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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
IN RELATION TO THE DISPOSAL OF
THE ENTIRE ISSUED CAPITAL OF
AMPLE RICH ENTERPRISES LIMITED**

Financial Adviser



CIMB Securities (HK) Limited

The Board announces that, on 24 June 2011, the Company and the Purchaser entered into the Agreement, pursuant to which the Company has agreed to dispose of and the Purchaser has agreed to purchase the entire issued share capital of Ample Rich, for the Consideration of HK\$500,000.

The Disposal constitutes a discloseable transaction for the Company pursuant to Rule 14.06(2) of the Listing Rules.

AGREEMENT

Date

24 June 2011

Parties

- (i) the Company, as the vendor; and
- (ii) Glory Plus Enterprises Limited, a company incorporated for the purpose of acquiring Ample Rich, as the purchaser. To the best of the Directors' knowledge, it is the Purchaser's present intention to continue the development of the Unplanted Land after Completion.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner are third parties independent of and not connected with the Company and its connected persons.

Assets to be disposed of

The entire issued share capital of Ample Rich.

Consideration and payment

The consideration (the "**Consideration**") of HK\$500,000 for the Disposal was arrived at after arm's length negotiations between the parties to the Agreement with reference to the audited net asset value of approximately HK\$400,181 of Ample Rich as at 30 April 2011. The Consideration will be settled fully in cash by the Purchaser upon Completion.

Conditions precedent and Completion

Completion shall be conditional upon the following:

- i) the Purchaser being satisfied with the results of a review of the financial, contractual and legal position of the Ample Rich Group;
- ii) a resolution being passed at a general meeting of the Purchaser approving the Agreement and the transactions contemplated thereunder;
- iii) all necessary approvals and/or consents (if any) from relevant authorities including but not limited to the Stock Exchange in respect of the Agreement and the transactions contemplated thereunder having been obtained; and
- iv) compliance by the Company with all requirements under the Listing Rules.

Completion shall take place within 5 Business Days after the due compliance of the condition precedents above, but in any event shall not be later than 30 August 2011.

INFORMATION ON AMPLE RICH

Ample Rich, a company incorporated in the British Virgin Islands, is an investment holding company. Prior to 1 May 2011, the Ample Rich Group was principally engaged in the business of plantation, research and development on related plantation technologies, manufacture, sale and distribution of plantation products. As at the date of this announcement, the Company owns the entire issued share capital of Ample Rich.

Prior to the internal reorganisation in relation to the transfer of most of the operating assets and liabilities of the Ample Rich Group to a wholly-owned subsidiary of the Company (the “**Subsidiary**”), the Ample Rich Group held concession rights to operate a total of approximately 60,000 Chinese mu of land in Xinjiang, the PRC. As at 30 April 2011, approximately 30,000 Chinese mu of land has already been cultivated with poplar trees (the “**Planted Land**”) while the development, including, amongst others, the construction of infrastructure such as the building of roads, construction of water pipes and power supply connections, of the remaining approximately 30,000 Chinese mu of land (the “**Unplanted Land**”) has not yet been completed. Up to 30 April 2011, the development of approximately 10,000 Chinese mu of the Unplanted Land has almost been completed and total costs incurred for such development up to 30 April 2011 amounted to approximately HK\$59.8 million (the “**Construction In Progress**”). The Company expects that the development of the remaining approximately 20,000 Chinese mu of the Unplanted Land would take approximately 2-3 years. In order to better utilize its resources, the Company decided to sell the Construction In Progress to the Purchaser. To facilitate the Disposal, the Ample Rich Group has transferred most of its operating assets and liabilities (save for the Construction In Progress and certain other assets and liabilities as described below) to the Subsidiary prior to 30 April 2011. The Group has continued to carry out the business previously carried out by the Ample Rich Group through the Subsidiary since 1 May 2011.

Set out below is the audited financial information of the Ample Rich Group for the year ended 30 June 2010 and 10 months ended 30 April 2011 extracted from the audited consolidated financial statements of Ample Rich for the relevant periods (the “**Audited Financial Statements**”) which were prepared under the generally accepted accounting principles in Hong Kong:

	For the year ended 30 June 2010 (audited) HK\$ million	For the ten months ended 30 April 2011 (audited) HK\$ million
Discontinued operations ^{Note} :		
Revenue	266.1	316.2
Profit before income tax	170.7	60.1
Profit for the year/period	121.3	36.5

Note: As stated in the Audited Financial Statements, the Group underwent a reorganization of business pursuant to which the principal operations of the Ample Rich Group, including sales and distribution of plantation products, organic fertilizers and environmental machines were transferred to other subsidiaries of the Group (which reorganization took effect from 30 April 2011) and as such, the Ample Rich Group's business activities of sales and distribution of plantation products, organic fertilizers and environmental machines were presented as “discontinued operations”. As stated above, the Group has continued to carry out the business previously carried out by the Ample Rich Group through the Subsidiary since 1 May 2011 and will continue to carry out such business following completion of the Disposal.

As at
30 April 2011
(audited)
HK\$ million

Total assets	103.4
Total liabilities	103.0
Net assets	0.4

As at 30 April 2011, the principal assets of the Ample Rich Group consisted of the Construction In Progress (which mainly comprised the construction of infrastructure such as the building of roads, construction of water pipes and power supply connections) of approximately HK\$59.8 million and an amount due from the Company of approximately HK\$37.1 million and the principal liabilities of the Ample Rich Group consisted of trade and other payables of approximately HK\$58.4 million and income tax liabilities of approximately HK\$40.6 million.

FINANCIAL EFFECTS OF THE DISPOSAL

Upon Completion, Ample Rich will cease to be a subsidiary of the Company and its financial results will not be consolidated into the Group's future financial statements. Based on Ample Rich's net assets value of approximately HK\$400,181 as per its audited consolidated financial statements as at 30 April 2011 and the Consideration of HK\$500,000, the Company expects to record a gain on disposal of approximately HK\$99,819 upon Completion. The actual gain or loss on the Disposal to be recorded by the Company will depend on the net assets value of Ample Rich on the date of Completion. The proceeds from the Disposal will be retained as internal resources of the Group.

REASONS FOR AND BENEFITS OF THE DISPOSAL

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 planation to green medical application. The Group will continue to operate these principal businesses after the disposal of Ample Rich.

The Directors are of the view that the Disposal would benefit the Company by releasing the Company from further investment in the development of the Unplanted Land, which is expected to take approximately 2-3 years. This would allow the Company to better utilize its available resources by investing in potential projects with a quicker return to the Company. The Company is currently holding negotiations with the Purchaser on leasing back the Construction In Progress owned by the Ample Rich Group after Completion, which would enable the Group to expand its plantation business to the Unplanted Land.

The Directors are of the view that the Disposal will not have any material adverse impact on the business operations and financial position of the Group and the terms of the Agreement are on normal commercial terms, fair and reasonable and in the interests of the Group and the Shareholders as a whole.

GENERAL

The Disposal constitutes a discloseable transaction for the Company pursuant to Rule 14.06(2) of the Listing Rules.

DEFINITIONS

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

“Agreement”	the conditional sale and purchase agreement dated 24 June 2011 entered into between the Company and the Purchaser in respect of the Disposal
“Ample Rich”	Ample Rich Enterprises Limited, an investment holding company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company as at the date of this announcement
“Ample Rich Group”	Ample Rich and its subsidiaries
“associate(s)”	has the meaning given to it in the Listing Rules
“Board”	the board of the Directors
“Business Day”	a day on which banks in Hong Kong are open for business other than a Saturday or Sunday or public holiday or a day on which a black rainstorm warning or tropical cyclone warning signal number 8 or above is hoisted in Hong Kong at any time between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon
“Company”	China Environmental Resources Group Limited, a company incorporated in the Cayman Islands with limited liability and whose shares are listed on the main board of the Stock Exchange
“Completion”	completion of the Disposal under the Agreement
“connected person(s)”	has the meaning given to it in the Listing Rules
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the entire issued share capital of Ample Rich by the Company to the Purchaser pursuant to the Agreement

“Group”	the Company together with its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, which for the purpose of this announcement shall exclude Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Purchaser”	Glory Plus Enterprises Limited, a company incorporated in the British Virgin Islands on 28 April 2011 with limited liability
“Shareholder(s)”	the holder(s) of the ordinary share(s) of HK\$0.05 each in the issued share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning given to it in the Listing Rules

On behalf of the Board
China Environmental Resources Group Limited
Kam Yuen
Chairman

Hong Kong, 24 June 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.