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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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## CHINA ENVIRONMENTAL RESOURCES GROUP LIMITED

中國環境資源集團有限公司

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

**(Stock Code: 1130)**

### PROPOSED REFRESHMENT OF GENERAL MANDATE AND NOTICE OF EXTRAORDINARY GENERAL MEETING

**Financial adviser to the Company**



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

**AMASSE CAPITAL**  
寶積資本

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Capitalised terms used in this cover page shall have the same meanings as those defined in this circular, unless the context requires otherwise.

A letter from the Board is set out on pages 3 to 12 of this circular. A notice convening the EGM to be held at Orchid Room, 2/F, The Royal Garden, 69 Mody Road, Tsim Sha Tsui East, Kowloon, Hong Kong on Friday, 5 July 2024 at 11:00 a.m. is set out on pages EGM-1 to EGM-4 of this circular. A form of proxy for use by the Shareholders at the EGM or any adjournment thereof (as the case may be) is enclosed with this circular. Such form of proxy is also published on the websites of the Company at [www.cergroup.com.hk](http://www.cergroup.com.hk) and the HKExnews at [www.hkexnews.hk](http://www.hkexnews.hk), respectively.

Whether or not you intend to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Hong Kong branch share registrar and transfer office of the Company, 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 holding the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy shall not preclude you from attending and voting in person at the EGM or any adjournment thereof (as the case may be) should you so wish, and in such case, the form of proxy previously submitted shall be deemed to be revoked.

The Chinese translation of this circular is for reference only and, in case of any inconsistency, the English version shall prevail.

3 June 2024

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## DEFINITIONS

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

“AGM 2023”	the annual general meeting of the Company held on 4 December 2023
“associate(s)”	has the meaning ascribed to it in 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, 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
“Directors”	directors of the Company
“EGM”	the extraordinary general meeting of the Company to be held at 11:00 a.m. on Friday, 5 July 2024, for the Shareholders to consider and, if thought fit, approve, among other things, the Refreshment of General Mandate
“Existing General Mandate”	the general mandate granted to the Directors pursuant to an ordinary resolution passed at the AGM 2023 to allot and issue up to 407,307,622 Pre-Consolidation Shares, representing 20% of the then total number of Pre-Consolidation Shares in issue as at the date of passing such resolution
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board, comprising all the independent non-executive Directors, namely Mr. Wong Kwai Sang, Mr. Heung Chee Hang, Eric and Mr. Lee Chi Ho, to advise the Independent Shareholders on the Refreshment of General Mandate
“Independent Financial Adviser”	Amasse Capital Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Refreshment of General Mandate

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## DEFINITIONS

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“Independent Shareholders”	Shareholders other than those required under the Listing Rules to abstain from voting in favour of the ordinary resolutions to approve the Refreshment of General Mandate at the EGM
“Latest Practicable Date”	29 May 2024, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information included in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New General Mandate”	the new general mandate proposed to be granted to the Directors pursuant to an ordinary resolution to be proposed at the EGM to allot and issue new Shares up to 20% of the total number of Shares in issue on the date of passing such resolution
“Placing”	the placing of 407,307,622 Pre-Consolidation Shares under the Existing General Mandate, which was completed on 6 March 2024
“PRC”	the People’s Republic of China which, for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Pre-Consolidation Shares”	ordinary share(s) of HK\$0.02 each in the share capital of the Company before the Share Consolidation becoming effective
“Refreshment of General Mandate”	the proposed granting of the New General Mandate to the Directors at the EGM
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.1 each in the existing share capital of the Company
“Share Consolidation”	the consolidation of every five (5) issued and unissued Pre-Consolidation Shares of HK\$0.02 each into one (1) Share of HK\$0.1 each effective on 9 April 2024
“Shareholder(s)”	holder(s) of the Shares or the Pre-Consolidation Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
%	per cent.



**CHINA ENVIRONMENTAL RESOURCES GROUP LIMITED**

**中國環境資源集團有限公司**

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

**(Stock Code: 1130)**

*Executive Directors:*

Mr. Yeung Chi Hang

*(Chairman and Chief Executive Officer)*

Mr. Leung Kwong Choi

Mr. Wong Po Keung

Mr. Chung Siu Wah

Mr. Chik To Pan

*Independent non-executive Directors:*

Mr. Wong Kwai Sang

Mr. Heung Chee Hang, Eric

Mr. Lee Chi Ho

*Registered office:*

Ugland House

P.O. Box 309

Grand Cayman, KY1-1104

Cayman Islands

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

Room 2608, 26/F

Greenfield Tower

Concordia Plaza

No. 1 Science Museum Road

Tsim Sha Tsui East

Kowloon, Hong Kong

3 June 2024

*To the Shareholders*

Dear Sir or Madam,

**PROPOSED REFRESHMENT OF GENERAL MANDATE  
AND  
NOTICE OF EXTRAORDINARY GENERAL MEETING**

**INTRODUCTION**

The purpose of this circular is to provide the Shareholders with information relating to (i) the Refreshment of General Mandate; (ii) the recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Refreshment of General Mandate; (iii) the recommendation from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Refreshment of General Mandate; and (iv) the notice of the EGM.

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## LETTER FROM THE BOARD

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### THE REFRESHMENT OF GENERAL MANDATE

The Board proposes the Refreshment of General Mandate for the Directors to allot, issue and deal with new Shares up to 20% of the issued share capital of the Company as at the date of passing of the relevant resolutions at the EGM.

#### The Existing General Mandate

At the AGM 2023, the Shareholders approved, among other things, an ordinary resolution to grant to the Directors the Existing General Mandate to allot and issue not more than 407,307,622 Pre-Consolidation Shares, being 20% of the then total number of Pre-Consolidation Shares in issue as at the date of passing such resolution at the AGM 2023.

References are made to the announcements of the Company dated 16 February 2024 and 6 March 2024 in relation to the Placing. On 16 February 2024, the Company entered into a placing agreement in relation to the Placing, which was completed on 6 March 2024. The Existing General Mandate has been fully utilised upon the allotment and issue of an aggregate of 407,307,622 Pre-Consolidation Shares under the Placing.

As of the Latest Practicable Date, the Company had not refreshed its Existing General Mandate since the AGM 2023.

#### Proposed grant of the New General Mandate

In light of the full utilisation of the Existing General Mandate, the Company proposes to convene the EGM at which the ordinary resolutions will be proposed to the Independent Shareholders that:

- (i) the Directors be granted with the New General Mandate to allot and issue new Shares not exceeding 20% of the issued share capital of the Company as at the date of the EGM; and
- (ii) the New General Mandate be extended to Shares repurchased by the Company pursuant to the repurchase mandate granted to the Directors at the AGM 2023.

The New General Mandate, if granted, will expire at 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 memorandum and articles of association of the Company or any other applicable laws to be held; or (iii) the revocation or variation of the authority given to the Directors under the New General Mandate by passing an ordinary resolution by the Shareholders at a general meeting.

As at the Latest Practicable Date, the Company had 488,769,147 Shares in issue. On the basis that there will be no change in the issued share capital of the Company from the Latest Practicable Date and up to the date of the EGM, the Directors will be authorised to allot and issue up to 97,753,829 new Shares under the New General Mandate, representing 20% of the issued share capital of the Company as at the date of the EGM.

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## LETTER FROM THE BOARD

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### REASONS FOR THE REFRESHMENT OF GENERAL MANDATE

The Group is principally engaged in metal recycle business, motor and motor accessories business, car parking spaces rental, money lending business, securities trading and investment business as well as hotel and related business. The Group also maintains the green businesses of research, development and application of technologies and solutions, manufacture, sale and trading of products, materials, systems and services for green market segments including the environmental markets, agricultural markets, organic markets and green technology markets in the PRC and overseas.

In assessing the needs for the Refreshment of General Mandate, the Board has considered the followings:

**(i) Flexibility for the Group to raise additional funds for its general working capital**

The Existing General Mandate has been fully utilised as a result of the Placing. As the next annual general meeting of the Company will not be held until around late November or December 2024 (the “AGM 2024”), the Company will no longer have the flexibility, for around six months from the Latest Practicable Date, to seize any suitable fund-raising opportunities in a timely manner prior to the AGM 2024.

The sluggish economic momentum with poor market sentiment in Hong Kong, where the Group primarily operates in, has adversely impaired the business performance and operations of the Group due to weak consumer demand and subdued sales volumes. Despite the decline in revenue, the Group continues to incur necessary administrative and operating expenses for its business operations and activities such as rent, staff costs and other corporate expenses. As such, the Directors consider that the Refreshment of General Mandate is crucial to provide the Company with the flexibility necessary to promptly seize any suitable fund-raising opportunities in order to satisfy any general working capital needs prior to the AGM 2024 for the ordinary and usual course of business of the Group.

**(ii) Cash position and cash flows from operating activities of the Group**

The Group recorded the loss for the year attributable to owners of the Company of approximately HK\$16.7 million and HK\$35.1 million for the years ended 30 June 2022 and 2023 (“FY2023”), respectively, and the net cash outflow from operating activities of approximately HK\$11.1 million for FY2023. For the six months ended 31 December 2023, the Group further recorded the loss attributable to owners of the Company of approximately HK\$46.1 million and the net cash outflow from operating activities of approximately HK\$12.7 million. As at 31 December 2023, the total borrowings of the Group amounted to approximately HK\$83.7 million, whereas the cash and cash equivalents of the Group amounted to approximately HK\$2.3 million only.

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## LETTER FROM THE BOARD

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As at 30 April 2024, the unaudited cash and cash equivalents of the Group amounted to approximately HK\$8.5 million comprising (i) the internal resources (including the fund generated from its operations and external borrowings) of approximately HK\$6.0 million for meeting the capital needs for the daily business operation of the Group; and (ii) the unutilised net proceeds from the Placing of approximately HK\$2.5 million which have been allocated for designated usage and fully utilised as intended as at the Latest Practicable Date. For further details of the net proceeds from the Placing, please refer to the section headed “Equity fund-raising activity in the past twelve months” below. With the estimated net cash outflow in the ordinary and usual course of business of the Group for the upcoming months, the existing cash and cash equivalents of the Group may not be sufficient to satisfy the ongoing normal and usual expenditures in its ordinary business before the AGM 2024.

Having taken into account (i) the current cash position and the loss-making position of the Group; and (ii) the genuine need for general working capital given the net cash outflow from operating activities of the Group in recent financial years, the Directors considered that the New General Mandate, if granted, will be standing ready to be utilised by the Company to raise additional capital to strengthen the cash flow position of the Group for its business operation and development in the long run.

### **(iii) Other financing alternatives**

The Directors have also considered other financing alternatives such as debt financing, rights issue, open offer or issuing Shares under specific mandate to meet the financial requirements of the Group, if appropriate, taking into account the then financial position, capital structure and flexibility of the Group as well as the prevailing market condition. However, the Board believes that the Refreshment of General Mandate serves the best interests of the Company and the Shareholders considering that:

- (a) debt financing will impose a significant interest burden amidst the high-interest rate cycle, which would impair the financial performance of the Group. On the other hand, equity financing will provide the Group with fresh funding without repayment obligations, thereby improving its capital structure and enhancing its future financing capabilities. Besides, given the prevailing market conditions and the loss-making position of the Group for recent financial years, it may be relatively uncertain and time-consuming for the Company to obtain sufficient long-term debt financing of comparable size with favourable terms. Further, bank financing generally involves pledge of assets, which potentially limits the Group’s flexibility in managing its investment portfolio including but not limited to the realisation of its investments in car parking spaces;



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## LETTER FROM THE BOARD

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- (b) pre-emptive fund-raising methods such as rights issue or open offer generally involve substantial time to complete with considerable costs as compared to equity financing by issuance of new Shares under general mandate. The lengthy process for the completion of rights issue and open offer involves the preparation of legal documentation and fulfilment of additional administrative procedures and, subject to the fund-raising structure, may further involve the selection of and negotiation with underwriters and the requirement for the Shareholders' approval, which generally takes approximately two to four months with reference to market practice; and
- (c) as compared to equity financing by issuance of new Shares under general mandate, issuing Shares under specific mandate involves extra time for satisfying the regulatory compliance formalities under the Listing Rules, including the preparation of the circular and the requirement for the Shareholders' approval on each occasion of issue. On the other hand, the New General Mandate will be a more expeditious approach for the Company to cope with the funding needs of the Company in response to the ever-changing market conditions in a timely manner.

Based on the foregoing, the Board considers that the Refreshment of General Mandate is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

In the event that the cash and cash equivalents of the Group are falling short of the required general working capital, the Company may conduct equity fund-raising exercise(s), including but not limited to issuance or placing of new Shares under the New General Mandate, in the coming 12 months to support the business operation and/or development of the Group. The Directors are of the view that the issuance or placing of new Shares under the New General Mandate, if granted, would allow the Company to meet the funding needs and working capital requirements in a timely manner, minimizing the time, administrative procedures and costs as compared with the aforementioned alternative financing means, and accordingly, is in the best interests of the Company and its Shareholders as a whole. Notwithstanding, as at the Latest Practicable Date, the Company has not formulated any definitive fund-raising plan or has not entered into any arrangement, understanding or undertaking (whether concluded or not) to issue new Shares under the New General Mandate. The size and the intended use of funding arising from utilisation of the New General Mandate will be subject to the actual capital needs of the Group, as may be determined from time to time.

As at the Latest Practicable Date, the Company has no intention to further refresh the New General Mandate before the AGM 2024.

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## LETTER FROM THE BOARD

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### EQUITY FUND-RAISING ACTIVITY IN THE PAST TWELVE MONTHS

Save as disclosed below, the Company has not conducted any equity fund-raising activity in the past twelve (12) months immediately preceding the Latest Practicable Date:

<b>Date of initial announcement</b>	<b>Equity fund-raising activity</b>	<b>Actual net proceeds</b>	<b>Intended use of net proceeds</b>	<b>Actual use of net proceeds</b>
16 February 2024	The Placing under the Existing General Mandate	Approximately HK\$16.0 million	(i) Approximately HK\$5.2 million for settlement and/or repayment of the installment loans payable and other bank loans;  (ii) HK\$3.5 million for existing operation of its motor and motor accessories business as well as its metal recycle business;  (iii) HK\$3.0 million for settlement of outstanding accounts and other payables; and  (iv) approximately HK\$4.3 million for general working capital.	As at the Latest Practicable Date, the net proceeds have been fully utilised as intended.

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**LETTER FROM THE BOARD**

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**POTENTIAL DILUTION TO SHAREHOLDINGS OF THE SHAREHOLDERS**

Set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately upon full utilisation of the New General Mandate (assuming that there will be no change in the issued share capital of the Company from the Latest Practicable Date up to the date of full utilisation of the New General Mandate):

<b>Shareholders</b>	<b>As at the Latest Practicable Date</b>		<b>Immediately upon full utilisation of the New General Mandate</b>	
	<i>Number of Shares</i>	<i>Approximate %</i>	<i>Number of Shares</i>	<i>Approximate %</i>
<b>Substantial Shareholders</b>				
Mr. Yeung Chi Hang ("Mr. Yeung") and his associate(s) ( <i>Note 1</i> )	121,298,400	24.8	121,298,400	20.7
Ocean Line Holdings Limited (" <b>Ocean Line</b> ") and Mr. Sze Hoi Kwai ("Mr. SH Kwai") and their associate(s) ( <i>Note 2</i> )	72,804,000	14.9	72,804,000	12.4
<i>Sub-total</i>	194,102,400	39.7	194,102,400	33.1
<b>Other Shareholders</b>				
Existing public Shareholders	294,666,747	60.3	294,666,747	50.2
New Shareholders upon issue and allotment of maximum number of Shares under the New General Mandate	—	—	97,753,829	16.7
<b>Total</b>	<b>488,769,147</b>	<b>100.0</b>	<b>586,522,976</b>	<b>100.0</b>

*Notes:*

- Mr. Yeung is an executive Director, the Chairman and the Chief Executive Officer of the Company. As at the Latest Practicable Date, Mr. Yeung and his associate(s) (as defined in the Listing Rules) hold an aggregate of 121,298,400 Shares (or approximately 24.8% of the issued share capital of the Company) comprising (i) 102,247,200 Shares held by Mr. Yeung; and (ii) 19,051,200 Shares held by Mr. Yeung Chun Kwong, the father of Mr. Yeung.
- As at the Latest Practicable Date, 59,900,000 Shares were held by Ocean Line which is owned as to 60% by Mr. SH Kwai and 40% by Ms. Cheung Wai Fung ("**Ms. Cheung**"), the spouse of Mr. SH Kwai, who also holds personal interest in 2,902,400 Shares. As at the Latest Practicable Date, Ocean Line, Mr. SH Kwai and their associate(s) (as defined in the Listing Rules) hold an aggregate of 72,804,000 Shares (or approximately 14.9% of the issued share capital of the Company) comprising

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## LETTER FROM THE BOARD

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(i) 59,900,000 Shares held by Ocean Line; (ii) 2,902,400 Shares held by Ms. Cheung, the spouse of Mr. SH Kwai and a director of Ocean Line; and (iii) 10,001,600 Shares held by Mr. Kwai Kwun, the son of Mr. SH Kwai and Ms. Cheung and a director of Ocean Line.

Assuming that (i) the Refreshment of General Mandate is approved at the EGM; and (ii) there will be no change in the issued share capital of the Company from the Latest Practicable Date up to the date of the EGM, a maximum of 97,753,829 new Shares will be available for issuance under the New General Mandate, representing approximately (i) 20.0% of the existing issued share capital of the Company as at the Latest Practicable Date; and (ii) 16.7% of the issued share capital of the Company as enlarged by the allotment and issue of 97,753,829 Shares upon full utilisation of the New General Mandate. The aggregate shareholding of the existing public Shareholders will be diluted from approximately 60.3% as at the Latest Practicable Date to approximately 50.2% upon full utilisation of the New General Mandate. Having considered the factors as set out in the section headed “Reasons for the Refreshment of General Mandate” above, the Directors are of the view that the aforesaid potential dilution impact on the shareholdings of the existing public Shareholders is acceptable and the Refreshment of General Mandate is in the interests of the Company and the Shareholders as a whole.

### LISTING RULES IMPLICATIONS

Pursuant to Rule 13.36(4) of the Listing Rules, the Refreshment of General Mandate will be subject to the Independent Shareholders’ approval by way of ordinary resolutions at the EGM. Any controlling shareholders and their respective associates or, where there are no controlling shareholders, directors (excluding independent non-executive directors) and the chief executive of the issuer and their respective associates shall abstain from voting in favour of the relevant resolution(s).

As at the Latest Practicable Date, to the best knowledge, belief and information of the Directors having made all reasonable enquiries, the Company has no controlling Shareholder. Accordingly, Mr. Yeung, being an executive Director, the Chairman and the Chief Executive Officer of the Company, together with his associate(s), who are interested in an aggregate of 121,298,400 Shares or approximately 24.8% of the issued share capital of the Company as at the Latest Practicable Date, are required to abstain from voting in favour of the ordinary resolutions to approve the Refreshment of General Mandate at the EGM. As at the Latest Practicable Date, none of the parties that are required to abstain from voting in favour of the ordinary resolutions to be proposed at the EGM has indicated the intention to vote against such resolutions.

Save as disclosed above, to the best knowledge, belief and information of the Directors having made all reasonable enquiries, as at the Latest Practicable Date, no Shareholder is required under the Listing Rules to abstain from voting on the ordinary resolutions in respect of the Refreshment of General Mandate at the EGM.

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## LETTER FROM THE BOARD

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### EGM

The EGM will be held at Orchid Room, 2/F, The Royal Garden, 69 Mody Road, Tsim Sha Tsui East, Kowloon, Hong Kong on Friday, 5 July 2024 at 11:00 a.m., the notice of which is set out on pages EGM-1 to EGM-4 of this circular.

A form of proxy for use at the EGM is enclosed. Such form of proxy is also published on the websites of the Company at [www.cergroup.com.hk](http://www.cergroup.com.hk) and the HKExnews at [www.hkexnews.hk](http://www.hkexnews.hk), respectively.

Whether or not you intend to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Hong Kong branch share registrar and transfer office of the Company, 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 holding the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy shall not preclude you from attending and voting in person at the EGM or any adjournment thereof (as the case may be) should you so wish and, in such case, the instrument appointing a proxy shall be deemed to be revoked.

The votes of the Independent Shareholders at the EGM will be taken by poll in accordance with Rule 13.39(4) of the Listing Rules except for purely procedural or administrative matters.

### CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 2 July 2024 to Friday, 5 July 2024 (both days inclusive) for determining the identity of the Shareholders entitled to attend and vote at the EGM, during which period no transfer of the Shares will be effected. All transfers, accompanied by the relevant share certificates, must be lodged with the Hong Kong branch share registrar and transfer office of the Company, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, not later than 4:00 p.m. on Friday, 28 June 2024.

### INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Wong Kwai Sang, Mr. Heung Chee Hang, Eric and Mr. Lee Chi Ho, has been established to advise the Independent Shareholders on the Refreshment of General Mandate.

Amasse Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Refreshment of General Mandate.

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## LETTER FROM THE BOARD

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### RECOMMENDATION

Based on the above, the Directors (including members of the Independent Board Committee whose views are set out in the letter from the Independent Board Committee in this circular after taking into account the advice of the Independent Financial Adviser) are of the opinion that the Refreshment of General Mandate is fair and reasonable and in the interests of the Company and the Shareholders as a whole and accordingly recommend the Independent Shareholders to vote in favour of the ordinary resolutions to approve the Refreshment of General Mandate at the EGM.

Your attention is drawn to (i) the letter from the Independent Board Committee set out on pages 13 to 14 of this circular which contains its recommendation to the Independent Shareholders in relation to the Refreshment of General Mandate; and (ii) the letter of advice from the Independent Financial Adviser set out on pages 15 to 25 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the Refreshment of General Mandate.

### 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 enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

### MISCELLANEOUS

The English text of this circular shall prevail over the Chinese text for the purpose of interpretation.

The Independent Financial Adviser has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which they respectively appear.

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

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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*The following is the full text of the letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in respect of the Refreshment of General Mandate, which has been prepared for the purpose of inclusion in 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)**

3 June 2024

*To the Independent Shareholders*

Dear Sir or Madam,

#### **PROPOSED REFRESHMENT OF GENERAL MANDATE**

We refer to the circular of the Company to the Shareholders dated 3 June 2024 (the “**Circular**”), of which this letter forms part. Unless the context requires otherwise, capitalized terms used in this letter will have the same meanings as defined in the Circular.

The Independent Board Committee has been established to advise the Independent Shareholders on whether the Refreshment of General Mandate is fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

We wish to draw your attention to the letter from the Board as set out on pages 3 to 12 of the Circular and the letter of advice from the Independent Financial Adviser, which has been appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Refreshment of General Mandate, as set out on pages 15 to 25 of the Circular.

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**LETTER FROM THE INDEPENDENT BOARD COMMITTEE**

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Having taken into consideration the factors and reasons as stated in the letter from the Board, and the opinion of the Independent Financial Adviser as stated in the letter of advice from the Independent Financial Adviser, we are of the view that the Refreshment of General Mandate is fair and reasonable so far as the Independent Shareholders are concerned and 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 approve the Refreshment of General Mandate at the EGM.

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

**Mr. Wong Kwai Sang**

**Mr. Heung Chee Hang, Eric**

**Mr. Lee Chi Ho**

*Independent non-executive Directors*



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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

### AMASSE CAPITAL

寶 積 資 本

3 June 2024

*The Independent Board Committee and the Independent Shareholders*

Dear Sirs,

## PROPOSED REFRESHMENT OF GENERAL MANDATE

### INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Refreshment of General Mandate, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular issued by the Company to its Shareholders dated 3 June 2024 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

The Board proposes the Refreshment of General Mandate for the Directors to allot, issue and deal with new Shares up to 20% of the issued share capital of the Company as at the date of passing of the relevant resolutions at the EGM.

As at the Latest Practicable Date, the Company had 488,769,147 Shares in issue. On the basis that there will be no change in the issued share capital of the Company from the Latest Practicable Date and up to the date of the EGM, the Directors will be authorised to allot and issue up to 97,753,829 new Shares under the New General Mandate, representing 20% of the issued share capital of the Company as at the date of the EGM.

Pursuant to Rule 13.36(4) of the Listing Rules, the Refreshment of General Mandate will be subject to the Independent Shareholders’ approval by way of ordinary resolutions at the EGM. Any controlling shareholders and their respective associates, or where there are no controlling shareholders, directors (excluding independent non-executive directors) and the chief executive of the issuer and their respective associates shall abstain from voting in favour of the relevant resolution(s).

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As at the Latest Practicable Date, to the best knowledge, belief and information of the Directors having made all reasonable enquiries, the Company has no controlling Shareholder. Accordingly, Mr. Yeung, being an executive Director, the Chairman and the Chief Executive Officer of the Company, together with his associate(s), who are interested in an aggregate of 121,298,400 Shares or approximately 24.8% of the issued share capital of the Company as at the Latest Practicable Date, are required to abstain from voting in favour of the ordinary resolutions to approve the Refreshment of General Mandate at the EGM. As at the Latest Practicable Date, none of the parties that are required to abstain from voting in favour of the ordinary resolutions to be proposed at the EGM has indicated the intention to vote against such resolutions.

Save as disclosed above, to the best knowledge, belief and information of the Directors having made all reasonable enquiries, as at the Latest Practicable Date, no Shareholder is required under the Listing Rules to abstain from voting on the ordinary resolutions in respect of the Refreshment of General Mandate at the EGM.

### **THE INDEPENDENT BOARD COMMITTEE**

The Independent Board Committee, comprising Mr. Wong Kwai Sang, Mr. Heung Chee Hang, Eric and Mr. Lee Chi Ho, all being independent non-executive Directors, has been established to advise the Independent Shareholders as to whether the Refreshment of General Mandate is fair and reasonable so far as the Company and the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote on the relevant resolutions at the EGM. As the Independent Financial Adviser, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders in such regard.

### **OUR INDEPENDENCE**

As at the Latest Practical Date, we did not have any relationships or interests with the Company or any other parties that could reasonably be regarded as relevant to our independence. In the last two years, we have not acted as the independent financial adviser to the independent board committee and the independent Shareholders of the Company for any transaction.

With regard to our independence from the Company, it is noted that, apart from normal professional fees paid or payable to us in connection with the current appointment as the Independent Financial Adviser, no arrangements exist whereby we had received or will receive any fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence.

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### BASIS OF OUR ADVICE

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors and the management of the Company (collectively, the “**Management**”). We have assumed that all information and representations that have been provided by the Management, for which the Directors are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. Our opinion is based on the representation and confirmation of the Management that there are no undisclosed private agreements/arrangements or implied understanding with anyone concerning the Refreshment of General Mandate. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

The Directors have collectively and individually accepted full responsibility for the Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, that the information contained in the 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 in the Circular or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, carried out any independent verification of the information provided by the Management, nor have we conducted any independent in-depth investigation into the business and affairs of any members of the Group, the counter party(ies) to the Refreshment of General Mandate or their respective subsidiaries or associates. We also have not considered the taxation implication on the Group or the Shareholders as a result of the Refreshment of General Mandate. We have not carried out any feasibility study on the past, and forthcoming investment decision, opportunity or project undertaken or to be undertaken by the Group. Our opinion has been formed on the assumption that any analysis, estimation, anticipation, condition and assumption provided by the Group are feasible and sustainable. Our opinion shall not be constructed as to give any indication to the validity, sustainability and feasibility of any past, existing and forthcoming investment decision, opportunity or project undertaken or to be undertaken by the Group.

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Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company. We expressly disclaim any liability and/or any loss arising from or in reliance upon the whole or any part of the contents of this letter.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.

### PRINCIPAL FACTORS CONSIDERED

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

#### 1. Background and financial information of the Group

The Group is principally engaged in metal recycle business, motor and motor accessories business, car parking spaces rental, money lending business, securities trading and investment business as well as hotel and related business. The Group also maintains the green businesses of research, development and application of technologies and solutions, manufacture, sale and trading of products, materials, systems and services for green market segments including the environmental markets, agricultural markets, organic markets and green technology markets in the PRC and overseas.

Furthermore, we have reviewed the annual report of the Company for the year ended 30 June 2023 (the “**2023 Annual Report**”) and the interim report of the Company for the six months ended 31 December 2023 (the “**2023 Interim Report**”), respectively. We noted that the Group recorded the loss for the year attributable to owners of the Company of approximately HK\$16.7 million and HK\$35.1 million for the years ended 30 June 2022 (“**FY2022**”) and 2023 (“**FY2023**”), respectively, and the net cash outflow from operating activities of approximately HK\$11.1 million for FY2023. For the six months ended 31 December 2023, the Group further recorded the loss attributable to owners of the Company of approximately HK\$46.1 million and the net cash outflow from operating activities of approximately HK\$12.7 million. As at 31 December 2023, the total borrowings of the Group amounted to approximately HK\$83.7 million, whereas the cash and cash equivalents of the Group amounted to approximately HK\$2.3 million only.

## **2. Background of and reasons for the grant of the New General Mandate**

At the AGM 2023, the Shareholders approved, among other things, an ordinary resolution to grant to the Directors the Existing General Mandate to allot and issue not more than 407,307,622 Pre-Consolidation Shares, being 20% of the then total number of Pre-Consolidation Shares in issue as at the date of passing such resolution at the AGM 2023.

As disclosed in the announcements of the Company dated 16 February 2024 and 6 March 2024 in relation to the Placing, the Company entered into a placing agreement in relation to the Placing on 16 February 2024, which was completed on 6 March 2024. The Existing General Mandate has been fully utilised upon the allotment and issue of an aggregate of 407,307,622 Pre-Consolidation Shares under the Placing.

As set out in the Letter from the Board, the Company proposes to convene the EGM at which the ordinary resolutions will be proposed to the Independent Shareholders that:

- (i) the Directors be granted with the New General Mandate to allot and issue new Shares not exceeding 20% of the issued share capital of the Company as at the date of the EGM; and
- (ii) the New General Mandate be extended to Shares repurchased by the Company pursuant to the repurchase mandate granted to the Directors at the AGM 2023.

The New General Mandate, if granted, will expire at 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 memorandum and articles of association of the Company or any other applicable laws to be held; or
- (iii) the revocation or variation of the authority given to the Directors under the New General Mandate by passing an ordinary resolution by the Shareholders at a general meeting.

As at the Latest Practicable Date, the Company had 488,769,147 Shares in issue. On the basis that there will be no change in the issued share capital of the Company from the Latest Practicable Date and up to the date of the EGM, the Directors will be authorised to allot and issue up to 97,753,829 new Shares under the New General Mandate, representing 20% of the issued share capital of the Company as at the date of the EGM.

As of the Latest Practicable Date, the Company had not refreshed its Existing General Mandate since the AGM 2023. As advised by the Company, the next annual general meeting of the Company will not be held until around late November or December 2024 (the “AGM 2024”) and the Company will no longer have the flexibility, for around six months from the Latest Practicable Date, to seize any suitable fund-raising opportunities in a timely manner prior to the AGM 2024.

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The sluggish economic momentum with poor market sentiment in Hong Kong, where the Group primarily operates in, has adversely impaired the business performance and operations of the Group due to weak consumer demand and subdued sales volumes. Despite the decline in revenue, the Group continues to incur necessary administrative and operating expenses for its business operations and activities such as rent, staff costs and other corporate expenses. As such, the Directors consider that the Refreshment of General Mandate is crucial to provide the Company with the flexibility necessary to promptly seize any suitable fund-raising opportunities in order to satisfy any general working capital needs prior to the AGM 2024 for the ordinary and usual course of business of the Group.

With reference to the 2023 Annual Report and the 2023 Interim Report, we noted that the Group recorded a loss-making position for (i) FY2022; (ii) FY2023 and (iii) the six months ended 31 December 2023, respectively. The Group also incurred administrative and operating expenses of (a) approximately HK\$41.4 million for FY2022, mainly including salaries and directors' emoluments of approximately HK\$13.3 million, legal and professional fee of approximately HK\$3.9 million and rental expense of approximately HK\$6.8 million, and (b) approximately HK\$43.7 million for FY2023, mainly including salaries and directors' emoluments of approximately HK\$13.9 million, legal and professional fee of approximately HK\$5.3 million and rental expense of approximately HK\$4.2 million. In addition, based on the information provided by the Company, as at 30 April 2024, the unaudited cash and cash equivalents of the Group amounted to approximately HK\$8.5 million comprising (i) the internal resources (including the fund generated from its operations and external borrowings) of approximately HK\$6.0 million for meeting the capital needs for the daily business operation of the Group; and (ii) the unutilised net proceeds from the Placing of approximately HK\$2.5 million which have been allocated for designated usage and fully utilised as intended as at the Latest Practicable Date. For further details of the net proceeds from the Placing, please refer to the section headed "Equity fund-raising activity in the past twelve months" below. With the estimated net cash outflow in the ordinary and usual course of business of the Group for the upcoming months, the existing cash and cash equivalents of the Group may not be sufficient to satisfy the ongoing normal and usual expenditures in its ordinary business before the AGM 2024.

We are advised by the Management that if the cash and cash equivalents of the Group are falling short of the required general working capital, the Company may conduct equity fund raising exercise(s), including but not limited to issuance or placing of new Shares under the New General Mandate, in the coming 12 months to support the business operation and/or development of the Group. As at the Latest Practicable Date, the Company (i) has not formulated any definitive fund-raising plan or has not entered into any arrangement, understanding or undertaking (whether concluded or not) to issue new Shares under the New General Mandate; and (ii) has no intention to further refresh the New General Mandate before the AGM 2024. The size and the intended use of funding arising from utilisation of the New General Mandate will be subject to the actual capital needs of the Group, as may be determined from time to time.

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Having considered the above reasons, we are of the view and concur with the Director's view that the Refreshment of General Mandate is fair and reasonable, and in the interest of the Company and the Shareholders as a whole as it provides more flexibility and options to raise further capital for the business operation and/or development of the Group without seeking further approval from the Shareholders, which is in the interests of the Company and the Shareholders as a whole.

### 3. Equity fund-raising activity in the past twelve months

Save as disclosed below, the Company has not conducted any equity fund-raising activity in the past twelve (12) months immediately preceding the Latest Practicable Date:

<b>Date of initial announcement</b>	<b>Equity fund-raising activity</b>	<b>Actual net proceeds</b>	<b>Intended use of net proceeds</b>	<b>Actual use of net proceeds</b>
16 February 2024	The Placing under the Existing General Mandate	Approximately HK\$16.0 million	(i) Approximately HK\$5.2 million for settlement and/or repayment of the installment loans payable and other bank loans;  (ii) HK\$3.5 million for existing operation of its motor and motor accessories business as well as its metal recycle business;  (iii) HK\$3.0 million for settlement of outstanding accounts and other payables; and  (iv) approximately HK\$4.3 million for general working capital.	As at the Latest Practicable Date, the net proceeds have been fully utilised as intended.

Saved as disclosed above, the Directors confirmed that the Company had not conducted any other fund raising activities during the past twelve months immediately prior to the Latest Practicable Date.

#### **4. Other financing alternatives**

As set out in the Letter from the Board, the Directors have also considered other financing alternatives such as debt financing, rights issue, open offer, issuing Shares under specific mandate to meet the financial requirements of the Group, if appropriate, taking into account the then financial position, capital structure and flexibility of the Group as well as the prevailing market condition.

In respect of debt financing, it is considered that debt financing will impose a significant interest burden amidst the high-interest rate cycle, which would impair the financial performance of the Group. On the other hand, equity financing will provide the Group with fresh funding without repayment obligations, thereby improving its capital structure and enhancing its future financing capabilities. Besides, given the prevailing market conditions and the loss-making position of the Group for recent financial years, it may be relatively uncertain and time-consuming for the Company to obtain sufficient long-term debt financing of comparable size with favourable terms. Further, bank financing generally involves pledge of assets, which potentially limits the Group's flexibility in managing its investment portfolio including but not limited to the realisation of its investments in car parking spaces. We consider debt financing to be comparatively costly, uncertain and time-consuming as compared to equity financing by issuance of new Shares under general mandate for the Group to obtain additional funding.

As regard to pre-emptive fund-raising methods such as rights issue or open offer, the Directors consider that they may generally involve substantial time to complete with considerable costs as compared to equity financing by issuance of new Shares under general mandate. The lengthy process for the completion of rights issue and open offer involves the preparation of legal documentation and fulfilment of additional administrative procedures and, subject to the fund-raising structure, may further involve the selection of and negotiation with underwriters and the requirement for the Shareholders' approval, which generally takes approximately two to four months with reference to market practice. According to the sample timetables stated in the guideline "Guide on Trading Arrangements for Selected Types of Corporate Actions" issued by the Stock Exchange, it is expected to take 29 business days to complete a rights issue or 33 business days to complete an open offer assuming no general meeting is required to obtain shareholders' approval on the rights issue or open offer, and 41 business days if a general meeting is required. As compared to rights issue or open offer, we consider that the Refreshment of General Mandate is less costly in terms of money and time (e.g. it would take approximately one to two weeks for the completion of issuance of new Shares under the New General Mandate when the New General Mandate granted).

Furthermore, as compared to equity financing by issuance of new Shares under general mandate, issuing Shares under specific mandate involves extra time for satisfying the regulatory compliance formalities under the Listing Rules, including the preparation of the circular and the requirement for the Shareholders' approval on each occasion of issue. On the other hand, the New General Mandate will be a more expeditious approach for the Company to cope with the funding needs of the Company in response to the ever-changing market conditions in a timely manner.



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**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

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The Directors have confirmed that they would exercise due and careful consideration when choosing the optimal financing method available to the Group to the best of their knowledge and belief. In addition, the Refreshment of General Mandate will provide the Company with an additional alternative and it is reasonable for the Company to have flexibility and discretion in deciding the financing methods to capture any capital raising opportunity in a timely manner. As a result, we concur with the Directors that raising funds through issue of new Shares under the New General Mandate is more flexible, cost effective and time efficient than debt financing and other alternative equity financing methods.

**5. Potential dilution to shareholdings of the Shareholders**

Set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately upon full utilisation of the New General Mandate (assuming that there will be no change in the issued share capital of the Company from the Latest Practicable Date up to the date of full utilisation of the New General Mandate):

Shareholders	As at the Latest Practicable Date		Immediately upon full utilisation of the New General Mandate	
	Number of Shares	Approximate %	Number of Shares	Approximate %
<b>Substantial Shareholders</b>				
Mr. Yeung Chi Hang ("Mr. Yeung") and his associate(s) ( <i>Note 1</i> )	121,298,400	24.8	121,298,400	20.7
Ocean Line Holdings Limited ("Ocean Line") and Mr. Sze Hoi Kwai ("Mr. SH Kwai") and their associate(s) ( <i>Note 2</i> )	72,804,000	14.9	72,804,000	12.4
<i>Sub-total</i>	194,102,400	39.7	194,102,400	33.1
<b>Other Shareholders</b>				
Existing public Shareholders	294,666,747	60.3	294,666,747	50.2
New Shareholders upon issue and allotment of maximum number of Shares to be issued under the New General Mandate	—	—	97,753,829	16.7
<b>Total</b>	488,769,147	100.0	586,522,976	100.0

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*Notes:*

1. Mr. Yeung is an executive Director, the Chairman and the Chief Executive Officer of the Company. As at the Latest Practicable Date, Mr. Yeung and his associate(s) (as defined in the Listing Rules) hold an aggregate of 121,298,400 Shares (or approximately 24.8% of the issued share capital of the Company) comprising (i) 102,247,200 Shares held by Mr. Yeung; and (ii) 19,051,200 Shares held by Mr. Yeung Chun Kwong, the father of Mr. Yeung.
2. As at the Latest Practicable Date, 59,900,000 Shares were held by Ocean Line which is owned as to 60% by Mr. SH Kwai and 40% by Ms. Cheung Wai Fung (“**Ms. Cheung**”), the spouse of Mr. SH Kwai, who also holds personal interest in 2,902,400 Shares. As at the Latest Practicable Date, Ocean Line, Mr. SH Kwai and their associate(s) (as defined in the Listing Rules) hold an aggregate of 72,804,000 Shares (or approximately 14.9% of the issued share capital of the Company) comprising (i) 59,900,000 Shares held by Ocean Line; (ii) 2,902,400 Shares held by Ms. Cheung, the spouse of Mr. SH Kwai and a director of Ocean Line; and (iii) 10,001,600 Shares held by Mr. Kwai Kwun, the son of Mr. SH Kwai and Ms. Cheung and a director of Ocean Line.

Upon full utilisation of the New General Mandate, a maximum of 97,753,829 new Shares will be issued, representing (i) approximately 20.0% of the existing issued share capital of the Company as at the Latest Practicable Date and (ii) approximately 16.7% of the issued share capital of the Company as enlarged by the allotment and issue of 97,753,829 Shares under the New General Mandate. Assuming that the Company does not issue and/or repurchase any Shares from the Latest Practicable Date up to and including the date of the EGM, the aggregate shareholding of the existing public Shareholders will be diluted from approximately 60.3% as at the Latest Practicable Date to approximately 50.2% upon full utilisation of the New General Mandate.

We are aware of the potential dilution effect as a result of the utilisation of the New General Mandate. However, we consider that the foregoing should be balanced, among others, the granting of the New General Mandate (i) would allow the Company to raise capital by allotment and issuance of new Shares before the next annual general meeting of the Company which is expected to be held in around 6 months from the date of the Circular; (ii) would provide the Company with more financial flexibility and options to raise further capital to meet the general working capital needs in a timely manner and (iii) would provide an alternative option to the Company to conduct fund raising in a shorter timeframe and less costly as compared to other financing methods, such as open offer or rights issue which are time consuming. Thus, we concur with the view of the Directors that the New General Mandate, if utilised, is fair and reasonable and is in the best interests of the Company and the Shareholders as a whole and we are of the opinion that such potential dilution to the shareholdings of the existing Shareholders as aforementioned is acceptable.

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### RECOMMENDATION

Having taken into consideration the above principal factors and reasons regarding the New General Mandate, in particular:

- (i) during the period from the grant of the Existing General Mandate to the Latest Practicable Date, the Existing General Mandate has been fully utilised;
- (ii) the New General Mandate provides more flexibility to raise further capital to meet its capital needs for the business operation and/or development of the Group; and
- (iii) the acceptable potential dilution to shareholdings of the public Shareholders,

we are of the opinion that the grant of the New General Mandate is fair and reasonable so far as the Company and the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Shareholders are, however, reminded to note the potential dilution effect of the full utilisation of the New General Mandate on their shareholding in the Company.

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

Yours faithfully,  
For and on behalf of  
**Amasse Capital Limited**  
**Tracy Mok**  
*Associate Director*

*Ms. Tracy Mok is a licensed person registered with the Securities and Future Commission of Hong Kong and regards as a responsible officer of Amasse Capital Limited to carry out type 6 (advising on corporate finance) regulated activity under the SFO and has over 10 years of experience in corporate finance industry.*

*In the case of inconsistency, the English text of this letter shall prevail over the Chinese text.*



**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 Orchid Room, 2/F, The Royal Garden, 69 Mody Road, Tsim Sha Tsui East, Kowloon, Hong Kong on Friday, 5 July 2024 at 11:00 a.m. for the purpose of considering and, if thought fit, passing with or without amendments, the following resolutions as the ordinary resolutions of the Company:

**ORDINARY RESOLUTIONS**

1. “**THAT**

- (a) the general mandate (the “**Existing General Mandate**”) granted to the directors of the Company (the “**Directors**”) to allot, issue and deal with the unissued shares of the Company pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 4 December 2023 (the “**AGM 2023**”) be and is hereby revoked (without prejudice to any valid exercise of the Existing General Mandate prior to the passing of this resolution);

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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- (b) the exercise by the Directors during the Relevant Period (as defined below) of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company (the “**Shares**”) and to make or grant offers, agreements and options (including bonds, warrants and debentures convertible into the Shares), which would or might require Shares to be allotted, issued or dealt with, whether during or after the end of the Relevant Period be and is hereby generally and unconditionally approved, provided that, otherwise than pursuant to: (a) a rights issue where Shares are offered to shareholders (the “**Shareholders**”) of the Company on a fixed record date in proportion to their then holdings of Shares in the Company (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognized regulatory body or any stock exchange in any territory applicable to the Company); or (b) any scrip dividend or similar arrangement providing for the allotment of securities in lieu of the whole or part of a dividend on Shares in accordance with the articles of association of the Company; or (c) the exercise of subscription rights attaching to share options under any option scheme; or (d) a specific authority granted by the Shareholders in general meeting of the Company, the aggregate number of Shares to be allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the Directors shall not exceed 20% of the total number of Shares in issue as at the date of passing this ordinary resolution and the said approval shall be limited accordingly;
- (c) the approval in paragraph (b) above shall authorise the Directors during the Relevant Period to make or grant offers, agreements and options (including bonds, warrants and debentures convertible into the Shares), which would or might require Shares to be allotted, issued or dealt with, whether during or after the end of the Relevant Period; and
- (d) for the purpose of this ordinary resolution, “**Relevant Period**” means the period from the passing of this ordinary 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 memorandum and articles of association of the Company or any other applicable laws to be held; or
  - (iii) the revocation or variation of the authority given to the Directors under this ordinary resolution by passing an ordinary resolution by the Shareholders at a general meeting.”

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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2. “**THAT** conditional upon the passing of resolution numbered 1 as set out in the notice convening the EGM, the general and unconditional mandate granted to the Directors to exercise the powers of the Company to allot, issue or otherwise deal with Shares pursuant to resolution numbered 1 as set out in the notice convening the EGM be and is hereby extended by the addition thereto of an amount representing the aggregate number of Shares repurchased by the Company pursuant to the repurchase mandate passed at the AGM 2023, provided that such amount shall not exceed 10% of the issued share capital of the Company as at the date of the AGM 2023 (such aggregate number shall be adjusted if the number of all or any Shares becomes higher or lower upon this resolution is passed).”

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

Hong Kong, 3 June 2024

*Registered Office:*

Ugland House  
P.O. Box 309  
Grand Cayman, KY1-1104  
Cayman Islands

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

Room 2608, 26/F  
Greenfield Tower  
Concordia Plaza  
No. 1 Science Museum Road  
Tsim Sha Tsui East  
Kowloon, Hong Kong

**Notes:**

1. The EGM will be held in the form of a physical meeting. Any Shareholder entitled to attend and vote at the EGM 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.
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 Hong Kong branch share registrar and transfer office of the Company, 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 EGM (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 EGM (or any adjournment thereof) and in such case, the instrument appointing a proxy shall be deemed to be revoked.

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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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 thereto; but if more than one of such joint holders are present at the EGM, 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 holder(s), 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. Any voting at the EGM shall be taken by poll.
6. The register of members of the Company will be closed from Tuesday, 2 July 2024 to Friday, 5 July 2024 (both days inclusive) for determining the entitlement of the Shareholders to attend and vote at the EGM. In order to be eligible for attending and voting at the EGM, all transfers of shares of the Company accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar and transfer office of the Company, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for registration no later than 4:00 p.m. on Friday, 28 June 2024.
7. The form of proxy must 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 common seal or under the hand of an officer, attorney or other person duly authorized to sign the same.
8. The Chinese translation of this notice is for reference only and, in case of any inconsistency, the English version shall prevail.
9. If Typhoon Signal No. 8 or above, or a "black" rainstorm warning or "extreme conditions after super typhoons" announced by the Hong Kong Government is/are in effect any time after 8:00 a.m. on the date of the EGM, the EGM will be postponed. The Company will publish an announcement on the websites of the Company at [www.cergroup.com.hk](http://www.cergroup.com.hk) and the HKExnews at [www.hkexnews.hk](http://www.hkexnews.hk), respectively, to notify the Shareholders of the date, time and venue of the rescheduled meeting.

*As at the date of this notice, the Board comprises five executive Directors, namely Mr. Yeung Chi Hang, Mr. Leung Kwong Choi, Mr. Wong Po Keung, Mr. Chung Siu Wah and Mr. Chik To Pan; and three independent non-executive Directors, namely Mr. Wong Kwai Sang, Mr. Heung Chee Hang, Eric and Mr. Lee Chi Ho.*