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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)

PROFIT WARNING

This announcement is made by the Company pursuant to Rule 13.09(1) of the Listing Rules.

The Board wishes to inform Shareholders and potential investors that the Group is expected to record significant losses for the year ended 30 June 2012, mainly attributed to the impairment of goodwill arising from the acquisitions of subsidiaries, impairment of patents and decrease in valuation of biological assets during the year ended 30 June 2012.

Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

This announcement is made by China Environmental Resources Group Limited (the “**Company**”) and together with its subsidiaries (the “**Group**”) pursuant to Rule 13.09(1) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

The board of directors (the “**Board**”) of the Company wishes to inform the shareholders of the Company (the “**Shareholders**”) and the potential investors that the Group is expected to record significant losses for the year ended 30 June 2012, mainly attributed to the impairment of goodwill arising from the acquisitions of subsidiaries, impairment of patents and decrease in valuation of biological assets during the year ended 30 June 2012.

As mentioned in the Chairman’s statement in the Company’s annual report for the financial year ended 30 June 2011, drastic turbulences in global financial markets will cloud the economic development of the PRC in the next few years and coupled

with the increasing natural disasters on huge scale and damage, the Group expected to face extreme uncertainties and risks in the agricultural sector which accounted for more than 80% of its total turnover. In view of this, the Group adopted a prudent business approach including tighter control on credit and restructuring certain business operations that had resulted in the substantial decrease the Group's turnover and net profit after tax as recorded in the Company's interim report for six month period ended 31 December 2011.

For the annual audited financial year ended 30 June 2012, the Company had appointed professional valuer to re-value mainly the intangible assets value of technology patents in general fertilizer application in relation to business of plantation material and technology income segment and the biological assets value of poplar trees cultivated on the Plantation Land in the Shihezi City, Xinjiang Region. Upon preliminary review by the professional valuer, in view of the substantial decrease in turnover and profit in the agricultural sector, the Group is expected to record impairment of the technology patents, impairment of the goodwill arising from the acquisitions of subsidiaries holding the technology patents and the decrease in value of the poplar trees biological assets in accordance with the general decrease in timber prices in the PRC.

The information contained in this announcement is only based on a preliminary review of information currently available in preparation of the audited consolidated financial statements of the Group for the year ended 30 June 2012, which have not yet been finalised and will be subject to the review of the Company.

The annual results of the Group for the year ended 30 June 2012 will be announced on 26 September 2012. Shareholders and potential investors are advised to read the annual results announcement of the Group when it is published.

Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

By Order of the Board
China Environmental Resources Group Limited
Zhou Hongbo
Chairman

Hong Kong, 18 September 2012

As at the date of this announcement, the Board comprises four executive directors, namely Mr. Zhou Hongbo (Chairman), Ms. Kam Yuen (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.