CHINA ENVIRONMENTAL RESOURCES GROUP LIMITED
中國環境資源集團有限公司
(formerly known as "Benefun International Holdings Limited 奮發國際控股有限公司*")
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1130)

VERY SUBSTANTIAL ACQUISITION IN RELATION TO ACQUISITION OF EQUITY INTEREST IN FUXIN BRANCH AND TONGLIAO BRANCH OF BEIJING JIANONG YONGXING AGRICULTURAL PRODUCTION MATERIALS CO., LTD.

Reference is made to the announcement of the Company dated 7 December 2009 in relation to, amongst other things, acquisition of 70% interest in the Beijing Jianong Yongxing Agricultural Production Materials Company Limited, Fuxin Branch.

The Supplemental Agreement

On 14 December 2009, the Company and the Vendor entered into the Supplemental Agreement pursuant to which, another branch currently operated by the Vendor, namely the Tongliao Branch, will be injected into the Target Company together with the Fuxin Branch as agreed in the Acquisition Agreement. Other terms and conditions, including amongst other things, the Consideration, the Issue Price and amount of Guarantee Profit as set out in the Acquisition Agreement remain unchanged.

* *For identification purposes only*

LISTING RULES IMPLICATIONS

As the Acquisition Agreement and the Supplemental Agreement were entered into by the Company and the Vendor within 12 months' period and are related to each other, the two transactions should be aggregated and treated as if they are one transaction according to Rule 14.22 of the Listing Rules. After taking into account the additional revenues attributable to Tongliao Branch, the Acquisitions constituent a very substantial acquisition of the Company under the Listing Rules. The Acquisition Agreement, the Supplemental Agreement and the transactions contemplated thereunder therefore, will be subject to the Shareholders' approval at the EGM by way of poll according to the Listing Rules.

A circular containing, amongst other things, (i) further details on the Acquisition Agreement and the Supplemental Agreement, (ii) information on the Target Branches, (iii) accountant's reports on the Target Branches, and (iv) notice of the EGM will be despached to the Shareholder as soon as practicable in accordance with the Listing Rules.

RESUMPTION OF TRADING

Trading in the Shares was suspended from 9:30 a.m. on 14 December 2009 at the request of the Company pending the issue of this announcement and an application has been made to the Stock Exchange for the resumption of trading in the Shares from 9:30 a.m. on 24 December 2009.

INTRODUCTION

Reference is made to the announcement of the Company dated 7 December 2009 in relation to, amongst other things, acquisition of 70% interest in the Beijing Jianong Yongxing Agricultural Production Materials Company Limited, Fuxin Branch. As one of the applicable percentage ratios for the First Acquisition is more than 5% but less than 25%, the First Acquisition constituted a discloseable transaction of the Company for the purpose of Listing Rules and was subject to reporting and announcements requirements only.

Principal terms and conditions of the Acquisition Agreement are summarized as follows:

Date

5 December 2009

Parties

Purchaser : Capital Goal Trading Limited

Vendor : Beijing Jianong Yongxing Agricultural Production Materials Co., Ltd.

Assets to be acquired

Pursuant to the Acquisition Agreement, the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Interest, representing 70% of the entire registered share capital of the Target Company.

Consideration

The Consideration for the Acquisition is RMB37,000,000 (equivalent to approximately HK$41,995,000).

Consideration shall be satisfied by a combination of cash payment and the allotment and issue of the Consideration Shares by the Company to the Vendor (or its nominee(s)) in the following manners:

(a) RMB1,000,000 (equivalent to approximately HK$1,135,000) be paid in cash by the Purchaser to the Vendor upon signing of the Acquisition Agreement, provided that the Vendor shall refund such amount to the Purchaser, if any of the followings occurs:

    (i) the Vendor could not complete the Restructuring on or before the expiry of 3 months period from the date of signing the Acquisition Agreement; or

    (ii) the Completion could not take place on or before the expiry of 3 months period from the date of signing the Acquisition Agreement;

(b) RMB500,000 (equivalent to approximately HK$567,500) be paid in cash by the Purchaser to the Vendor after the expiry of a period of 6 months following the Completion Date;

(c) RMB500,000 (equivalent to approximately HK$567,500) be paid in cash by the Purchaser to the Vendor within 3 business days upon satisfaction of the following conditions:

    (i) the Actual Net Profit for the First Guaranteed Period being not less than RMB2,000,000 (equivalent to approximately HK$2,270,000); and

    (ii) the Vendor having been in compliance with the Acquisition Agreement;

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(d) the balance of the consideration for the Acquisition of RMB35,000,000 (equivalent to approximately HK$39,725,000) be paid by the allotment and issue of the Consideration Shares by the Company to the Vendor (or its nominee(s)) in the manner discussed in the section headed “Consideration Shares” below.

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

An application will be made to the Stock Exchange for the listing of and permission to deal in the Conversion Shares.

The Consideration was determined after arm's length negotiations between the parties based on the unaudited financial record of the Target Branches for the period from 19 February 2008 to 31 December 2008 and the amount of the First Period Guaranteed Profit. The Consideration of RMB37,000,000 represents a price-to-earnings ratio of 53.14 times for 2008 and 5.29 times for 2010 respectively.

Consideration Shares

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

The Issue Price represents:

(i) a discount of approximately 8.94% to the closing price of HK$0.123 per Share as quoted on the Stock Exchange on the 4 December 2009, being the last trading day in the Shares immediately preceding the date of the Acquisition;

(ii) a discount of approximately 8.20% to the average closing price of HK$0.122 per Share as quoted on the Stock Exchange in the last five consecutive trading days up to and including 4 December 2009;

(iii) a discount of approximately 14.50% to the closing price of HK$0.131 per Share as quoted on the Stock Exchange on the Last Trading Date; and

(iv) a discount of approximately 11.81% to the average closing price of HK$0.127 per Share as quoted on the Stock Exchange in the last five consecutive trading days up to and including the Last Trading Date;

The total number of Consideration Shares to be issued shall be 354,678,000 Shares, which represents (i) approximately 4.94% of the existing issued share capital of the Company of 7,177,879,000; and (ii) approximately 4.71% of the Company's issued share capital of 7,532,557,000 as enlarged by the issue of the Consideration Shares. The Consideration Shares will rank, upon allotment and issue, pari passu in all respects with the Shares in issue on the date of allotment and issue of the Consideration Shares.

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

The Consideration Shares shall be deposited with an escrow agent whom is also the legal adviser of the Company for the Acquisitions, 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:

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

(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 Vendor having completed the Restructuring;

(b) the Purchaser being satisfied with the result of the Restructuring;

(c) the Purchaser obtaining the evidencing documents of the completion of the Target Branch Restructuring;

(d) the Purchaser obtaining the registered documents evidencing that the Vendor is the sole beneficial owner of the Sale Interest;

(e) the Vendor having proved that the Sale Interest is free from encumbrances and third parties' claims;

(f) the Purchaser obtaining the relevant corporate documents of the Target Company and/or the Target Branches;

(g) the Purchaser obtaining a PRC legal opinion on relevant issues in relation to the Vendor, the Target Company and the transfer of the Sale Interest satisfactory to the Purchaser;

(h) the Purchaser being satisfied with the form and contents of the Shareholders' Agreement;

(i) the entering into of the PRC Acquisition Agreement in the form and with the contents satisfactory to the Purchaser;

(j) the Purchaser obtaining all the government/regulatory body's approvals necessary for the Acquisition Agreement;

(k) the completing of all the necessary corporate approval procedures in relation to the Acquisition Agreement, the PRC Acquisition Agreement and the transactions contemplated therein);

(l) the Listing Committee granting the listing of, and permission to deal in the Consideration Shares/Deposit Shares;

(m) 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;

(n) the Purchaser completing the due diligence exercise on the Target Company and being satisfied with its result;

(o) the Purchaser being satisfied with the accounts, indebtedness and overall situation of the Target Company;

(p) both the Acquisition Agreement and the PRC Acquisition Agreement being legal, valid, and enforceable according to their respective terms and conditions;

(q) the obligations of the Vendor and the Target Company under each of the Acquisition Agreement and the PRC Acquisition Agreement being legal, valid, and enforceable;

(r) the guarantee provided by the Vendor under the Acquisition Agreement being legal, valid, and enforceable;

(s) the Purchaser being able to legally and effectively acquire the Sale Interest according to the Acquisition Agreement and the PRC Acquisition Agreement;

(t) the Target Company having transferred into a PRC sino-foreign joint venture company;

(u) the Vendor having the power, right and ability to enter into the Acquisition Agreement and the PRC Acquisition Agreement；

(v) the obtaining of all the necessary approvals from relevant government agencies, regulatory bodies or any stock exchange;

(w) the Target Company having completed all necessary corporate approval procedures in relation to the Acquisition;

(x) 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;

(y) 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;

(z) the Purchaser obtaining an appointment letter satisfactory to it for the appointment of an agent by the Vendor to receive legal documents issued by the courts of Hong Kong on behalf of the Vendor ;

(aa) the Vendor and the Target Company having duly performed the terms and conditions under the Acquisition Agreement; and

(bb) 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.

PRC Acquisition Agreement

The PRC Acquisition Agreement with major terms and conditions the same as the Acquisition Agreement, will be entered into by the Vendor and Purchaser for the purpose of obtaining the approval of the Acquisitions by the relevant PRC government authorities for turning the Target Company from a domestic company into a sino-foreign joint venture company under the PRC law. The PRC Acquisition Agreement, once finalized, will be submitted to the PRC government authorities for the approval of the Acquisitions.

Shareholders' Agreement

The Shareholders' Agreement to be entered into by the Vendor and Purchaser, will set out details including the percentage holding of the Purchaser and the Vendor in the Target Company, 70% and 30% respectively. The Shareholders' Agreement, once finalized, will be submitted to the PRC government authorities for the approval of the Acquisitions.

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.

VERY SUBSTANTIAL ACQUISITION

The Supplemental Agreement

On 14 December 2009, the Company and the Vendor entered into the Supplemental Agreement pursuant to which, another branch currently operated by the Vendor, namely the Tongliao Branch, will be injected into the Target Company together with the Fuxin Branch as agreed in the Acquisition Agreement. Other terms and conditions, including amongst other things, the Consideration, the Issue Price and amount of Guaranteed Profit for each Guaranteed Period as set out in the Acquisition Agreement remain unchanged.

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 the connected persons of the Company, save for the fact that the Vendor is also the vendor of the First Acquisition pursuant to the Acquisition Agreement dated 5 December 2009.

INFORMATION ON THE TARGET COMPANY

The Target Company is a company to be incorporated in the PRC by the Vendor through the Restructuring.

Information on the Target Branches

Fuxin Branch and Tongliao Branch are located in Liaoling Province and Inner Mongolia Autonomous Region of the PRC and were set up on 19 February 2008. They are principally engaged in wholesaling and direct distribution of fertilizers and other agricultural products in northern part of China. The Target Branches, carrying out their business as wholly owned branches of the Vendor, are not registered as legal persons in the PRC, thus are not required to prepare audited financial statements. For illustration purpose, however, the amount of revenue is calculated by adding up the transaction records sourced from each of the Target Branches and the expenses and tax paid are allocated according to the size of gross profit recorded by the Target Branches relative to total gross profit of the Vendor. Professional accountants will be appointed to conduct due diligence investigation on the Target Branches and an accountant's report will be prepared in accordance to the requirements of the Listing Rules.

Upon completion of the Restructuring, the Target Branches will be owned as to 70% by the Target Company and 30% by the Vendor. The financial results of the Target Company will be consolidated into the Company upon Completion.

Table below summarizes the financial information of the Target Branches during the period from 19 February 2008 to 31 December 2008 the figures in which are subject to adjustment by the accountants to be appointed by the Company.

	From 19 February 2008 to 31 December 2008
	RMB
Revenues	
Fuxin Branch	26,130,000.00
Tongliao Branch	88,194,557.10
Total	114,324,557.10
Gross profits	
Fuxin Branch	2,419,843.10
Tongliao Branch	1,228,880.40
Total	3,648,723.50
Profits /(losses) before tax	
Fuxin Branch	1,432,111.46
Tongliao Branch	(503,665.60)
Total	928,445.86
Net profits/(losses)	
Fuxin Branch	1,200,000.00
Tongliao Branch	(503,665.60)
Total	696,334.40
	As at 31 December 2008
	RMB
Net asset value	
Fuxin Branch	300,000.00
Tongliao Branch	200,000.00
Total	500,000.00

LISTING RULES IMPLICATIONS

As the Acquisition Agreement and the Supplemental Agreement were entered into by the Company and the Vendor within 12 months' period and are related to each other, the transactions contemplated under the Acquisition Agreement and the Supplemental Agreement should be aggregated and treated as if they are one transaction according to Rule 14.22 of the Listing Rules. After taking into account the additional revenues attributable to Tongliao Branch, the Acquisitions constituent a very substantial acquisition of the Company under the Listing Rules. The Acquisition Agreement, the Supplemental Agreement and the transactions contemplated thereunder therefore, will be subject to the Shareholders' approval at the EGM by way of poll according to the Listing Rules.

A circular containing, amongst other things, (i) further details on the Acquisition Agreement and the Supplemental Agreement, (ii) information on the Target Branches, (iii) accountant's reports on the Target Branches, and (iv) notice of the EGM will be despatched to the Shareholder as soon as practicable and in accordance with the Listing Rules.

REASONS FOR AND BENEFITS OF THE ACQUISITIONS

The Group engages in the green business of plantation, research and development of plantation related technologies, manufacture, sale and distribution of plantation products and materials. The Group developed the waste-to-value "O-Live Organic Waste Treatment System" ("O-Live System") which is an automatic machine utilizing high temperature micro-organisms technology for environmental treatment of animal manures of livestock farms. Within 24 hours, O-Live System kills animal influenza and common disease bacteria and converts animal manures into raw materials for producing microbial organic fertilizer.

Eyeing on the increasing share of organic fertilizer in total fertilizer market, the Group established self-operated production bases to utilize the raw materials from its O-Live System, to serve the increasing orders and to enhance operating profit.

The Vendor is a company incorporated in the PRC and principally engaged in wholesaling and distribution of fertilizers and other agricultural products. Having more than 10 branches scattering over various cities in the PRC, the Vendor has established a strong sales network and client base, which are valuable for new business participants like the Group.

The Directors expect that the Acquisitions will allow the Group to explore the vast business potential and further capture the organic fertilizer market in the northern part of the PRC under the support of the well-established sales channel and accumulated customer profile of the Target Branches and finally, improve the Group's revenue.

In particular, Tongliao Branch recorded revenue and gross profit of RMB88,194,557.10 and RMB1,228,880.40 respectively in the financial year ended 31 December 2008. The sizable revenue and gross profit hint that Tongliao Branch has a considerable size of client base and market penetration, which are the primary interest to the Company. Tongliao Branch, though not profitable accounting wise, is economically valuable to the Company. The Supplemental Agreement allows the Company to acquire an additional group of client base yet without incurring extra cost. The Directors, therefore are in the view that the Supplemental Agreement is favourable to the Company and the Shareholders.

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

GENERAL MANDATE TO ISSUE THE CONSIDERATION SHARES

Under the general mandate granted to the Directors at the annual general meeting of the Company on 12 December 2008, the Company is authorized to issue up to 1,095,737,800 Shares representing 20% of the issued share capital of the Company as at the date of annual general meeting. Up to the date of this announcement, no new Shares had been issued under the General Mandate. As the Supplemental Agreement will not result in change in other terms and conditions of the Acquisition Agreement, the number of Consideration Shares to be issued for the Acquisitions remains the same. Upon Completion, 354,678,000 Consideration Shares will be issued under the General Mandate, and the balance of 741,059,800 Shares will remain outstanding.

GENERAL

The principal business of the Company is investment holding. The principal activities of its subsidiaries are ecological plantation, manufacture and sale of plantation materials and products and "Waste-To-Value" environmental business and property development in the PRC.

RESUMPTION OF TRADING

Trading in the Shares was suspended from 9:30 a.m. on 14 December 2009 at the request of the Company pending the issue of this announcement and an application has been made to the Stock Exchange for the resumption of trading in the Shares from 9:30 a.m. on 24 December 2009.

DEFINITIONS

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

"Acquisitions"	the acquisition of the Sale Interest by the Purchaser pursuant to the Acquisition Agreement and Supplemental Agreement
"Acquisition Agreement"	the equity acquisition agreement in relation to the Acquisition entered into between the Purchaser and the Vendor on 5 December 2009.
"Actual Net Profit"	the actual net profit of the Target Company, or 70% of the net profit of the Target Branches as recorded in its audited financial statement
"Board"	the board of Directors
"Business Day"	a day (excluding Saturday) on which banks in Hong Kong are open for business

“Company”	China Environmental Resources Group, 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 Interest pursuant to the Acquisition Agreement
“Completion Date”	the day on which Completion takes place
“Consideration”	consideration amounted RMB37,000,000 payable by the Purchaser to the Vendor for the Acquisitions
“connected person(s)”	has the meaning given to it by the Listing Rules
“Consideration Share(s)”	354,678,000 new Shares to be allotted and issued by the Company to the Vendor (or its nominee(s)) as part of the consideration for the Acquisitions
“Deposit Shares”	the First Period Deposit Shares, the Second Period Deposit Shares and/or the Third Period Deposit Shares
“Director(s)”	the Director(s) of the Company
“EGM”	an extraordinary general meeting of the Company to be convened to consider, and if think fit, approve the Acquisition Agreement, the Supplemental Agreement and transactions contemplated thereunder in relation to the Acquisitions
“First Acquisition”	acquisition of the Target Company according to terms and conditions set out in the Acquisition Agreement
“First Guaranteed Period”	the period commencing from 1 January 2010 and ending on 31 December 2010
“First Period Deposit Shares”	the Deposit Shares for the First Guaranteed Period, the number of which is 59,113,000
Q5 **“First Period Guaranteed Profit”**	the net profit of the Target Company, or 70% of the net profit of the Target Branches guaranteed for the First Guaranteed Period, being RMB7,000,000 (equivalent to approximately HK$7,945,000)
“Fuxin Branch”	Beijing Jianong Yongxing Agricultural Production Materials Co., Ltd. Fuxin Branch (北京佳農永興農業生產資料有限責任公司阜新分公司), a branch set up and wholly owned by the Vendor
“Group”	the Company and its subsidiaries

"Guaranteed Period(s)"	the First Guaranteed Period, the Second Guaranteed Period and/or the Third Guaranteed Period
"Guaranteed Profit"	the First Period Guaranteed Profit, the Second Period Guaranteed Profit and/or the Third 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$0.112 per Consideration Share
"Last Trading Date"	11 December 2009, being the last trading day for trading in the Shares on the Stock Exchange pending the release 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
"PRC Acquisition Agreement"	an acquisition agreement governed by PRC law to be entered into between the Purchaser and the Vendor for the transfer of Sale Interest
"Purchaser"	Capital Goal Trading Limited, a company incorporate in Hong Kong with limited liability, a wholly-owned subsidiary of the Company
"Restructuring"	the restructuring process to be carried out by the Vendor to convert the ownership of the Target Branches into the Target Company
"RMB"	Renminbi, the lawful currency of the PRC
"Sale Interest"	70% of the registered share capital in the Target Company, which will be held by the Purchaser after the completion of the Restructuring
"Second Guaranteed Period"	the period commencing from 1 January 2011 and ending on 31 December 2011

"Second Period Deposit Shares"	the Deposit Shares for the Second Guaranteed Period, the number of which is 118,226,000
"Second Period Guaranteed Profit"	the net profit of the Target Company, or 70% of the net profit of the Target Branches guaranteed for the Second Guaranteed Period, being RMB14,000,000 (equivalent to approximately HK$15,890,000)
"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	holders of Share(s)
"the Shareholders' Agreement"	a shareholders' agreement to be entered into by the Purchaser and the Vendor
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supplemental Agreement"	supplemental agreement to the Acquisition Agreement dated 14 December 2009
"Target Branches"	Fuxin Branch and Tongliao Branch
"Target Company"	a limited liability company to be set up by the Vendor, after the Restructuring 70% of the entire equity interest of which shall be acquired by the Purchaser according to the Acquisition Agreement
"Third Guaranteed Period"	the period commencing from 1 January 2012 and ending on 31 December 2012
"Third Period Deposit Shares"	the Deposit Shares for the Third Guaranteed Period, the number of which is 177,339,000
"Third Period Guaranteed Profit"	the net profit of the Target Company, or 70% of the net profit of the Target Branches guaranteed for the Third Guaranteed Period, being RMB28,000,000 (equivalent to approximately HK$31,780,000)
"Tongliao Branch"	Beijing Jianong Yongxing Agricultural Production Materials Co., Ltd. Tongliao Branch, (北京佳農永興農業生產資料有限責任公司通 遼 分公司), a branch set up and wholly owned by the Vendor
"Vendor"	Beijing Jianong Yongxing Agricultural Production Materials Co., Ltd. (北京佳農永興農業生產資料有限責任公司), a company incorporated in the PRC with limited liability

For illustrative purposes, amounts in RMB in this announcement have been translated into HK$ at an exchange rate of HK$1.135 to every dollar of RMB. No representation is made that any amount in RMB could have been or could be converted at such rate or any other rates.

By Order of the Board
China Environmental Resources Group Limited
Kam Yuen
Chief Executive Officer
and Executive Director

Hong Kong, 23 December 2009

As at the date of this announcement, the Board comprises five executive directors, namely Mr. Tan Sim Chew (Chairman), Ms. Kam Yuen (Chief Executive Officer), Mr. Kwok Wai, Wilfred, Mr. Leung Kwong Choi and Mr. Lo King Fat, Lawrence; and three independent non-executive directors, namely Mr. Cheung Ngai Lam, Mr. Wong Kwai Sang and Mr. Christopher David Thomas.