share option scheme adopted by an ordinary resolution of the shareholders of the Company passed on 11 November 2015 (the “**Share Option Scheme**”) and any other share option scheme(s) of the Company,

- (a) the refreshment of the scheme mandate limit in respect of the maximum number of shares of the Company which may be issued upon exercise of all options to be granted under the Share Option Scheme (excluding options previously granted, outstanding, cancelled, lapsed or exercised in accordance with the terms of the Share Option Scheme and any other share option scheme of the Company) to the extent of up to 10 per cent of the Shares of the Company in issue as at the date of passing of this resolution be and is hereby approved; and

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- (b) the directors of the Company be and are hereby authorised to do all such acts and things and execute all such documents, including under seal where applicable, as they consider necessary or expedient to give effect to the foregoing arrangement and to grant options up to the refreshed limit and to exercise all powers of the Company to allot, issue or otherwise deal with the shares of the Company pursuant to the exercise of such options.”

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

Hong Kong, 12 July 2016

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:*

Room 2811, 28/F
West Tower
Shun Tak Centre
200 Connaught Road Central
Hong Kong

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 form of proxy 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 and transfer office in Hong Kong, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong not less than 48 hours before the time appointed for the extraordinary general meeting (or any adjournment thereof).
3. Completion and delivery of a form of proxy 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 form of proxy 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 form of proxy 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.