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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)

DISCLOSEABLE TRANSACTION

CONDITIONAL ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF BRIGHT DELIGHT

THE ACQUISITION AGREEMENT

On 4 December 2010, the Purchaser, a wholly-owned subsidiary of the Company, and the Vendor entered into the Acquisition Agreement pursuant to which the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Shares, representing 100% of the issued share capital of the Target Company, at a total consideration of HK\$67,040,000, of which HK\$47,040,000 shall be satisfied by the issue of 735,000,000 Consideration Shares at the price of HK\$0.064 per Consideration Share while the balance of HK\$20,000,000 shall be payable in cash in two equal instalments upon the fulfillment of the Guarantee Profits during the Guarantee Periods.

The Consideration Shares will be issued under the General Mandate to allot, issue and deal with Shares granted to the Directors at the annual general meeting held on 7 December 2009.

An application will be made to the Listing Committee for the listing of, and permission to deal in, the Consideration Shares.

As each of the applicable percentage ratios for the Acquisition is more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction of the Company.

THE ACQUISITION AGREEMENT

Date

4 December 2010

Parties

Purchaser : Keen Info

Vendor : Ample Advance

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Vendor and the ultimate beneficial owner of the Vendor are third parties independent of the Company and connected persons of the Company.

Assets to be acquired

The Sale Shares represent the entire issued share capital of the Target Company. The Sale Shares will be acquired free from any encumbrance and together with all rights and benefits attaching or accruing to it on or after the date of Completion (including the right to receive all dividends and other distributions declared, made or paid on or after the date of Completion).

Consideration

The total consideration for the Acquisition is HK\$67,040,000 and shall be satisfied by the Group in full as follows:

- (a) HK\$47,040,000 shall be satisfied by the issue of 735,000,000 Consideration Shares at the price of HK\$0.064 per Consideration Share by the Company to the Vendor (or its nominee(s) upon the Completion Date or such other dates as the parties may agree.
- (b) the balance of HK\$20,000,000 shall be payable in cash in two equal instalments upon the fulfillment of the Guarantee Profits during the Guarantee Periods or such other dates and methods as the parties may agree.

Consideration Shares

Consideration Shares will be issued at Completion at the Issue Price.

The Issue Price represents:

- (i) a premium of approximately 1.59% to the closing price of HK\$0.063 per Share as quoted on the Stock Exchange on the Last Trading Day; and
- (ii) equal to the average closing price of HK\$0.064 per Share as quoted on the Stock Exchange in the last five consecutive trading days up to and including the Last Trading Day.

- (iii) a discount of approximately 11.11% to the average closing price of HK\$0.072 per Share as quoted on the Stock Exchange in the last ten consecutive trading days up to and including the Last Trading Day.

The Issue Price of the Consideration Shares was determined after arm's length negotiation between the Company and the Vendor with reference to the Company's share price performance during the period of negotiation between the Company and the Vendor.

The total number of Consideration Shares to be issued shall be 735,000,000 Shares, which represents (i) approximately 8.15 % of the existing issued share capital of the Company of 9,023,839,000; and (ii) approximately 7.53% of the Company's issued share capital of 9,758,839,000 as enlarged by the issue of the Consideration Shares. The Consideration Shares will rank pari passu in all respects with the then existing Shares on the date of allotment.

An application will be by the Company for the listing of, and permission to deal in, the Consideration Shares on the Stock Exchange.

735,000,000 Consideration Shares will be issued to the Vendor or its nominee(s) upon the Completion Date or such other dates as the parties may agree and the Consideration Shares shall be deposited with the Escrow Agent, and will be released to the Vendor (or its nominee(s)), in respect of each of the Guaranteed Periods, in the following manner:

- (a) if the Actual Net Profit for the relevant Guaranteed Period is less than the Guaranteed Profit for the same Guaranteed Period, then the number of the Deposit Shares which may be released to the Vendor (or its nominee(s)) shall be determined in the following manner:

$$\text{the number of the Deposit Shares the Vendor may withdraw} = \frac{\text{Actual Net Profit}}{\text{Guaranteed Profit}} \times \text{total number of Deposit Shares for the relevant Guaranteed Period}$$

- (b) if the Actual Net Profit for the relevant Guaranteed Period equals the Guaranteed Profit for the same Guaranteed Period, then the number of the Deposit Shares which may be released to the Vendor (or its nominee(s)) shall be the total number of Deposit Shares for the relevant Guaranteed Period; and
- (c) if the Actual Net Profit for the relevant Guaranteed Period is more than the Guaranteed Profit for the same Guaranteed Period, then the number of the Deposit Shares which may be released to the Vendor (or its nominee(s)) shall be the total number of Deposit Shares for the relevant Guaranteed Period plus an additional number of Deposit Shares ("**Additional Deposit Shares**") (but the number of Additional Deposit Shares shall not exceed the remaining number of Deposit Shares in any circumstances), the number of which shall be determined in the following manner:

$$\text{the number of Additional Deposit Shares} = \frac{\text{Actual Net Profit} - \text{Guaranteed Profit}}{\text{Issue Price}}$$

- (d) in any event, the Company's issuance of Consideration Shares shall not be more than 735,000,000 shares in aggregate.

Conditions

Completion is conditional upon the following conditions being fulfilled (or waived, as the case may be):

- (a) The Target Company has undergone a corporate reorganization. Upon completion of the said reorganization, the Vendor has injected all the operating assets and relevant environmental business, operation and activity into the Target Company and/or its subsidiary.
- (b) the Target Company and/or its subsidiary successfully signed agreements with clients for the purchase of its products and/or technologies and/or services.
- (c) the Purchaser being satisfied with the result of the Target Company's Restructuring;
- (d) the Purchaser obtaining the evidencing documents of the completion of the Target Company's Restructuring;
- (e) the Purchaser obtaining the registered documents evidencing that the Vendor is the sole beneficial owner of the Sale Shares;
- (f) the Vendor having proved that the Sale Shares are free from encumbrances and third parties' claims;
- (g) the Purchaser obtaining the relevant corporate documents of the Target Company and/or its group of companies;
- (h) the Listing Committee granting the listing of, and permission to deal in the Consideration Shares;
- (i) there having been no abnormal business operations of the Target Company and/or its subsidiary or any material adverse changes or material potential risks in its business operation, assets, financial and legal situations that come into the awareness of the Purchaser;
- (j) the Purchaser completing the due diligence exercise on the Target Company and/or its subsidiary and being satisfied with its result;
- (k) the Purchaser being satisfied with the accounts, indebtedness and overall situation of the Target Company and/or its subsidiary;
- (l) the obligations of the Vendor and the Target Company under each of the Acquisition Agreement being legal, valid, and enforceable;
- (m) the guarantee provided by the Vendor under the Acquisition Agreement being legal, valid, and enforceable;

- (n) the Purchaser being able to legally and effectively acquire the Sale Shares according to the Acquisition Agreement;
- (o) the Vendor having the power, right and ability to enter into the Acquisition Agreement;
- (p) the obtaining of all the necessary approvals from relevant government agencies, regulatory bodies or any stock exchange;
- (q) the Target Company having completed all necessary corporate approval procedures in relation to the Acquisition;
- (r) the Purchaser being satisfied with the truthfulness, completeness and accuracy in all respects of, and there being no material adverse change in, the warrants and representations made by Vendor during any time from the date of the Acquisition Agreement to the Completion Date;
- (s) the Vendor and the Target Company having been cooperative to the utmost for the disclosure of the Acquisition on the part of the Company and the Purchaser as required by any relevant government agency, regulatory body or any stock exchange;
- (t) the providing of evidencing documents by Vendor and the Target Company in relation to the satisfaction of the conditions as set out in the Acquisition Agreement as required by Purchaser.

Completion

Completion shall take place at 12 p.m. on the third Business Day following the day on which the Purchaser has served a written notice to the Vendor to such effect.

Long Stop Date

If any of the conditions as set out in the Agreement is not fulfilled (or waived by the vendor or the purchaser as the case may be) on or before 31 March 2011 (“the Long Stop Date”) (or such earlier or later date as may be agreed by the purchaser and the vendor in writing) or any party fails to proceed to Completion of the sale and purchase of the Sale Shares and the Agreement will terminate. None of the parties to the Agreement will have any claim against any other in respect of the Agreement.

GENERAL MANDATE TO ISSUE THE CONSIDERATION SHARES

The Consideration Shares will be issued under the General Mandate to allot, issue and deal with Shares granted to the Directors at the annual general meeting held on 7 December 2009, subject to the limit up to 20% of the then issued share capital of the Company as at the date of the annual general meeting. Under the General Mandate, the Company is authorized to issue up to 1,435,575,800 Shares. Up to the date of this announcement, 700,000,000 new Shares had been utilized under the General Mandate. Upon Completion, 735,000,000 Consideration Shares will be issued under the General Mandate, and the balance of 575,800 Shares will

remain outstanding under the General Mandate. The issue of the Consideration Shares is not subject to Shareholders' approval.

REASONS AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in the business of research, development and application of technologies, manufacture, sale and distribution of products, materials and systems for green market segments vertically integrated from environmental system, plantation material, ecological plantation to green medical application.

The Vendor is company principally engaged in the research and development, project establishment, application and sale of green and environmental product, technology, service and related products for sustainable development. The operating team of the Vendor includes Mr. Chen Ching, who is the Executive Chairman of 北京天恒可持續發展研究所 (*Beijing Tian Heng Research Institute for Sustainable Development) which had been entrusted by the Ministry of Environmental Protection of the People's Republic of China (formerly known as State Environmental Protection Administration) for the compilation of laws and regulations of the biological species resources. Mr. Chen had worked for China Council for International Cooperation on Environment and Development ("CCICED") and had engaged in various national and international green and environmental projects in Beijing, Shanghai, Yunnan, Inner Mongolia, Myanmar, North Korea and Cambodia

Though the Vendor has not yet commenced its business, it possesses research and operating team of international standards in green and environmental projects, national and international experiences and connections with governments, corporate clients and organization. It will assist the extensive penetration of the Group's green and environmental business covering organic waste treatment, sewage treatment, municipal waste treatment, technological application for environmental project, biotechnological application of microbial organic fertilizer, sustainable development of plantation project. The Acquisition will assist the Group's development of high value business and market and improve the revenue of the Group.

Having considered the above factors, the Directors are of the opinion that the terms of the Acquisition Agreement are fair, reasonable and on normal commercial terms, and in the interests of the Company and the Shareholders as a whole.

INFORMATION ON VENDOR AND THE TARGET COMPANY

The Vendor

The Vendor is a company incorporated under the laws of the British Virgin Islands.

The Target Company

The Target Company is a company incorporated under the laws of the British Virgin Islands in 11 November 2010. It is an investment holding company. Upon completion of the restructuring, it will directly and/or indirectly hold environmental business, operation and activity.

As the Target Company was incorporated on 11 November 2010, no financial information is available for the Target Company.

LISTING RULES IMPLICATION

As the applicable percentage ratios for the Acquisition under the Listing Rules is more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company under Rule 14.06 of the Listing Rules.

DEFINITIONS

In this announcement, the following expressions shall have the respective meanings set opposite thereto:

“Acquisition”	the acquisition of the Sale Shares by the Purchaser pursuant to the Acquisition Agreement
“Acquisition Agreement”	the equity acquisition agreement in relation to the Acquisition entered into between the Purchaser and the Vendor on 4 December 2010.
“Actual Net Profit”	the actual net profit of the Target Company as recorded in its audited financial statement
“Board”	the board of Directors
“Business Day”	any day (excluding Saturday) on which licensed banks in Hong Kong are open for business
“Company”	China Environmental Resources Group Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange
“Completion”	the completion of the transfer of the Sale Shares pursuant to the Acquisition Agreement
“Completion Date”	the day on which Completion takes place
“connected person(s)”	has the meaning given to it by the Listing Rules
“Consideration Share(s)”	the new Shares to be allotted and issued by the Company to the Vendor (or its nominee(s)) as part of the consideration for the Acquisition, the details of which are set out in the section headed “Consideration Shares” in this announcement

“Director(s)”	the Director(s) of the Company
“Deposit Shares”	the First Period Deposit Shares and/or the Second Period Deposit Shares
“Escrow Agent”	the escrow agent under the Escrow Agreement
“Escrow Agreement”	the escrow agreement to be signed among the Purchaser, the Vendor and the Escrow Agent in relation to the Deposit Shares
“First Guaranteed Period”	the period commencing Completion Date and ending on 30 June 2011
“First Period Deposit Shares”	the Deposit Shares for the First Guaranteed Period, the number of which is 367,500,000
“First Period Guaranteed Profit”	the net profit of the Target Company guaranteed for the First Guaranteed Period, being HK\$33,500,000
“General Mandate”	the general mandate granted to the Directors by the Shareholders at the annual general meeting held on 7 December 2009, among other things, to allot, issue and deal with up to 20% of the then issued share capital of the Company as at the date of the annual general meeting
“Group”	the Company and its subsidiaries
“Guaranteed Period(s)”	the First Guaranteed Period and/or the Second Guaranteed Period
“Guaranteed Profit(s)”	the First Period Guaranteed Profit and/or the Second Period Guaranteed Profit
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Issue Price”	the issue price of the Consideration Shares, being HK\$0.064 per Consideration Share
“Last Trading Day”	3 December 2010, being the last trading day for the Shares before the date of this announcement

“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Purchaser”	Keen Info Investments Limited, a company incorporate under the laws of Hong Kong with limited liability, a wholly-owned subsidiary of the Company
“Sale Shares”	100% of the entire issued share capital in the Target Company held by the Vendor
“Second Guaranteed Period”	the period commencing from 1 July 2011 and ending on 30 June 2012
“Second Period Deposit Shares”	the Deposit Shares for the Second Guaranteed Period, the number of which is 367,500,000
“Second Period Guaranteed Profit”	the net profit of the Target Company guaranteed for the Second Guaranteed Period, being HK\$33,500,000
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holders of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Bright Delight Group Limited, a company incorporated under the laws of the British Virgin Islands with limited liability
“Target Company Restructuring”	the restructuring process to be carried out by the Vendor for the Target Company
“Vendor”	Ample Advance Group Limited, a company incorporated under the laws of the British Virgin Islands with limited liability

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

Hong Kong, 4 December 2010

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.