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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)**

**MEMORANDUM OF UNDERSTANDING ON PROPOSED ACQUISITION OF A  
FOREST PLANTATION BUSINESS**

On 18 November 2011, the Purchaser, a wholly owned subsidiary of the Company, entered into the MOU with the Vendor in relation to the Proposed Acquisition of the entire issued share capital of the Target. The Target Group, after completion of the relevant reorganization, will be principally engaged in forest plantation business in the PRC and will beneficially own approximately 5,000 Chinese Mu of forest plantation area in Shaoguan City of Guangdong Province, PRC.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendor is a third party independent of the Company and its connected persons.

According to the MOU, the Proposed Acquisition shall be conditional on the followings:

- (a) completion of the due diligence review on the Target to the satisfaction of the Company and the obtaining of all relevant consents and approvals; and
- (b) compliance with all applicable disclosure and/or shareholders' approval requirements by the Purchaser and the Company in accordance with the Listing Rules.

The MOU sets out the mutual understanding of the parties in relation to the Proposed Acquisition and is not legally binding in this regard. It is intended that a formal sale and purchase agreement will be entered into when all terms and conditions of the Proposed Acquisition have been confirmed. Pursuant to the MOU, the Company shall pay to the Vendor a refundable deposit of HK\$2 million within 7 days upon signing of the MOU for an exclusive right to discuss, negotiate and finalise the formal sale and purchase agreement for a period of two months from the date of the MOU (“Exclusive Period”). The deposit shall be refunded to the Company upon expiration of the Exclusive Period if no formal agreement is entered into.

Further particulars of the Proposed Acquisition, including the amount and the payment method of the consideration will be determined upon further negotiation.

**As the MOU is not legally binding as regard the Proposed Acquisition and the formal sale and purchase agreement in respect of the Proposed Acquisition may or may not be entered into, investors and shareholders of the Company are advised to exercise caution when dealing in the shares of the Company.**

## **DEFINITIONS**

In this announcement, unless the context otherwise requires, the expressions below have the following meanings:

“Board”	the board of Directors
“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
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	the lawful currency for the time being of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Proposed Acquisition”	the proposed acquisition of the entire issued share capital of the Target
“PRC”	the People’s Republic of China
“Purchaser”	Mega Choice Holdings Limited, a company incorporated in the British Virgin Islands and a wholly owned subsidiary of the Company

“Shareholder(s)”	the holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target”	Eugene Finance International Limited, a company incorporated in the British Virgin Islands
“Target Group”	The Target and its subsidiaries
“Vendor”	Mr. Wu Chao
“%”	per cent.

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

Hong Kong, 18 November 2011

*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.*