

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

This announcement appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities.



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)

DISCLOSEABLE TRANSACTION

CONDITIONAL ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF TRIPLE HARVEST ISSUE OF CONSIDERATION SHARES

CONDITIONAL ACQUISITION

On 28 December 2009, Cathay as the vendor and the Company as the purchaser entered into the Agreement, pursuant to which Cathay has conditionally agreed to sell the Sale Shares, and the Company has conditionally agreed to purchase the Sale Shares, at an aggregate consideration of HK\$114,700,000.

The aggregate consideration in the sum of HK\$114,700,000 will be satisfied as to (i) HK\$700,000 by cash and (ii) HK\$114,000,000 by the issue to Cathay of the Consideration Shares (at HK\$0.08 per Share) by the Company upon Completion.

The transactions contemplated under the Agreement are conditional and may or may not proceed. Accordingly, Shareholders and prospective investors are reminded to exercise extreme caution when trading in the Shares.

The transactions contemplated in the Agreement constitute discloseable transactions for the Company under Rule 14.06(2) of the Listing Rules, on the basis that the calculation of the consideration and equity capital ratios are within the range of 2% and 25%.

PROPOSED GRANT OF SPECIFIC MANDATE TO ISSUE NEW SHARES

Under the Agreement, the Company will issue the Consideration Shares to Cathay as partial payment for the aggregate consideration for the purchase of the Sale Shares upon completion. The Consideration Shares will rank pari passu with all the then existing issued Shares. The Company will seek the grant of a specific mandate from the Shareholders to allot and issue the Consideration Shares.

A circular containing, amongst other things, details of the terms of the Agreement, allot and issue of the Consideration Shares under the specific mandate and notice of Extraordinary General Meeting, will be despatched to the Shareholders as soon as practicable under the Listing Rules.

Reference is made to the announcements of China Environmental Resources Group Limited (formerly known as Benefun International Holdings Limited) (the "Company") dated 9 April 2009, 30 July 2009 and 30 October 2009 relating to negotiation and signing of the Letter of Intent with Cathay in respect of the possible acquisition of the entire issued share capital of Target Company.

THE CONDITIONAL ACQUISITION

On 28 December 2009, Cathay as the vendor and the Company as the purchaser entered into the Agreement, pursuant to which Cathay has conditionally agreed to sell the Sale Shares and the Company has conditionally agreed to purchase the Sale Shares at an aggregate consideration of HK\$114,700,000.

THE AGREEMENT

Date

28 December 2009

Parties

- (1) Cathay as vendor
- (2) the Company as purchaser

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, Cathay and the ultimate beneficial owner of Cathay are third parties independent of the Company and connected persons of the Company.

The Sale Shares

The Sale Shares represent the entire issued share capital of Triple Harvest as at the date of this announcement. 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).

Cathay is the legal and beneficial owner of the entire issued share capital of Triple Harvest, indirectly holds 100% of the equity in interest of a wholly foreign-owned enterprise, which in turn will hold the Patents.

Consideration

The aggregate consideration for the Acquisition is HK\$114,700,000 comprising (i) the Consideration Shares at HK\$0.08 per Share and the cash sum of HK\$700,000 for the Acquisition.

The source of funding of the Company for the acquisition of the Sale Shares will be generated from internal resources.

The aggregate value of the Consideration Shares of HK\$114,000,000 (i.e. HK\$0.08 per Consideration Share) was agreed after arm's length negotiations by reference to historical performance of the prices of the Shares and the net assets value of the Group as at 30 June 2009, and represents:—

- (i) a discount of approximately 33.88% over the closing price of HK\$0.121 per Share as quoted on the Stock Exchange on the last trading day of the Shares immediately before the date of this announcement;
- (ii) a discount of approximately 36.71% over the average closing price of HK\$0.1264 per Share as quoted on the Stock Exchange for the last five trading days of the Shares immediately before the date of this announcement;
- (iii) a discount of approximately 35.85% over the average closing price of HK\$0.1247 per Share as quoted on the Stock Exchange for the last ten trading days of the Shares immediately before the date of this announcement; and
- (iv) a premium of approximately 37.69% over the net asset value of HK\$0.1284 per Share as stated in the audited consolidated accounts of the Company for the year ended 30 June 2009.

The market value of the Consideration Shares is HK\$177,697,500 by reference to the average closing price of HK\$0.1247 per Share as quoted on the Stock Exchange on the last fifteen trading days of the Shares immediately before the date of this announcement.

The Consideration Shares represent approximately 19.85% of the existing issued share capital of the Company and 16.56% of the enlarged issued share capital of the Company upon issue of the Consideration Shares. The Consideration Shares will rank pari passu with all the then existing issued Shares. The Company will seek the grant of a specific mandate from the Shareholders at an Extraordinary General Meeting to allot and issue the Consideration Shares.

The Company will apply to the Listing Committee of the Stock Exchange for the granting of listing of, and permission to deal in, the Consideration Shares.

Conditions

Completion of the sale and purchase of the Sale Shares is conditional upon fulfillment of the following conditions:–

- (i) 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, which in turn will be the registered beneficial owner of the Patents.
- (ii) Cathay's warranties remaining true and correct and not misleading in any material respect as given as of the date of the Agreement and as of Completion and as if given at all times between the date of the Agreement and Completion;
- (iii) all necessary approvals, authorisations, consents, licences, certificates, permits, concessions, agreements or other permissions of any kind, from or by all relevant governmental or regulatory authorities, agencies or bodies, or any other third party (including banks and/or relevant regulatory authorities of the relevant jurisdictions (if required)), required for the implementation of the transactions contemplated in the Agreement being obtained and maintained;
- (iv) where applicable, having complied to the satisfaction of the Stock Exchange and the SFC with all requirements under the Listing Rules and, where applicable, the Takeovers Code in relation to (i) the purchase of the Sale Shares; and (ii) the allotment and issue of the Consideration Shares to the vendor and/or its nominee(s);
- (v) listing of and permission to deal in the Consideration Shares having been granted by the Listing Committee of the Stock Exchange (and such listing and permission not subsequently being revoked prior to Completion);

Cathay will use their respective best endeavours to render such assistance to each other as may be required or expedient or necessary to facilitate the fulfillment of all the conditions.

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 April 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 Agreement will terminate. None of the parties to the Agreement will have any claim against any other in respect of the Agreement.

The sale and purchase of the Sale Shares is conditional and may or may not proceed. Accordingly, Shareholders and prospective investors are reminded to exercise extreme caution when trading in the Shares.

Completion

Subject to the fulfillment of the conditions set out in the Agreement, Completion will take place on the third business day after the day on which Cathay has received confirmation from the Company that all the conditions have been fulfilled and/or waived (as the case may be) (or such other date as may be agreed by Cathay and the Company in writing) but in any event no later than 30 April 2010 (or such other date as may be agreed by Cathay and the Company in writing) at the offices of the solicitors for the Company in Hong Kong.

INFORMATION ABOUT CATHAY

Cathay is a company incorporated in the British Virgin Islands with limited liability. The principal business activity of Cathay is investment holding.

INFORMATION ABOUT TRIPLE HARVEST

Triple Harvest is a company incorporated in the British Virgin Islands with limited liability. Triple Harvest will be the beneficial owner of the Patents which cover the technologies and processes in relation to the production of fertilizers. Upon completion of the Acquisition, the Company will acquire the unique technologies in relation to the production of fertilizers to cater for the market demand for plantation materials.

REASONS AND BENEFITS OF THE ACQUISITION

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 increasing orders and to enhance operating profit. With the Patents, the Group is capable of producing specialized products to accommodate diversified market orders and to enhance operating profit.

The Directors (including independent non-executive Directors) consider the terms of the Agreement to be fair and reasonable as far as the Shareholders are concerned and that the Agreement is in the interests of the Company and its Shareholders as a whole.

LISTING RULES IMPLICATIONS

The transactions contemplated in the Agreement constitute discloseable transactions for the Company under Rule 14.06(2) of the Listing Rules, on the basis that the calculation of the consideration and equity capital ratios are within the range of 2% and 25%.

GENERAL

The Company will despatch a circular, which contains, amongst other things, details of the terms of the Agreement, allot and issue of Consideration Shares under the specific mandate and notice of Extraordinary General Meeting, to the Shareholders as soon as practicable in accordance with the Listing Rules.

DEFINITIONS

“Acquisition”	the acquisition of the entire issued share capital of the Triple Harvest
“Board”	the board of Directors
“Cathay”	The Cathay Investment Fund Limited, a company incorporated under the laws of the British Virgin Islands with limited liability.
“Company”	China Environmental Resources Group Limited (formerly known as Benefun International Holdings Limited), a company incorporated under the laws of the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange
“Consideration Shares”	1,425,000,000 new Shares
“Directors”	the directors of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Third Party”	a third party who is not a connected person (as defined under the Listing Rules) of the Company and who together with its ultimate beneficial owner(s) are independent of the Company and its connected persons (as defined under the Listing Rules)
“Letter of Intent”	a non-legally binding letter of intent entered into on 30 July 2009 and 30 October 2009 between the Company and the vendor in relation to the Acquisition

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Patents”	technologies and PRC patents in relation to fertilizer manufacturing
“PRC”	the People’s Republic of China
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Sale Shares”	1 issued shares of par value of US\$1 each, representing the entire issued share capital of Triple Harvest as at the date of this announcement
“SFC”	The Securities and Futures Commission of Hong Kong
“Shares”	ordinary shares of HK\$0.01 each in the share capital of the Company
“Shareholders”	holders of Shares
“Share Sale Agreement”	Share Sale Agreement entered between the Company and The Cathay Fund Limited on 28 December 2009
“Triple Harvest or Target Company”	Triple Harvest Holdings Limited, a company incorporated under the laws of the British Virgin Islands with limited liability on 20 April 2009
“%”	per cent.

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

Hong Kong, 28 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.