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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)

SHARE CONSOLIDATION

AND

CHANGE OF BOARD LOT

The Board proposes that every five (5) issued and unissued Shares of HK\$0.01 each in the capital of the Company be consolidated into one (1) Consolidated Share of HK\$0.05 each. As at the date of this announcement, there are 9,023,839,000 Shares of HK\$0.01 each in issue which are fully paid or credited as fully paid. Assuming no further Shares will be issued from the date of this announcement up to the date of the EGM, there will be 1,804,767,800 Consolidated Shares of HK\$0.05 each in issue which are fully paid or credited as fully paid. It is proposed that following the Share Consolidation, the Consolidated Shares will be traded in board lots of 8,000 Consolidated Shares. Based on the closing price of HK\$0.063 per Share as at 8 December 2010, the value of each board lot of 8,000 Consolidated Shares would be HK\$2,520.

A circular containing, among other matters, further details of the Share Consolidation and a notice to convene the EGM will be despatched to the Shareholders in compliance with the Listing Rules.

PROPOSED SHARE CONSOLIDATION

The Board proposes that every five (5) issued and unissued Shares of HK\$0.01 each in the capital of the Company be consolidated into one (1) Consolidated Share of HK\$0.05 each. As at the date of this announcement, there are 9,023,839,000 Shares of HK\$0.01 each in issue which are fully paid or credited as fully paid. Assuming no further Shares will be issued from the date of this announcement up to the date of the EGM, there will be 1,804,767,800 Consolidated Shares of HK\$0.05 each in issue which are fully paid or credited as fully paid following the Share Consolidation. The Company approved for the increase the authorised share capital from HK\$100,000,000 to HK\$300,000,000 by the creation of an additional 20,000,000,000 new shares of HK\$0.01 each in the capital of the Company (the "Capital Increase") at the Annual General Meeting held on 6 December 2010. Accordingly, after the Capital Increase, the authorised share capital of the Company will remain at HK\$300,000,000 divided into 6,000,000,000 Consolidated Shares of HK\$0.05 each.

As at the date of this announcement, save for the Convertible Notes entitling the holder(s) thereof subscribe for 1,093,750,000 Shares at a conversion price of HK\$0.064 (equivalent 218,750,000 Consolidated Shares) and the Share Options granted under the share option scheme adopted by the Company entitling the holders thereof subscribe for 938,880,000 Shares (equivalent 187,776,000 Consolidated Shares), there are no outstanding options, warrants or securities convertible or exchangeable into Shares.

The implementation of the Share Consolidation is conditional upon:

- (i) the passing of the necessary ordinary resolution by the Shareholders at the EGM to approve the Share Consolidation; and
- (ii) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Consolidated Shares.

Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Consolidated Shares. All necessary arrangements will be made for the Consolidated Shares to be admitted into the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited. The Share Consolidation will be conducted in accordance with the provisions in the articles of association of the Company.

As at the date of this announcement, Shares are traded in board lots of 20,000 Shares. Following the Share Consolidation, it is proposed that the Consolidated Shares will be traded in board lots of 8,000 Consolidated Shares.

Based on the closing price of HK\$0.063 per Share as at 8 December 2010, the value of each board lot of 8,000 Consolidated Shares, assuming the Share Consolidation had already been effective, would be HK\$2,520.

STATUS OF THE CONSOLIDATED SHARES

The Consolidated Shares will rank pari passu in all respects with each other and the Share Consolidation will not result in any change in the relative rights of the Shareholders. Fractional Consolidated Shares will not be issued by the Company to Shareholders. Any fractional entitlement to the Consolidated Shares will be aggregated, sold and retained for the benefit of the Company. Further details regarding the parallel trading arrangements (including the odd lots matching services, if any) will be set out in the circular containing the notice of EGM. The Company will bear the costs relating to the matching of sale and purchase of odd lots of the Consolidated Shares.

REASONS FOR THE SHARE CONSOLIDATION

The shares of the Company have been trading below HK\$0.10 since 4 January 2010. The Directors believe that the Share Consolidation could increase the trading price of the shares of the Company. Moreover, as the market value of each board lot upon the Share Consolidation becoming effective will be higher than the market value of each existing board lot, the transaction cost as a proportion of the market value of each board lot will be lower. It is expected that the liquidity in trading of the Shares will increase accordingly and the market value of the Shares will be more precisely reflect the intrinsic value of the Company. Accordingly, the Board is of the view that the Share Consolidation is beneficial to the Company, the Shareholders and investors as a whole.

Save for the necessary professional expenses for the implementation of the Share Consolidation, the implementation of the Share Consolidation will not alter the underlying assets, business operation, management or financial position of the Company and the interests and rights of the Shareholders.

EXCHANGE OF CERTIFICATES FOR CONSOLIDATED SHARES

Subject to the Share Consolidation becoming effective, which is currently expected to be 17 January 2011, being the business day immediately after the date of the EGM, Shareholders may on or after 17 January 2011 and until 4:00 p.m. on 24 February 2010 (both days inclusive), submit their existing share certificates in green for the Shares to the Company's Branch Share Registrar ("Share Registrar") in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, for exchange for share certificates in orange for the Consolidated Shares at the expense of the Company.

Shareholders should note that after the prescribed time for free exchange of share certificates, a fee of HK\$2.50 (or such higher amount as may from time to time be allowed by the Stock Exchange) will be payable by the Shareholders to the Registrar for exchange of share certificates.

With effect from 22 February 2011, trading will only be in Consolidated Shares which share certificates will be issued in orange. The Consolidated Shares are to be consolidated on the basis of five (5) existing Shares to one (1) Consolidated Share. Existing share certificates in green for the Shares will cease to be valid for trading and settlement purpose, but will remain valid and effective as documents of title.

EXPECTED TIMETABLE

The expected timetable for the Share Consolidation is as follows:

Despatch of the circular regarding, among other matters, the Share Consolidation	24 December 2010
Publication of the notice of EGM	24 December 2010
Latest time for lodging the form proxy for the EGM	10:30 a.m. 12 January 2011
EGM	10:30 a.m. 14 January 2011
Effective date of the Share Consolidation	17 January 2011
Dealings in the Consolidated Shares commence	9:30 a.m. 17 January 2011
Original counter for trading in Shares in board lots of 20,000 Shares (in the form of existing share certificates in green) temporarily closes	9:30 a.m. 17 January 2011
Temporary counter for trading in Consolidated Shares in board lots of 4,000 Consolidated Shares (in the form of existing share certificates in green) opens	9:30 a.m. 17 January 2011
First day for free exchange of existing share certificates in green for new share certificates in orange	17 January 2011
Original counter for trading in Consolidated Shares in board lots of 8,000 Consolidated Shares (in the form of new share certificates in orange) reopens	9:30 a.m. 31 January 2011

Designated broker starts to stand in the market to provide matching services for odd lots of the Consolidated Shares 9:30 a.m. 31 January 2011

Parallel trading in Consolidated Shares commences 9:30 a.m. 31 January 2011

Designated broker ceases to stand in the market to provide matching services for odd lots of the Consolidated Shares 4:00 p.m. 22 February 2011

Temporary counter for trading in Consolidated Shares in board lots of 4,000 Consolidated Shares (in the form of existing share certificates in green) closes. 4:00 p.m. 22 February 2011

Parallel trading in Consolidated Shares ends 4:00 p.m. 22 February 2011

Latest time for free exchange of share certificates 24 February 2011

ADJUSTMENTS IN RELATION TO THE CONVERTIBLE BONDS AND THE SHARE OPTIONS

The Share Consolidation will cause adjustments to the subscription price and the number of Consolidated Shares to be issued under the Convertible Bonds and the Share Options. As to the adjustments to the number of Consolidated Shares to be issued and the subscription price in respect of the Consolidation Shares and the Share Options, the Company will instruct its auditors to review and certify the basis of such adjustments as soon as possible. Further announcement will be made by the Company in respect of such adjustment upon receipt of corresponding certificates on the adjustments by the Company.

GENERAL

A circular containing, among other matters, further details of the Share Consolidation and a notice to convene the EGM will be despatched to the Shareholders in compliance with the Listing Rules. To the best of the Directors' knowledge, no Shareholders have a material interest in the Share Consolidation and are required to abstain from voting at the EGM.

Shareholders are recommended to consult their licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser if they are in doubt about any of the above matters.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

“Board”	the board of Directors
“Company”	China Environmental Resources Group Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the Stock Exchange
“Consolidated Share(s)”	consolidated ordinary share(s) of HK\$0.05 each in the issued and unissued share capital of the Company upon completion of the Share Consolidation
“Convertible Bonds”	HK\$70,000,000 which entitled the holders to convert into ordinary shares of HK\$0.01 of the Company at a conversion price of HK\$0.064
“Director(s)”	the director(s) of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“EGM”	the extraordinary general meeting of the Company to be held to consider the ordinary resolution to be proposed to approve the Share Consolidation
“Share Consolidation”	the proposed consolidation of every five (5) issued and unissued Shares of HK\$0.01 each in the capital of the Company into one (1) Consolidated Share of HK\$0.05 each
“Share(s)”	ordinary share(s) of HK\$0.01 each in the capital of the Company or, as the context may require, the Consolidated Shares
“Shareholder(s)”	holder(s) of the Share(s) or as the context may require, the Consolidated Share(s) from time to time
“Share Options”	the share options granted under the share option scheme adopted by the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“HK\$”

Hong Kong dollars, the lawful currency of Hong Kong

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

Hong Kong, 9 December 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.