

IN THE GRAND COURT OF THE CAYMAN ISLANDS
FINANCIAL SERVICES DIVISION

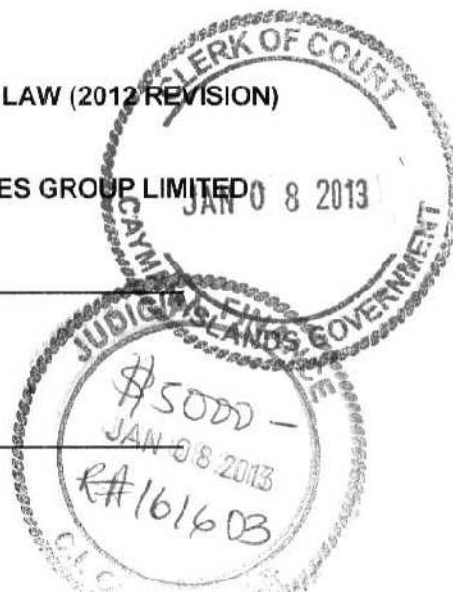


FSD CAUSE NO: 0005 OF 2013

IN THE MATTER OF SECTIONS 14 TO 16 OF THE COMPANIES LAW (2012 REVISION)

AND IN THE MATTER OF CHINA ENVIRONMENTAL RESOURCES GROUP LIMITED

PETITION



To: The Grand Court of the Cayman Islands

THE HUMBLE PETITION of China Environmental Resources Group Limited (the "**Company**") of Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands, shows that:

Purpose

- 1 The object of this Petition is to seek an Order of the Court pursuant to section 16 of the Companies Law (2012 Revision) (the "**Companies Law**") confirming a reduction of the capital of the Company, which has been approved by special resolution of the Company's shareholders.

Background

- 2 The Company was incorporated and registered on 16 January 1997 as an exempted company limited by shares. The Company initial name was Benuefun International Holdings Limited, however, this was changed to China Environmental Resources Group Limited (the current name of the Company) on 5 October 2009.
- 3 The registered office of the Company is at the offices of Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The Company's principal

place of business is at Rooms 2003-06, Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong.

- 4 The objects for which the Company was formed are unrestricted but include, without limitation, to act and to perform all the functions of a holding company and as an investment company and to carry out the other objects more particularly set forth in the Company's Amended and Restated Memorandum and Articles of Association (the "**Articles**") dated 5 May 1997 (as amended from time to time).
- 5 Since 3 June 1997 the shares of the Company have been listed and traded on The Stock Exchange of Hong Kong.

Company's share capital - History

- 6 The Company was incorporated and registered with an authorised share capital of HK\$100,000.00 divided into 100,000 shares with a par value of HK\$1.00 each.
- 7 By an ordinary resolution of its sole shareholder on 5 May 1997, each of the issued and unissued shares of the Company of HK\$1.00 were subdivided into 10 shares of HK\$0.10 each. In addition, and by an ordinary resolution of the same date, the authorised share capital of the Company was increased from HK\$100,000.00 to HK\$60,000,000.00 by the creation of an additional 590,000,000 new shares of HK\$0.10 each.
- 8 On 17 December 1999, by way of an ordinary resolution, the Company's authorised share capital was increased from HK\$60,000,000.00 divided into 600,000,000 shares of HK\$0.10 each to HK\$100,000,000.00 divided into 1,000,000,000 shares of HK\$0.10 each by the creation of an additional 400,000,000 shares of HK\$0.10 each.
- 9 On 11 February 2002, this Honourable Court confirmed a reduction of the Company's share capital from HK\$100,000,000.00 divided into 1,000,000,000 shares of HK\$0.10 each to HK\$10,000,000.00 divided into 1,000,000,000 shares of HK\$0.01 each by the reduction of HK\$0.09 paid up capital on each issued share and by the reduction of HK\$0.09 on each unissued share, such capital reduction becoming effective on 11 February 2002. Upon this capital reduction being confirmed, the authorised share capital of the Company was increased to HK\$100,000,000.00 by the creation of an additional 9,000,000,000 shares of HK\$0.01 each.

- 10 On 6 January 2011, by way of an ordinary resolution, the authorised share capital of the Company was increased from HK\$100,000,000.00 to HK\$300,000,000.00 by the creation of an additional 20,000,000,000 new shares of HK\$0.01 each in the capital of the Company.
- 11 On 17 January 2011, by way of an ordinary resolution, every 5 issued and unissued ordinary shares of HK\$0.01 each were consolidated into 1 ordinary share of HK\$0.01 each.
- 12 Accordingly, as at the date of this Petition, the Company's authorised share capital is HK\$300,000,000.00 divided into 6,000,000,000 shares with a par value of HK\$0.05 each. As at the date of this Petition, there are 2,565,395,800 issued shares of the Company, each of which is fully paid.

Power to reduce the Company's share capital

- 13 Pursuant to Article 63(b) of the Company's Articles of Association, the Company has the power to reduce its share capital by special resolution subject to the Companies Law. Article 63(b) is as follows:

"The Company may by special resolution reduce its share capital, any capital redemption reserve or any share premium account in any manner authorised and subject to any conditions prescribed by [the Companies Law]."

- 14 By special resolutions of the Company duly passed in accordance with Company's Articles and Section 60 of the Companies Law at an extraordinary general meeting of the Company's shareholders held on 28 November 2011 in Hong Kong (the "EGM") it was resolved (amongst other things):

"THAT conditional upon the approval from the Grand Court of the Cayman Islands ("Court") and in 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 (defined below) in issue, with effect from the day of 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\$300,000,000.00 divided into 6,000,000,000 Shares of HK\$0.05 each to HK\$6,000,000.00 divided into 6,000,000,000 New Shares of HK\$0.001 each, by cancelling paid up capital to the extent of HK\$0.049*

on each issued Share and by reducing the nominal value of all of the issued and unissued Shares from HK\$0.05 to HK\$0.001 ("Capital Reduction");

- (b) immediately following the Capital Reduction, the authorised 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 act, deeds and things and to effect all necessary actions as they may consider necessary or desirable in order to effect, implement and complete any all of the foregoing.*

Purpose of the Capital Reduction

- 15 As at 30 June 2011 the Company had accumulated losses of approximately HK\$12,082,000.00. The Board of Directors of the Company has determined that these accumulated losses are permanent.
- 16 The Company proposes that the credit item of HK\$125,704,394.20 arising upon the confirmation of the reduction of capital be applied against 100% of the HK\$12,082,000.00 permanent losses of the Company, thus reducing those permanent losses to zero. The balance of the credit item would be transferred to a distributable reserve for use by the Company in its future business affairs.
- 17 In addition to applying part of the credit item arising upon the capital reduction against permanent losses, the other purpose of the capital reduction is to give the Company greater flexibility in terms of pricing future share issuances. It is noted in this regard that the Companies Law prohibits the Company from issuing shares below their par value without, amongst other things, approval of the Grand Court. A post-capital reduction par value of HK\$0.001 per share of the Company (compared with the current HK\$0.05) would maximise the Company's flexibility in terms of new share issuances and raising capital for the future needs of the Company.

- 18 The proposed capital reduction does not involve the diminution of any liability in respect of unpaid capital or the payment of any shareholder of any paid-up capital.

Minute of Order

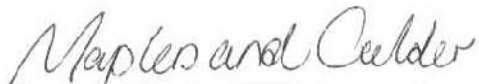
- 19 The form of Minute proposed to be registered is as follows:

"The capital of China Environmental Resources Group Limited was, by virtue of a Special Resolution passed on 28 November 2011 and confirmed by an Order of the Grand Court reduced from HK\$300,000,000.00 divided into 6,000,000,000 shares of HK\$0.05 each to HK\$6,000,000.00 divided into 6,000,000,000 shares of HK\$0.001 each. At the date of the registration of this Minute, 2,205,395,800 shares in the Company have been issued and are deemed to be fully paid up. On the said reduction of capital taking effect, the authorised share capital of the Company will be HK\$6,000,000.00 divided into 6,000,000,000 shares of HK\$0.001 each of which 2,205,395,800 are issued and are fully paid up and the remainder are unissued."

AND THE PETITIONER HUMBLY PRAYS AS FOLLOWS:

- 1 That the capital reduction of the Company proposed to be effected by the Special Resolution referred to in paragraph 14 of this Petition be confirmed by the Court.
- 2 That the Minute referred to in paragraph 19 of this Petition be approved by the Court.
- 3 That, to this end, all necessary inquiries may be made and directions may be given.
- 4 Such further or other order as the Court sees fit.

Dated this ^{20th} day of January 2013



Maples and Calder

NOTE: This petition is not intended to be served on anyone.

This Petition was presented by Maples and Calder, attorneys for the Petitioner, whose address for service is PO Box 309, Uglan House, Grand Cayman, KY1-1104, Cayman Islands. (Ref: CDM/SBA/669210)