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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 ALLY GOAL LIMITED**

##### **THE ACQUISITION AGREEMENT**

On 11 June 2010 (after the trading hours), 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\$70,400,000, of which HK\$20,000,000 shall be satisfied by payment of cash with internal resources of the Group while the balance of HK\$50,400,000 shall be satisfied by the issue of 700,000,000 Consideration Shares at the price of HK\$0.072 per Consideration Share.

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 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.

## **THE ACQUISITION AGREEMENT**

### **Date**

11 June 2010 (after the trading hours)

### **Parties**

Purchaser : Cai Jin Limited, a wholly-owned subsidiary of the Company

Vendor : Able Mind International Limited

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\$70,400,000 and shall be satisfied by the Group in full as follows:

- (a) a cash of HK\$20,000,000 is payable upon the Completion Date or such other dates as the parties may agree.
- (b) the balance of HK\$50,400,000 shall be satisfied by the issue of 700,000,000 Consideration Shares at the price of HK\$0.072 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.

The consideration for the Acquisition to be paid in cash will be financed from the Company internal cash reserves.

### **Consideration Shares**

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

The Issue Price represents:

- (i) a premium of approximately 2.86% to the closing price of HK\$0.070 per Share as quoted on the Stock Exchange on the Last Trading Day; and

- (ii) a premium of approximately 2.86% to the average closing price of HK\$0.070 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 premium of approximately 1.12% to the average closing price of HK\$0.0712 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 700,000,000 Shares, which represents (i) approximately 8.00% of the existing issued share capital of the Company of 8,746,379,000; and (ii) approximately 7.41% of the Company’s issued share capital of 9,446,379,000 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.

200,000,000 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 balance of 500,000,000 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:

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

## **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 Target Company will indirectly hold 100% of the equity interest of a wholly foreign-owned enterprise, Dongyuan City Century Health Medical Technology Co., Ltd.
- (b) Century Health or the Target Company successfully applied for its products' patent registration with the State Intellectual Property Office of P.R.C.
- (c) Century Health or the Target Company successfully signed agreements with clients for the purchase of its products and/or technologies and/or services.
- (d) the Purchaser being satisfied with the result of the Target Company's Restructuring;
- (e) the Purchaser obtaining the evidencing documents of the completion of the Target Company's Restructuring;
- (f) the Purchaser obtaining the registered documents evidencing that the Vendor is the sole beneficial owner of the Sale Shares;
- (g) the Vendor having proved that the Sale Shares are free from encumbrances and third parties' claims;
- (h) the Purchaser obtaining the relevant corporate documents of the Target Company and/or its group of companies;
- (i) the Purchaser obtaining a PRC legal opinion on relevant issues in relation to Century Health satisfactory to the Purchaser;
- (j) the Listing Committee granting the listing of, and permission to deal in the Consideration Shares;
- (k) there having been no abnormal business operations of the Target Company 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;
- (l) the Purchaser completing the due diligence exercise on the Target Company after the Target Company Restructuring and being satisfied with its result;
- (m) the Purchaser being satisfied with the accounts, indebtedness and overall situation of the Target Company after the Target Company Restructuring;

- (n) the obligations of the Vendor and the Target Company Restructuring under each of the Acquisition Agreement being legal, valid, and enforceable;
- (o) the guarantee provided by the Vendor under the Acquisition Agreement being legal, valid, and enforceable;
- (p) the Purchaser being able to legally and effectively acquire the Sale Shares according to the Acquisition Agreement;
- (q) the Vendor having the power, right and ability to enter into the Acquisition Agreement;
- (r) the obtaining of all the necessary approvals from relevant government agencies, regulatory bodies or any stock exchange;
- (s) the Target Company having completed all necessary corporate approval procedures in relation to the Acquisition;
- (t) 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;
- (u) 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;
- (v) 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 30 September 2010 (“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 Acquisition 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, no new Shares had been issued under the General Mandate. Upon Completion, 700,000,000 Consideration Shares will be issued under the General Mandate, and the balance of 735,575,800 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 dedicates to develop renewable, sustainable and high value green environmental resources business for the mankind and for the environment, including research and development, manufacture, sale and distribution of plantation, plantation materials, environmental system and biotechnological application.

The Vendor is a company operating in the PRC and principally engaged in the research and development, application and sale of plantation product, biotechnology, medical application and related products. The management of the Vendor includes Professor Zeng Yi who is the internationally reputed expert in medical and virology arenas, the Academician of Chinese Academy of Sciences, Foreign Member of France National Academy of Medical Sciences and Foreign Member of Russian Academy of Medical Sciences. Professor Zeng has been the former President of Chinese Academy of Preventive Medicine and is now the Dean of College of Life Science and Bioengineering, Beijing University of Technology, Chief Scientist of National Center for Prevention and Control of AIDS, Member of WHO Expert Advisory Panel on Cancer, and Member of Steering Committee of Asia Pacific Leadership Forum on HIV/AIDS and Development (APLF).

Though the Vendor is not profitable accounting wise, it possesses research and management team of international standards in plantation product, biotechnology and medical application, self-owned technology and intellectual property and clientele for related products. It assists the vertical integration of the Group's green business from organic waste treatment by environmental system, biotechnological production of microbial organic fertilizers for plantation crops. It further advances to utilize the plantation crops for making of medical products of higher value. It will facilitate the Group's development of high value business and market and improve the revenue of the Group.

The Directors, therefore are in the view that the Agreement is favourable to the Group and the Shareholders.

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. Its principal activity is investment holding

## **The Target Company**

The Target Company is a company incorporated under the laws of the British Virgin Islands in May 2010. It is an investment holding company with the only asset of a 100% indirect equity interest in Century Health upon completion of the Target Company Restructuring.

Century Health is an enterprise established in the PRC in January 2009 and principally engages in the research and development, application and sale of plantation product, biotechnology, medical application and related products in the PRC.

No account of the Target Company has been prepared. According to the management account of Century Health, the net loss and the net asset value for the period from 29 January 2009 (date of incorporation) to 31 May 2010 are approximately RMB 87,130 and RMB 1,912,870 respectively.

## **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.

## **GENERAL**

The principal business of the Company is investment holding. The principal activities of its subsidiaries are research and development, manufacture, sale and distribution of plantation, plantation materials, environmental system, biotechnological application and property development in the PRC.

## **DEFINITIONS**

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

<b>“Acquisition”</b>	the acquisition of the Sale Shares by the Purchaser from the Vendor pursuant to the Acquisition Agreement
<b>“Acquisition Agreement”</b>	the agreement dated 11 June 2010 entered into between the Purchaser and the Vendor in relation to the Acquisition
<b>“Actual Net Profit”</b>	the Actual net profit of the Target Company as recorded in its audited account
<b>“Board”</b>	the board of Directors

<b>“Century Health”</b>	Dongguan City Century Health Medical Technology Co., Ltd <sup>#</sup> 東莞市世紀康醫藥科技有限公司, a company incorporated under the laws of PRC on 29 January 2010
<b>“Company”</b>	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
<b>“Completion”</b>	the completion of the transfer of the Sale Shares pursuant to the Acquisition Agreement
<b>“Completion Date”</b>	the day on which Completion takes place
<b>“connected person(s)”</b>	has the meaning given to it by the Listing Rules
<b>“Consideration Share(s)”</b>	700,000,000 new Shares to be issued to the Vendor (or its nominees) upon Completion Date (or such other dates as the parties may agree) to satisfy the balance of the Consideration of HK\$50,400,000 pursuant to the Acquisition Agreement
<b>“Director(s)”</b>	the Director(s) of the Company
<b>“Deposit Shares”</b>	the First Period Deposit Shares, the Second Period Deposit Shares and/or the Third Period Deposit Shares
<b>“Escrow Agent”</b>	the escrow agent under the Escrow Agreement
<b>“Escrow Agreement”</b>	the escrow agreement to be signed among the Purchaser, the Vendor and the Escrow Agent in relation to the Deposit Shares
<b>“First Guaranteed Period”</b>	the period commencing from 1 July 2010 and ending on 30 June 2011
<b>“First Period Deposit Shares”</b>	the Deposit Shares for the First Guaranteed Period, the number of which is 200,000,000
<b>“First Period Guaranteed Profit”</b>	the net profit of the Target Company guaranteed for the First Guaranteed Period, being HK\$30,000,000
<b>“General Mandate”</b>	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



<b>“Group”</b>	the Company and its subsidiaries
<b>“Guaranteed Period(s)”</b>	the First Guaranteed Period and/or the Second Guaranteed Period
<b>“Guaranteed Profit”</b>	the First Period Guaranteed Profit and/or the Second Period Guaranteed Profit
<b>“HK\$”</b>	Hong Kong dollars, the lawful currency of Hong Kong
<b>“Hong Kong”</b>	Hong Kong Special Administrative Region of the PRC
<b>“Issue Price”</b>	the issue price of the Consideration Shares, being HK\$0.072 per Consideration Share
<b>“Last Trading Day”</b>	11 June 2010, being the last trading day for the Shares on the Stock Exchange before the publication of this announcement
<b>“Listing Committee”</b>	the Listing Committee of the Stock Exchange
<b>“Listing Rules”</b>	the Rules Governing the Listing of Securities on the Stock Exchange
<b>“Long Stop Date”</b>	30 September 2010 or such later date as the parties may agree
<b>“PRC”</b>	the People’s Republic of China
<b>“Purchaser”</b>	Cai Jun Limited, a company incorporate under the laws of the British Virgin Islands with limited liability, a wholly-owned subsidiary of the Company
<b>“RMB”</b>	Renminbi, the lawful currency of the PRC
<b>“Sale Shares”</b>	100% of the entire issued share capital in the Target Company held by the Vendor
<b>“Second Guaranteed Period”</b>	the period commencing from 1 July 2011 and ending on 30 June 2012
<b>“Second Period Deposit Shares”</b>	the Deposit Shares for the Second Guaranteed Period, the number of which is 300,000,000
<b>“Second Period Guaranteed Profit”</b>	the net profit of the Target Company guaranteed for the Second Guaranteed Period, being HK\$45,000,000
<b>“Share(s)”</b>	ordinary share(s) of HK\$0.01 each in the share capital of the Company
<b>“Stock Exchange”</b>	The Stock Exchange of Hong Kong Limited

<b>“Target Company”</b>	Ally Goal Limited, a company incorporated under the laws of the British Virgin Islands with limited liability
<b>“Target Company Restructuring”</b>	the restructuring process to be carried out by the Vendor for the Target Company to indirectly holds 100% of the equity interest of Century Health
<b>“Vendor”</b>	Able Mind International Limited, a company incorporated under the laws of the British Virgin Islands with limited liability

*# For identification purpose only*

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

Hong Kong, 11 June 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.*