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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 SHARE CONSOLIDATION AND CHANGE IN BOARD LOT SIZE

The Directors proposed to implement the Share Consolidation, immediately after the Capital Reorganization becoming effective, on the basis that every 20 issued and unissued New Shares of HK\$0.001 each will be consolidated into one Consolidated Share of HK\$0.02 each. The Directors also proposed to change the board lot size for trading in the New Shares of the Company from 8,000 New Shares to 4,000 Consolidated Shares upon the Share Consolidation becoming effective.

The Share Consolidation is subject to the Shareholders' approval at the EGM and the Capital Reorganization becoming effective. A circular containing further information on the Share Consolidation and a notice to convene the EGM will be despatched to the Shareholders as soon as practicable.

SHARE CONSOLIDATION

The Directors proposed to implement the Share Consolidation, immediately after the Capital Reorganization becoming effective, on the basis that every 20 issued and unissued New Shares will be consolidated into one Consolidated Share. Fractional Consolidated Shares will be disregarded and not issued to the Shareholders but all such fractional Consolidated Shares will be aggregated and, if possible, sold for the benefits of the Company. Fractional Consolidated Shares will only arise in respect of the entire shareholding of a holder of the New Shares regardless of the number of share certificates held by such holder.

Effects of the Share Consolidation

As at the date of this announcement, the authorized share capital of the Company is HK\$300,000,000 divided into 6,000,000,000 Shares of HK\$0.05 each, of which 2,565,395,800 Shares are in issue and fully paid. After the Capital Reorganization becoming effective, the authorized share capital of the Company will be HK\$300,000,000 divided into 300,000,000,000 New Shares of HK\$0.001 each, of which 2,565,395,800 New Shares will have been issued and fully paid. After the Share Consolidation becoming effective immediately after the Capital Reorganization, the authorized share capital of the Company will be HK\$300,000,000 divided into 15,000,000,000 Consolidated Shares of HK\$0.02 each, of which 128,269,790 Consolidated Shares will have been issued and fully paid.

The Consolidated Shares will rank *pari passu* in all respects with each other in accordance with the Company's memorandum and articles of association. Other than the expenses to be incurred in relation to the Share Consolidation, the implementation thereof will not alter the underlying assets, business operations, management or financial position of the Company or the interests or rights of the Shareholders, save for any fractional Consolidated Shares which may arise.

Conditions of the Share Consolidation

The Share Consolidation is conditional upon the following :

- (1) the passing of the necessary resolutions by the Shareholders to approve the Share Consolidation at the EGM;
- (2) the Capital Reorganization becoming affective; and
- (3) the Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in, the Consolidated Shares to be in issue.

Listing Application

An application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and the permission to deal in, the Consolidated Shares to be in issue upon the Share Consolidation taking effect.

CHANGE OF BOARD LOT SIZE

The Directors also proposed to change the board lot size for trading in the shares of the Company from 8,000 New Shares to 4,000 Consolidated Shares upon the Share Consolidation becoming effective.

EXCHANGE OF SHARE CERTIFICATES

Subject to the Share Consolidation becoming effective, Shareholders may during the specified period submit share certificates for existing Shares to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, in exchange, at the expense of the Company, for new share certificates for Consolidated Shares with new nominal value of HK\$0.02 each. Thereafter, certificates for existing Shares will be accepted for exchange only on payment of a fee of HK\$2.50 (or such higher amount as may be allowed by the Stock Exchange from time to time) for each share certificate for existing Shares cancelled or each new share certificate issued for Consolidated Shares, whichever number of certificates cancelled/issued is higher. Nevertheless, certificates for existing Shares will continue to be good evidence of legal title and may be exchanged for certificates for Consolidated Shares at any time.

ARRANGEMENT ON ODD LOT TRADING

In order to facilitate the trading of odd lots (if any) of the Consolidated Shares, the Company will appoint a securities firm to provide matching service, on a best effort basis, to those Shareholders who wish to acquire odd lots of the Consolidated Shares to make up a full board lot, or to dispose of their holding of odd lots of the Consolidated Shares. Details of the odd lot arrangement will be set out in the circular to be dispatched to the Shareholders in relation to the Share Consolidation.

EXPECTED TIMETABLE

Set out below is the tentative timetable for the implementation of the Share Consolidation and change in board lot size :

Despatch of circular with notice of EGM	Friday, 2 March 2012
Latest time for lodging proxy form	9:30 a.m., Monday, 19 March 2012
Date of EGM	9:30 a.m., Wednesday, 21 March 2012
Announcement on results of EGM	Wednesday, 21 March 2012

Tentative effective date for the Share Consolidation (subject to and immediately after the Capital Reorganization becoming effective)Wednesday, 18 April 2012

First day for free exchange of existing share certificates for new share certificates.....Wednesday, 18 April 2012

Original counter for trading in Shares in board lots of 8,000 New Shares (in the form of existing share certificates) temporarily closes 9:00 a.m., Wednesday, 18 April 2012

Temporary counter for trading in Consolidated Shares in board lots of 400 Consolidated Shares (in the form of existing share certificates) opens 9:00 a.m., Wednesday, 18 April 2012

Original counter for trading in Consolidated Shares in new board lots of 4,000 Consolidated Shares (in the form of new share certificates) re-opens 9:00 a.m., Thursday, 3 May 2012

Parallel trading in Consolidated Shares (in the form of new share certificates and existing share certificates) commences 9:00 a.m., Thursday, 3 May 2012

Designated broker starts to stand in the market to provide matching services for odd lots of Consolidated Shares 9:00 a.m., Thursday, 3 May 2012

Temporary counter for trading in Consolidated Shares in board lots of 400 Consolidated Shares (in the form of existing share certificates) closes 4:00 p.m., Wednesday, 23 May 2012

Parallel trading in Consolidated Shares in the form
of new share certificates and existing share
certificates closes..... 4:00 p.m., Wednesday,
23 May 2012

Designated broker ceases to stand in the market to
provide matching services for odd lots of
Consolidated SharesWednesday, 23 May 2012

Last day for free exchange of existing share
certificates for new share certificatesFriday, 25 May 2012

Outstanding share options

As at the date of this announcement, there are outstanding options granted under the Share Option Scheme to subscribe for 255,944,000 Shares. The Directors will determine according to the rules of the Share Option Scheme the adjustments (if any) required to be made in respect of the outstanding options as a result of the Share Consolidation. The Company will make further announcements about the adjustments in due course.

Save as aforesaid, the Company has no other outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares as at the date of this announcement.

REASONS FOR THE SHARE CONSOLIDATION AND CHANGE IN BOARD LOT SIZE

It is expected that the Share Consolidation would bring about a corresponding increase in the trading price of the Consolidated Shares. It is also expected that the change in board lot size would increase the trading amount for each board lot. As a result, the Share Consolidation and change in board lot size would enable the Company to comply with the trading requirements of the Listing Rules. Accordingly, the Board is of the view that the Share Consolidation and change in board lot size are in the interest of the Company and the Shareholders as a whole.

EGM AND CIRCULAR

The Share Consolidation is subject to the Shareholders' approval at the EGM and no Shareholders are required to abstain from voting on the resolution in relation to the Share Consolidation. A circular containing further details of the Share Consolidation and the notice of the EGM will be dispatched to the Shareholders as soon as practicable.

DEFINITIONS

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

“Board”	the board of Directors
“Capital Reorganization”	the proposed capital reorganization involving, among others, the reduction of the nominal value of all the issued and unissued Shares from HK\$0.05 to HK\$0.001 and the creation of an additional 294,000,000,000 authorized but unissued New Shares as set out in the Company’s circular dated 28 October 2011
“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
“Consolidated Shares”	ordinary share(s) of HK\$0.02 each in the share capital of the Company after the Share Consolidation becoming effective
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened for the purpose of, among others, considering, and if thought fit, approving the Share Consolidation
“New Share(s)”	ordinary share(s) of HK\$0.001 each in the share capital of the Company after the Capital Reorganization becoming effective
“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
“Shareholder(s)”	the holder(s) of the Shares

“Share(s)”	ordinary share(s) of HK\$0.05 each in the share capital of the Company prior to the Capital Reorganization becoming effective
“Share Option Scheme”	The share option scheme adopted by the Company on 16 December 2005
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

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

Hong Kong, 21 February 2012

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.