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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)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the annual general meeting of China Environmental Resources Group Limited (the “**Company**”) will be held at 35/F., Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on Monday, 28 November 2011 at 9:30 a.m. for the following purposes:

ORDINARY BUSINESS

1. To received and adopt the audited consolidated financial statements for the year ended 30 June 2011 together with the report of the directors and the independent auditor’s report.
2. (a) To re-elect the following persons as directors of the Company (“**Directors**”):
 - (i) Ms. Kam Yuen
 - (ii) Mr. Christopher David Thomas
- (b) To authorise the board of Directors (“**Board**”) to fix the Directors’ remuneration.
3. To re-appoint Lau & Au Yeung C.P.A. Limited as auditor of the Company and to authorise the Board to fix the remuneration of auditor of the Company and, in this connection, to consider and, if thought fit, pass the following resolution as an ordinary resolution of the Company:

“**THAT** Lau & Au Yeung C.P.A. Limited, who has been appointed by the Board as auditor of the Company to fill the casual vacancy occasioned by the resignation of Zhonglei (HK) CPA Company Limited, be and is hereby re-appointed as auditor of the Company to hold office until the conclusion of the next annual general meeting of the Company and that the Board be and is hereby authorised to fix the remuneration of auditor of the Company.”

SPECIAL BUSINESS

ORDINARY RESOLUTIONS

The following resolutions 4 to 7 will be proposed to be considered and, if thought fit, passing with or without amendments, as ordinary resolutions of the Company:

4. **“THAT:**

- (a) subject to the provisions of paragraphs (b) and (c) below, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company (“**New Shares**”) and to make or grant offers, agreements and options which might require the exercise of such powers, be and is hereby generally and unconditionally approved;
- (b) the approval given in provisions of paragraph (a) of this resolution shall authorise the Directors during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such powers after the end of the Relevant Period;
- (c) the aggregate nominal amount of the share capital allotted and issued or agreed conditionally or unconditionally to be allotted, issued (whether pursuant to an option or otherwise) and dealt with by the Directors pursuant to the approval in paragraph (a) of this resolution, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined); (ii) an issue of New Shares upon the exercise of rights of subscription or conversion under the terms of warrants of the Company or any securities which are convertible into shares; (iii) an issue of New Shares as scrip dividends or similar arrangement providing for the allotment of New Shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the articles of association of the Company from time to time; (iv) an issue of New Shares under any share option scheme or similar arrangement of the Company and/or any of its subsidiaries; or (v) a specific mandate granted by the shareholders of the Company in general meeting, shall not exceed 20% of the aggregate nominal amount of the issued share capital of the Company at the date of passing of this resolution, and the said approval shall be limited accordingly; and
- (d) for the purpose of this resolution:

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

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the laws of the Cayman Islands or the Company’s articles of association to be held; or

- (iii) the date on which the authority set out in this resolution is revoked or varied by an ordinary resolution in general meeting.

“**Rights Issue**” means the allotment, issue or grant of New Shares pursuant to an offer of New Shares open for a period fixed by the Directors to holders of issued shares of the Company (“**Shares**”) whose names on the register of members of the Company on a fixed record date in proportion to their then holdings of such Shares (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restriction or obligations under the laws of, or the requirements of, any recognised regulatory body or any stock exchange in any territory applicable to the Company).”

5. “**THAT:**

- (a) subject to the provisions of paragraphs (b) and (c) below, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase the Shares on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) or any stock exchange on which the Shares may be listed and recognised for this purpose by the Securities and Futures Commission of Hong Kong and the Stock Exchange under the Hong Kong Code on Share Repurchases, subject to and in accordance with all applicable laws and requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) or listing rules of any other stock exchange as amended from time to time and the articles of association of the Company, be and is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of Shares hereby authorised to be repurchased by the Company pursuant to the approval in paragraph (a) above shall not exceed 10% of the issued share capital of the Company as at the date of the passing of this resolution, and the said approval shall be limited accordingly;
- (c) for the purpose of this resolution:

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

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the laws of the Cayman Islands or the Company’s articles of association to be held; or
- (iii) the date on which the authority set out in this resolution is revoked or varied by an ordinary resolution in general meeting.”

6. “**THAT** conditional on the passing of resolutions 4 and 5 in the notice convening this meeting, the general mandate granted to the Directors and for the time being in force to exercise all the powers of the Company pursuant to paragraph (a) of resolution 4 above be and is hereby extended by the addition thereto an amount representing the aggregate nominal amount of the Shares repurchased by the Company under the authority granted pursuant to paragraph (a) of resolution 5 above, provided that such extended amount shall not exceed 10% of the issued share capital of the Company as at the date of the passing of this resolution.”
7. “**THAT:**
- (a) the renewal of the limit in respect of the granting of share options of the Company (the “**Share Options**”) under the share option scheme of the Company (the “**Share Option Scheme**”) adopted on 16 December 2005 or any other schemes of the Company or its subsidiaries, as the case may be, (the “**Renewed Scheme Mandate Limit**”) be and is hereby approved and confirmed and the total number of New Shares which may be issued upon exercise of Share Options to be granted under the Share Option Scheme as renewed shall not exceed 10% of the issued Shares as at the date of passing of this resolution. Share Options and other options previously granted under the Share Option Scheme or any other schemes of the Company or its subsidiaries, as the case may be (including options outstanding, cancelled, exercised or lapsed in accordance with the terms of the Share Option Scheme or any other schemes of the Company or its subsidiaries, as the case may be) shall not be counted for the purpose of calculating the Renewed Scheme Mandate Limit;
 - (b) the Directors be and are hereby authorised, subject to compliance with the Listing Rules, to grant Share Options under the Share Option Scheme up to the Renewed Scheme Mandate Limit and to exercise all the powers of the Company to allot, issue and deal with the Shares pursuant to the exercise of such Share Options; and
 - (c) any Director be and is hereby authorised to do all such acts and execute all such documents to effect the Renewed Scheme Mandate Limit.”

SPECIAL RESOLUTION

The following resolution 8 will be proposed to be considered and, if thought fit, passing, as a special resolution of the Company:

8. “**THAT** conditional upon the approval from the Grand Court of the Cayman Islands (“**Court**”) and compliance with any conditions the Court may impose and the Listing Committee of The Hong Kong Stock Exchange Limited granting approval for the listing of, and permission to deal in, the New Shares (as defined below) in issue, with effect from the day the Court order and other relevant documents are filed with the Registrar of Companies in the Cayman Islands:
- (a) the capital of the Company shall be reduced from HK\$300,000,000 divided into 6,000,000,000 Shares of HK\$0.05 each to HK\$6,000,000 divided into 6,000,000,000 New Shares of HK\$0.001 each, by canceling paid-up capital to the extent of HK\$0.049 on each issued Share and by reducing the nominal value of all the issued and unissued Shares from HK\$0.05 to HK\$0.001 (“**Capital Reduction**”);

- (b) immediately following the Capital Reduction, the authorized capital shall be increased to its former amount of HK\$300,000,000 by the creation of an additional 294,000,000,000 New Shares of HK\$0.001 each;
- (c) the credit arising from the Capital Reduction be transferred to a distributable reserve account of the Company and applied by the directors (“**Directors**”) of the Company in accordance with the articles of association of the Company and all applicable laws, including towards setting off the accumulated losses of the Company; and
- (d) the Directors be and are hereby authorised to do all such acts, deeds and things and to effect all necessary actions as they may consider necessary or desirable in order to effect, implement and complete any and all of the foregoing.”

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

Hong Kong, 28 October 2011

Notes:

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

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