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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)

**VERY SUBSTANTIAL ACQUISITION
IN RELATION TO
ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF
CLEAR WISDOM LIMITED**

AND

RESUMPTION OF TRADING

THE ACQUISITION

The Board is pleased to announce that on 27 November 2013 and 16 December 2013, the Purchaser and the Vendor entered into the Sale and Purchase Agreement and the Supplemental Agreement respectively, pursuant to which, the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell, the Sale Share at a total consideration of HK\$300 million (subject to adjustment), which will be satisfied by a combination of cash and issue of the Convertible Bonds.

The Board is also pleased to announce that on 9 December 2013, the Vendor had procured the Target to execute the Share Mortgage in favour of the Company to secure the full refund of the Deposit by the Vendor to the Purchaser in accordance with the terms and conditions of the Sale and Purchase Agreement.

LISTING RULES IMPLICATIONS

As some of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition exceed 100%, the Acquisition constitutes a very substantial acquisition for the Company and is therefore subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

GENERAL

The Circular containing, among other things, (i) further information of the Acquisition; (ii) accountants' report of the Target Group; (iii) pro forma financial information on the Enlarged Group; (iv) valuation report on the Hotel Property; and (v) notice of the EGM, will be despatched to the Shareholders on or before 21 January 2014 so as to allow sufficient time for the preparation of the relevant information for inclusion in the Circular.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares has been suspended from 9:00 a.m. on 27 November 2013 pending the release of this announcement. Application has been made by the Company to the Stock Exchange and the SGX-ST for the resumption of trading of the Shares from 9:00 a.m. and 8:30 a.m. respectively on 31 December 2013.

Reference is made to the announcement of the Company dated 19 July 2013 in relation to the memorandum of understanding entered into by the Company on the possible acquisition of the Target.

THE SALE AND PURCHASE AGREEMENT AND THE SUPPLEMENTAL AGREEMENT

The Board is pleased to announce that on 27 November 2013 and 16 December 2013, the Purchaser and the Vendor entered into the Sale and Purchase Agreement and the Supplemental Agreement respectively, pursuant to which, the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell, the Sale Share at a total consideration of HK\$300 million (subject to adjustment), which will be satisfied by a combination of cash and issue of the Convertible Bonds.

Date

27 November 2013 for the Sale and Purchase Agreement and
16 December 2013 for the Supplemental Agreement

Parties

1. The Purchaser: Prima Choice Limited, a wholly owned subsidiary of the Company
2. The Vendor: Grand Keen Limited

The Vendor is an investment holding company and is wholly owned by Mr. Lam Chun. The principal asset of the Vendor is its entire equity interest in the Target, being the Sale Share. Save for the Vendor's interest in the Sale Share, it does not have other significant assets and liabilities and has not carried out any significant business activities since its incorporation. Mr. Lam Chun is a businessman and the president of a real estate development group in the PRC, 聖地集團 (Sheng Di Group), with business projects in commercial property, residential property, retail property and hotels etc. To the best knowledge, information and belief of the Directors after having made all reasonable enquiries, as at the date of this announcement, the Vendor and its ultimate beneficial owners are Independent Third Parties.

Assets to be acquired

Pursuant to the Sale and Purchase Agreement, the Purchaser has conditionally agreed to acquire the Sale Share, representing the entire issued share capital of the Target. As at the date of this announcement, the Vendor is the beneficial owner of the Sale Share.

Consideration

Pursuant to the terms of the Sale and Purchase Agreement, the Consideration of HK\$300 million (subject to adjustment as stated in the paragraph headed "Adjustment to the Consideration" below) shall be payable by the Purchaser in the following manner:

- (a) as to HK\$70 million in cash as the refundable Initial Deposit immediately upon signing of the Sale and Purchase Agreement to the Vendor;
- (b) as to HK\$80 million in cash as the refundable Further Deposit payable to Vendor within 15 Business Days after the date of the Sale and Purchase Agreement; and
- (c) as to HK\$150 million by procuring the Company to issue the Convertible Bonds to the Vendor at Completion.

As disclosed in the announcement of the Company dated 15 August 2013 in relation to the Open Offer, net proceeds of HK\$150 million of the Open Offer has been applied for payment of both the Initial Deposit and the Further Deposit. Further details of the Convertible Bonds are set out in the paragraph headed “Convertible Bonds” below.

Basis of the Consideration

The Consideration has been arrived at based on normal commercial terms after arm’s length negotiations between the Purchaser and the Vendor and was determined after taking into account (i) the preliminary draft valuation of the Hotel Property of approximately RMB1,000 million (equivalent to approximately HK\$1,270 million) (the “**Preliminary Valuation**”) as at 31 October 2013 prepared by Witz International Consultants Group Limited, an independent professional valuer; and (ii) future development potential of the Hotel Property.

The net book value of the Hotel Property as at 30 September 2013 as stated in the management accounts of the PRC Subsidiary was approximately RMB100.4 million and such amount represented the carrying value of the Hotel Property which was recorded at historical cost less accumulated depreciation in accordance with the accounting policy of the PRC Subsidiary. The Preliminary Valuation of the Hotel Property of approximately RMB1,000 million as at 31 October 2013 represented the appraised market value of the Hotel Property. The excess of the preliminary valuation over the net book value of the Hotel Property represents the valuation surplus of the Hotel Property.

The valuation of the Hotel Property on its existing status (being no upgrade of the Hotel under the Hotel Renovation Scheme) is around RMB800 million.

Pursuant to the Sale and Purchase Agreement, the Purchaser and the Vendor agreed that the aggregate amount owed under the PRC Bank Loans (including all outstanding principals and accrued interest) as at the Completion Date shall not exceed HK\$500 million. After Completion, upon the Target Group becoming subsidiary of the Group, the aforesaid amount will become liability of the Enlarged Group.

The Acquisition is principally related to the Hotel Property. Having considered that the PRC Bank Loans were associated with the Hotel Property for its daily operation and routine repair, maintenance and furnishing works of the Hotel Property for maintaining it in present good condition for business operation, the Directors consider that apart from the Consideration, the PRC Bank Loans should also be taken into account in assessing the Acquisition. In addition, it is estimated that based on currently available information, capital expenditures in the range of approximately HK\$100 million to HK\$130 million for the proposed development of the Hotel

Property will be required pursuant to the Hotel Renovation Scheme (the “**Hotel Renovation Expenditures**”) and such amount shall be borne by the Enlarged Group upon Completion. As such, the sum of the Consideration, the PRC Bank Loans and the Hotel Renovation Expenditures have been taken as a whole by the Group in assessing the consideration for the Acquisition.

The sum of (i) the Consideration of HK\$300 million (subject to adjustment); (ii) the PRC Bank Loans (including all outstanding principals and accrued interest) as at the Completion Date being capped at HK\$500 million; and (iii) Hotel Renovation Expenditures of up to approximately HK\$130 million based on currently available information, which amounted to HK\$930 million (the “**Initial Investment Amount**”), represents a discount of approximately 26.8% to the Preliminary Valuation.

Taking into account (i) the unaudited net liabilities of the PRC Subsidiary of approximately RMB100.3 million as at 30 September 2013; (ii) the carrying value of the Hotel Property of approximately RMB 100.4 million as at 30 September 2013; (iii) the Preliminary Valuation of approximately RMB1,000 million; and (iv) the PRC Bank Loans of approximately RMB402 million as at 30 September 2013, the adjusted asset value of the PRC Subsidiary (the “**Adjusted Assets Value**”) (calculated with a formula of (i) - (ii) + (iii) + (iv) for the aforesaid items stated in this paragraph) will be approximately RMB 1,201.3 million (equivalent to approximately HK\$1,525.7 million).

The Initial Investment Amount represents a discount of approximately 39.0% to the Adjusted Assets Value.

The Preliminary Valuation has taken into account (i) the Hotel Renovation Scheme, upon completion of which, the Hotel will be upgraded to a commercial building with high-class serviced apartment built upon a high-class retail podium; and (ii) the Land (a vacant land situated adjacent to the Hotel) with a total allowable GFA (above ground) of around 44,950 sq. m. for future development resulting from the Updated Planning Scheme. Given that (i) the Group will have to repay the PRC Bank Loans which were associated with the Hotel Property upon Completion; (ii) the Group will have to provide funding for the capital expenditures in the range of approximately HK\$100 million to HK\$130 million as estimated based on currently available information for the Hotel Property under its proposed development, i.e. the Hotel Renovation Scheme; (iii) the Group may have to cope with future possible increase in actual capital expenditures for the Hotel Renovation Scheme from the original estimated amount resulting from future possible increase in construction costs, possible increase in workers’ wage and raw materials etc.; (iv) prior completion of the Hotel Renovation Scheme, given recent loss-making performance of the PRC

Subsidiary, for maintaining on-going operation of the Hotel Property, the Group will have to commit financial resources to ensure that the working capital requirement and other capital requirements of the Hotel Property are fulfilled; (v) after completion of the Hotel Renovation Scheme, the Group will have to allocate sufficient financial and human/management resources for future operation and development of the Hotel Property which may be used for general working capital, daily operational needs, sales and marketing activities and administrative activities etc, in particular, in its early stage of development, and (vi) the Group will have to bear the financial and operation risk associated with development of the Hotel Property under the Hotel Renovation Scheme, it is therefore commercially justifiable for the Initial Investment Amount to be at discount to the Preliminary Valuation and such amounts are not considered to be excessive.

The Preliminary Valuation does not include the value of the proposed development project on the Land. The Preliminary Valuation only includes value of the Land in its existing state, i.e. a vacant land with allowable GFA (above ground) of approximately 44,950 sq. m. given the Updated Planning Scheme. As such, the estimated capital requirement for proposed development project on the Land of around RMB440 million as a result of the Updated Planning Scheme should not and has not been taken into account when comparing the Initial Investment Amount with the Preliminary Valuation for the purpose of assessing the consideration for the Acquisition.

Adjustment to the Consideration

As at 30 September 2013, the aggregate PRC Bank Loans owed by the PRC Subsidiary amounted to approximately RMB402 million (equivalent to approximately HK\$511 million). The PRC Bank Loans comprising (i) two 1-year bank loans with repayment due in the first half of 2014. The aggregate principal of the two bank loans amounted to RMB35 million, of which RMB20 million was secured by the property interest of the staff quarters of the PRC Subsidiary and guaranteed by Mr. Lam Yick Ming, father of Mr. Lam Chun, the ultimate beneficial owner of the Vendor; and (ii) one 15-year secured bank loan with outstanding principal of approximately RMB367 million with equal monthly repayment schedule where last repayment will due in January 2027. The 15-year bank loan was secured by the property interest of the Hotel. The interest rate of the PRC Bank Loans ranged from 6.6% to benchmark lending rate published by the People's Bank of China plus 20% of the benchmark lending rate. Based on current benchmark lending rates published by the People's Bank of China as applicable to the PRC Bank Loans, the interest rate of the PRC Bank Loans ranged from 6.55% to 7.2%.

Upon Completion, the Company will negotiate with the bank to release the guarantee provided by Mr. Lam Yick Ming and if necessary, the Company may consider to provide corporate guarantee to secure the bank loan.

Pursuant to the Sale and Purchase Agreement, the Purchaser and the Vendor agreed that the aggregate amount owed under the PRC Bank Loans as at the Completion Date including all outstanding principals and accrued interest shall not exceed HK\$500 million. In the event the aggregate outstanding principals and accrued interests under the PRC Bank Loans as at Completion Date shall exceed HK\$500 million, the Vendor shall refund all excess thereof in cash to the Purchaser within 10 Business Days after the Completion Date.

Share Mortgage

Pursuant to the Sale and Purchase Agreement, the Vendor shall, at or before payment of the Further Deposit, procure the Target to grant a share mortgage, in form and substance acceptable to the Purchaser, in favour of the Company over the entire issued share capital of the HK Subsidiary to secure the full refund of the Deposit by the Vendor to the Purchaser in accordance with the terms and conditions of the Sale and Purchase Agreement.

Vendor's undertaking

Pursuant to the Sale and Purchase Agreement, the Vendor has undertaken to the Purchaser and the Company that during the period between the date of the Sale and Purchase Agreement and the Completion Date, it will assume the obligation of the PRC Subsidiary in the PRC Bank Loans and it will use its own financial resources to effect repayment of the loan instalment as well as the interest accrued thereon under the PRC Bank Loans from the date of the Sale and Purchase Agreement up to and until the Completion Date.

The Vendor has also undertaken to indemnify the Purchaser and the Company in full if they have incurred in any liability out of any non repayment of the loan instalments and interest thereon on the PRC Bank Loans prior to the Completion Date.

Conditions precedent

Completion shall be conditional upon satisfaction of each of the following conditions precedent on or before the Long Stop Date:-

- (a) The Vendor having at or before payment of the Further Deposit procured the Target to grant a share mortgage, in form and substance acceptable to the Purchaser, in favour of the Company over the entire issued share capital of the HK Subsidiary to secure the full refund of the Deposit by the Vendor to the Purchaser in accordance with the terms and conditions of the Sale and Purchase Agreement;

- (b) the HK Subsidiary remains the sole legal and beneficial owner and holder of the entire equity interest of the PRC Subsidiary free from Encumbrances and the PRC Subsidiary shall remain the legal and beneficial owner of the Hotel Property;
- (c) the Purchaser or the Company having obtained a valuation report on the Hotel Property issued by a professional valuer retained by the Company, whose substance and form are in satisfactory to the Purchaser, indicating included but is not limited to the assessed value of the Hotel Property is not less than RMB1,000 million;
- (d) the Purchaser or the Company having received and satisfied in its absolute discretion (in substance and form) a legal opinion issued by a firm of lawyers qualified to practise in the PRC covering matters including, among other things, the due establishment and valid existence of the PRC Subsidiary; the operation of, the power and capacity of the PRC Subsidiary to hold the Hotel Property and to carry on its business as well as the recognition of the legality of the PRC Subsidiary;
- (e) the Purchaser or the Company having received a certificate of incumbency, in a form satisfactory to the Purchaser, on each of the Vendor and the Target certifying the due incorporation of each of the Vendor and the Target under Samoa laws and BVI laws respectively;
- (f) the approval by the Shareholders at the EGM of the Sale and Purchase Agreement and the transactions contemplated hereby (including but not limited to the issue of the Convertible Bonds to the Vendor (or its nominees) and the granting of the Specific Mandate) and all other consents and acts required under the Listing Rules having been obtained and completed, or as the case maybe, the relevant waiver from compliance with any of such rules being obtained from the Stock Exchange;
- (g) the Listing Committee having granted to the Company the approval for the listing of and permission to deal in the Conversion Shares related to the Convertible Bonds (regardless of any conditions attached to the approval or consent), and all other consent and approval documents involving the Stock Exchange;
- (h) approval for the granting of Specific Mandate being obtained from the Shareholders at the EGM;
- (i) due diligence (including legal, finance and business) on each members of the Target Group, including without limitation, its state of affairs, assets and liabilities, financial position and business operation having been completed to the full satisfaction of the Purchaser and the Company;

- (j) the results and reports of the investigations and due diligence conducted on the PRC Subsidiary by the Purchaser, its agents and professional advisers (whether of legal, accounting, financial, operations or other aspects considered to be important by the Purchaser) to the satisfaction of the Purchaser;
- (k) Purchaser is satisfied at its sole and entire discretion that there has not occurred any material adverse changes or effect on the Target Group prior to the Completion Date or are likely to occur before the Completion Date in respect of the financial or trading position of any member of the Target Group;
- (l) all the representations and warranties made by the Vendor and the members of the Target Group contained in the Sale and Purchase Agreement shall be true, accurate and not misleading in all respects;
- (m) the acquisition by the Purchaser of the Target does not, and will not constitute a reverse takeover pursuant to the Listing Rules, and in the event if the acquisition by the Purchaser of the Target constitute or will constitute a reverse takeover pursuant to the Listing Rules, the Sale and Purchase Agreement shall lapse and the respective obligations of the Vendor and the Purchaser under the Sale and Purchase Agreement shall be released;
- (n) the obtaining of all necessary licenses, permits, approvals, authorizations, reliefs, orders, waives, permissions and consents from relevant government authorities in Hong Kong, BVI, Samoa, the PRC or elsewhere in respect of the Sale and Purchase Agreement and the transactions contemplated there under and completed all the registrations and filings with the relevant governmental authorities that may be required to enable it to enter into the Sale and Purchase Agreement and to acquire and/or hold the Convertible Bonds and/or the Conversion Shares which may be issued upon exercise of the conversion rights attached to the Convertible Bonds or otherwise;
- (o) Hotel Licence has been renewed to the satisfaction of the Company and the Purchaser;
- (p) any filing with competent PRC tax authorities in respect of the transactions contemplated therein and the purchase by the HK Subsidiary of the PRC Subsidiary's entire issued shares have been duly carried out and any tax payable in the PRC as required by competent tax authorities, if any, in respect of such transactions have been duly paid or resolved to the satisfaction of the Purchaser;
- (q) the articles of association of the PRC Subsidiary have been amended to the satisfaction of the Purchaser and such amended articles having been approved by and registered with competent governmental authorities;

- (r) the senior management of the PRC Subsidiary set out in the Sale and Purchase Agreement having signed service contracts with the PRC Subsidiary with the undertakings of remaining in the PRC Subsidiary for not less than 12 months from the Completion and shall not be engaged in any business in competition or similar with the Target Group during his/her employment period with the Target Group and within the 12-month period after his/her resignation;
- (s) the Purchaser and the Company having received and satisfied in their absolute discretion the documents provided by the Vendor and any member of the Target Group which evidence that all outstanding loans, save and except the Outstanding Bank Loan, due from any member of the Target Group have been cleared and settled; and
- (t) the undertakings stipulated in the Sale and Purchase Agreement have been fulfilled by the Vendor.

None of the conditions precedent can be waived. If any of the above conditions precedent has not been satisfied on or before the Long Stop Date, the Purchaser will be entitled to terminate the Sale and Purchase Agreement in which case none of the parties shall have any claim against the others for costs, damages, compensation or otherwise (save in respect of any prior breach of the Sale and Purchase Agreement).

The Hotel Licence as referred to in condition precedent (o) includes a number of licenses in the PRC which will be required to run the Hotel, including among others, the business licence of the PRC Subsidiary. The business licence of the PRC Subsidiary was renewed on 8 November 2013 with an expiry date on 21 October 2055 following recent change in shareholding structure of the PRC Subsidiary in November 2013 with HK Subsidiary being the sole shareholder of the PRC Subsidiary. As at the date of the announcement, the Vendor represented that the necessary licences required for running the Hotel are not yet expired.

As at the date of this announcement, save and except for conditions precedent (a), no condition precedent has been fulfilled.

Prior to entering into the Sale and Purchase Agreement, the due diligence exercise on the Target Group performed by the Company including but not limited to (i) one day site visit to the Hotel Property conducted in early July 2013 to understand its business and operations; (ii) engaged Hong Kong and the PRC legal advisers to perform legal due diligence on the Target Group; (iii) engaged an accounting firm to perform financial review; and (iv) engaged an independent valuer to prepare draft valuation report on the Hotel Property. The Directors have also discussed with the Vendor and the management of the Target Group on the affairs and future development potential of the Hotel Property.

Completion

Completion shall take place at 4 p.m. on the third Business Day (or such later date or time as the Vendor and the Purchaser may agree in writing) after fulfillment or waiver of all the conditions precedent of the Sale and Purchase Agreement.

Upon Completion, the Target will become a wholly owned subsidiary of the Group and the financial results of the Target Group will be consolidated into the accounts of the Group.

There is no provision in the Sale and Purchase Agreement which grants any right to the Vendor to nominate its nominee to be appointed as Director.

Given the terms of the Sale and Purchase Agreement were negotiated on an arm's length basis, the Board considers that the terms of the Sale and Purchase Agreement are fair and reasonable, are on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

CONVERTIBLE BONDS

Pursuant to the Sale and Purchase Agreement, upon Completion, HK\$150 million of the Consideration will be settled by the Purchaser procuring the Company to issue the Convertible Bonds to the Vendor at Completion. The terms of the Convertible Bonds have been negotiated on an arm's length basis and the principal terms of which are as follows:

Issuer:	The Company
Principal amount:	HK\$150 million
Interest:	2% per annum
Maturity:	Third anniversary of the date of issue of the Convertible Bonds (the " CN Maturity Date ")
Conversion Rights:	Provided that any conversion of the Convertible Bonds (i) will not result in the Company in breach of any provision of the Listing Rules, including the requirement to maintain the prescribed minimum percentage (currently being 25%) of the issued share capital of the Company held by the public (as defined in the Listing Rules), unless prior approval or waiver has been obtained from the Stock Exchange; and (ii) the converting Bondholder(s) and parties acting in concert with it (for the purposes of the Takeovers Code) will not incur a bid obligation under Rule 26 of the Takeovers Code, the Bondholder(s) shall have the right at any time commencing on the Business Day from the date of issuance of the Convertible Bonds but before the CN Maturity Date to convert the whole or part of the principal amount of the Convertible Bonds into Conversion Shares at the Conversion Price

Conversion Shares: 421,348,314 new Shares to be issued upon full conversion of the Convertible Bonds on the basis of the principal amount of HK\$150 million and initial Conversion Price of HK\$0.356 per Conversion Share subject to adjustment

The Conversion Shares following the exercise of the Conversion Rights pursuant to the Convertible Bonds represent approximately 53.63% of the existing issued share capital of the Company and approximately 34.91% of the then issued share capital of the Company as enlarged by the issue of the Conversion Shares upon full conversion of the Convertible Bonds

Conversion Price: The initial Conversion Price will be HK\$0.356 per Conversion Share subject to adjustment provisions customary for convertible securities of a similar type. The adjustment events will arise as a result of certain changes in the share capital of the Company including among others, consolidation or subdivision of shares, capitalisation of profits or reserves, capital distributions in cash or specie or subsequent issue of securities in the Company at substantial discount to market value, details of which were described in the terms and conditions of the Convertible Bonds

The initial Conversion Price represents (i) a discount of approximately 3.78% to the closing price of HK\$0.370 per Share as quoted on the Stock Exchange on the Last Trading Day; (ii) a premium of approximately 0.85% over the average of the closing prices of HK\$0.353 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day; and (iii) a discount of approximately 0.28% to the average of the closing prices of approximately HK\$0.357 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day

The Board considered that the initial Conversion Price was arrived at after arm's length negotiations between the Company and the Vendor, after taking into account stock market conditions and the prevailing market price of the Shares

Early Redemption:	The Company may, at any time before the CN Maturity Date, redeem in whole or in part of the Convertible Bonds at par by serving on the Bondholder(s) at less seven (7) days' prior written notice specifying the amount and date of prepayment without any penalty, prepayment or other fees
Transferability:	The Convertible Bonds will be transferable subject to approval by the Company (where such approval will not be unreasonably withheld) and provided that if the transfer is made to a connected person, such transfer shall comply with the requirements under the Listing Rules
Ranking:	The Conversion Shares, when allotted and issued, will rank pari passu in all respects with all existing Shares in issue on the date of allotment and issue of such Conversion Shares
Voting rights:	The Bondholder(s) will not be entitled to attend or vote at any general meetings of the Company by reason only of it being the Bondholder(s)
Application for listing:	No application will be made by the Company to the Listing Committee for the listing of the Convertible Bonds. Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares

PROPOSED GRANT OF SPECIFIC MANDATE

Specific Mandate

Under the Sale and Purchase Agreement, the Purchaser will procure the Company to issue the Convertible Bonds to the Vendor as part payment of the Consideration on Completion. The Conversion Shares to be issued following the exercise of the Conversion Rights pursuant to the Convertible Bonds shall rank pari passu in all respects with the Shares then in issue on the date of allotment and issue thereof. The Company will seek the grant of the Specific Mandate from the Shareholders at the EGM for the allotment and issue of the Conversion Shares upon the exercise of the Conversion Rights pursuant to the Convertible Bonds.

Application for listing

Application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

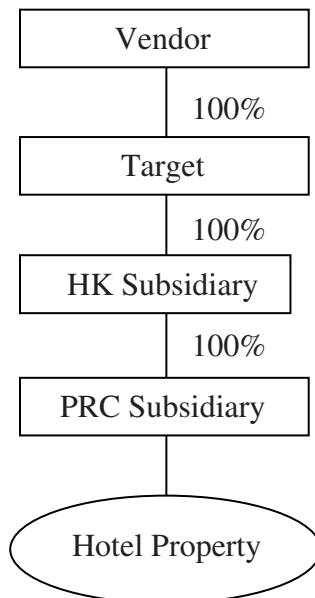
SHARE CHARGE

On 9 December 2013, prior to payment by the Purchaser of the Further Deposit to the Vendor, the Vendor had procured the Target to execute the Share Mortgage in favour of the Company to charge the entire issued share capital of the HK Subsidiary to the Company to secure the full refund of the Deposit by the Vendor to the Purchaser in accordance with the terms and conditions of the Sale and Purchase Agreement.

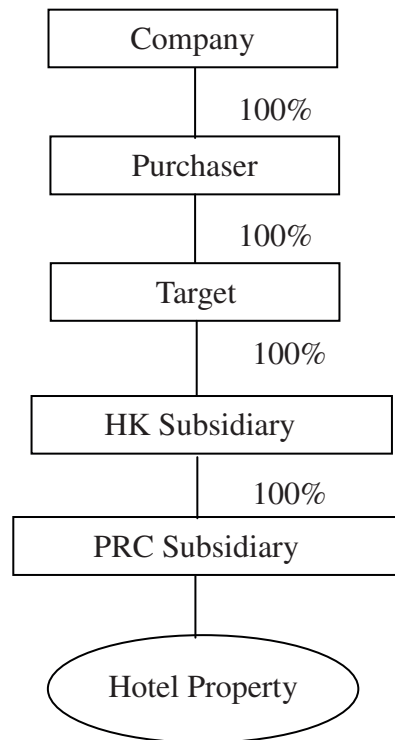
SHAREHOLDING STRUCTURE OF THE TARGET GROUP

Set out below is the shareholding structure of the Target Group (i) as at the date of this announcement; and (ii) immediately after Completion.

Shareholding structure of the Target Group as at the date of this announcement



Shareholding structure of the Target Group immediately after Completion



INFORMATION ON THE TARGET GROUP

The Target

The Target is an investment holding company incorporated in BVI on 5 April 2013 with limited liability which is wholly owned by the Vendor. As at the date of the announcement, the HK Subsidiary Restructuring has been completed and accordingly, save for the Target's entire equity interest in the HK Subsidiary, the Target does not have other significant assets and liabilities and has not carried out any significant business activities since its incorporation.

The HK Subsidiary

The HK Subsidiary is an investment holding company incorporated in Hong Kong on 9 September 2011 with limited liability. As at the date of this announcement, the HK Subsidiary is wholly-owned by the Target. Save for the HK Subsidiary's entire equity interest in the PRC Subsidiary, the HK Subsidiary does not have other significant assets and liabilities and has not carried out any significant business activities since its incorporation.

The PRC Subsidiary

The PRC Subsidiary is a wholly foreign-owned enterprise established in the PRC on 21 October 2005 which is wholly-owned by the HK Subsidiary.

The PRC Subsidiary is engaged in the business of owning and operating of the Hotel. It is also the legal and beneficial owner of the Hotel Property.

Hotel Property

The Hotel Property comprises of (i) the Hotel (including the land where the Hotel is erected thereon); (ii) Level 2 to Level 9 of two blocks of 9-storey staff quarters (including respective entitled shares of the land belonged to those captioned floors of which the staff quarters is erected upon); and (iii) the Land, a vacant land situated adjacent to the Hotel. It is situated at No. 43 Xiuquan Road, Huadu District, Guangzhou City, Guangdong Province, the PRC. The Hotel Property is situated in the most prominent area of Huadu District whereas this location has been the traditional town centre of Huadu District since the last century. It is in close proximity to the central business district of Guangzhou and with convenient transportation access to international airport in Guangzhou which takes about 30 minutes' driving distance off peak hours to both of the two aforesaid locations. The Hotel Property has a total site area of around 24,817 sq.m. and the lease term for the land of the Hotel Property for commercial use will expire on 28 September 2045. In the future, the Hotel Property will be connected to future metro station via underground walkways on basement one level.

The Hotel is a 4-star hotel with a total gross floor area of approximately 53,069 sq.m. comprising 27 storeys above ground and one basement. The Hotel is a landmark property in Huadu district. It currently has 399 guest rooms and various hotel and entertainment facilities, including restaurants, bars, shopping arcade, swimming pool, business centre and fitness centre. The Hotel commenced operations since 1996 and is currently occupied and operated by the PRC Subsidiary. The occupancy rate of the Hotel for 2010, 2011, 2012 and January to October 2013 was approximately 50.3%, 53.9%, 55.7% and 61.3% respectively.

Adjacent to the Hotel, the two blocks of 9-storey staff quarters (excluding Level 1) have a total gross floor area of around 6,577 sq.m. Currently, the staff quarters (Level 2 to Level 9) are used by the PRC Subsidiary to provide accommodation to its staff in the course of the operation of the Hotel. In the future, upon completion of the Hotel Renovation Scheme, where the Hotel will be upgrade to serviced apartments, management of the PRC Subsidiary considers that the needs to provide accommodation to its staff by the PRC Subsidiary in the course of serviced apartments operation will be substantially reduced. Currently, no concrete future plan has been made for the staff quarters, the Group will consider to sell the staff quarters (Level 2 to Level 9) or to buy the whole of Level 1 and then to demolish the staff quarters with the view of providing an extra increase of GFA for the Land's future development subject to the prevailing market condition at that time.

At present, the aggregate GFA of the Hotel Property (comprising the Hotel and the staff quarters (Level 2 to Level 9)) is around 59,646 sq.m.

The Hotel Property (namely, the Hotel, the staff quarters (Level 2 to Level 9) and the Land) situates on the Relevant Land Plots and the PRC Subsidiary owns the land use rights of the Relevant Land Plots.

Hotel Renovation Scheme

The PRC Subsidiary is contemplating the renovation scheme of the Hotel which involves (i) upgrade of the Hotel into high-class serviced apartments; and (ii) renovation of podium floors of the Hotel into a high-class shopping centre. In this connection, the Hotel will be eventually developed into a commercial building with serviced apartment built upon a retail podium.

Under the Hotel Renovation Scheme, all the existing 399 guest rooms will be eventually renovated and upgraded to create a total of 428 units of serviced apartments with total GFA of approximately 32,204 sq. m. At present, management of the PRC Subsidiary estimates that 62 of the existing guest rooms of the Hotel will only require minor renovation works upon commencement of the Hotel Renovation Scheme and those rooms will not require any large scale fitting out works, such as structural alternation, addition and removal and re-partitioning. Routine renovation and refurbishment of 62 guest rooms conducted in the course of the Hotel's on-going business operation was completed. It is estimated that upgrade of the remaining guest rooms into serviced apartments will be completed in the first quarter of 2015. 30 units of the serviced apartments are expected to commence operation by January 2014 and the remaining 336 units by the first quarter of 2015. The target customers for the serviced apartments will be business travelers and visitors of nearby factories and companies and expatriate staff in Huadu District and Guangzhou central business district area.

Renovation of the podium floors of the Hotel into a high-class shopping centre is in progress with expected completion date to be in the third quarter of 2014. Upon completion, the shopping centre will occupy six floors of the podium (including basement) with a total GFA of approximately 20,865 sq. m. Upon completion of renovation, the retail podium floors will be branded as high-class shopping centre with shops of both leading international and domestic brands in fashion, watch, jewelry and beauty etc. As represented by the Vendor, renovation works for the Hotel Renovation Scheme will begin around six months ahead of the expected date of commencement of operation of the future metro station to be announced by relevant

authority. It is preliminary estimated by the Vendor that tentatively, the future metro station will commence operation in first quarter of 2015 and based on information currently available, the total investment required for the Hotel Renovation Scheme will be in the range of approximately HK\$100 million to HK\$130 million.

The Land

The Land situates within the Relevant Land Plots and is an appertaining development site of the Hotel as a result of the Updated Planning Scheme. The Land has a site area of around 14,928 sq. m. and situates adjacent to the Hotel.

In June 2012, relevant authority approved the Updated Planning Scheme of the PRC Subsidiary in relation to the Relevant Land Plots which consists of (i) increasing permitted total GFA (above ground) of the Relevant Land Plots from around 82,387 sq. m. to 101,953 sq. m.; and (ii) construction of underground GFA of around 11,284 sq. m. for retail uses and ancillary GFA for car parking use.

Based on current aggregate GFA (above ground) of the Hotel Property of around 57,003 sq. m and as a result of the Updated Planning Scheme, the total allowable GFA (above ground) for future development upon the Land will be about 44,950 sq. m.

Having considered the Hotel Renovation Scheme, proposed development on the Land will become a commercial building with serviced apartments built upon a retail podium. The proposed development on the Land will consist of (i) GFA (above ground) of about 44,950 sq m; (ii) an underground retail floor space of about 11,284 sq m; and (iii) ancillary floor space accommodating about 200 car parking spaces. As far as the Company is aware, and based on facts currently known to the Company, capital requirement for this project until completion is approximately RMB440 million. The Updated Planning Scheme has not commenced, therefore no investment has yet been made for the Updated Planning Scheme. The Company proposes to use internal working capital, bank borrowing, project financing and equity financing to fulfill relevant capital requirements if required.

Financial information of the Target Group

The Target

Save for its entire equity interest in the HK Subsidiary, the Target does not have other significant assets and liabilities and has not carried out any significant business activities since its incorporation on 5 April 2013.

The HK Subsidiary

Save for its entire equity interest in the PRC Subsidiary, the Target does not have other significant assets and liabilities and has not carried out any significant business activities since its incorporation on 9 September 2011.

The PRC Subsidiary

Set out below are the unaudited financial information of the PRC Subsidiary as prepared in accordance with the generally accepted accounting principles in the PRC for the years ended 31 December 2011 and 2012:

	Year ended 31 December 2011 (Unaudited) RMB'000	Year ended 31 December 2012 (Unaudited) RMB'000
Turnover	67,403	64,520
Loss before taxation	(40,382)	(38,486)
Loss after taxation	(40,382)	(38,486)

According to the unaudited financial information of the PRC Subsidiary as at 30 September 2013, the PRC Subsidiary recorded an unaudited net liabilities of approximately RMB100,300,000.

The operating performance of the PRC Subsidiary for the year ended 31 December 2011 and 2012 as represented by earnings before interest, taxes, depreciation and amortization were approximately RMB11.7 million and RMB9.2 million respectively. The unaudited losses recorded by the PRC Subsidiary for the year ended 31 December 2011 and 2012 were mainly attributable to (i) depreciation expenses of approximately RMB16.8 million and RMB16.6 million for the year ended 31 December 2011 and 2012 respectively; and (ii) interest expenses of approximately RMB35.3 million and RMB33.5 million for the year ended 31 December 2011 and 2012 respectively.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Company is an investment holding company. Its subsidiaries are principally engaged in the green businesses of research, development and application of technologies and solutions, manufacture, sale and trading of products, materials systems and services for green market segments including the environmental markets, agricultural markets, organic markets, green medical markets and green technology markets in the PRC and overseas.

In view of the challenging economic and business environment, the management of the Group continued to review its existing businesses from time to time and strived to improve the business operation and financial position of the Group. It has been the business strategy of the Group to proactively seek potential investment opportunities

in order to enhance value of the Shareholders. The Directors consider that it is beneficial for the Group to seek suitable investment opportunities from time to time to diversify its existing business portfolio into new line of business with growth potential and to broaden its source of income.

To this end, the Directors consider the Acquisition is in line with the Group's business diversification strategy and represents an attractive investment opportunity for the Group to diversify and further expand its business portfolio into the PRC commercial property sector with encouraging potential. It is expected that the Acquisition will diversify and expand the source of income of the Group and will also generate additional and stable cashflow.

According to the Guangzhou Statistics Bureau, Guangzhou's economy experienced growth from 2006 to 2011, with its nominal GDP experiencing a compound annual growth rate ("CAGR") of approximately 15.4% during that period. In 2011, Guangzhou's GDP was approximately RMB1,242 billion and ranked third in the PRC after Shanghai and Beijing. The per capita disposal income of Guangzhou increased from approximately RMB19,851 in 2006 to approximately RMB34,438 in 2011, representing a CAGR of approximately 11.6%.

Along with the robust economic growth of Guangzhou and the rising disposable income of the local consumers, it has driven further development for property market in Guangzhou, including the commercial property market. Guangzhou is also an important commercial centre of the PRC, where leading PRC corporations, multinational companies and international associations have established their presence. Based on the foregoing, the Directors are optimistic of the prospect of the long term development potential of Guangzhou property market.

The Acquisition represents an investment in the Hotel Property, being commercial real estate assets in Guangzhou with capital appreciation potential which are located within commercial business districts and prime commercial areas of Guangzhou.

As stated in the "Information of the Target Group", the Hotel is a landmark property in Huadu District, Guangzhou, the PRC with convenient transportation access. Upon completion of renovation and upgrade projects of the Hotel Property in accordance with the Hotel Renovation Scheme, the Hotel Property will become a commercial property featuring with high-end serviced apartments and high-end shopping centre.

Moreover, the allowable proposed development on the Land will consist of (i) GFA (above ground) of about 44,950 sq m, representing approximately 79% of the existing GFA (above ground) of around 57,003 sq. m. of the Hotel Property; (ii) an underground retail floor space of about 11,284 sq m; and (iii) ancillary floor space

accommodating about 200 car parking spaces. Given the development potential of the Land, the Company believes that the proposed development of the Land will bring in revenue in the long term, which will in turn benefit the Company and its Shareholders.

In regards to the prospective commencement of the nearby future metro station, the Directors consider that it will further enhance the level of convenience of access of the Hotel Property from other regions outside Huadu District. Therefore, the future metro station will further fuel the growth and development of property market in both Huadu District and in particular, the region where the Hotel Property situates. In addition, given that the Hotel Property will be linked via underground walkway to the future metro station, the Hotel Property is therefore strategically located for capturing potential customers whom arrive through metro railway thus increasing its pedestrian flow. Given the rising living standard of the citizen in the PRC with increasing disposable income, the Directors consider that development of the retail industry and serviced apartment industry in the region of the Hotel Property will be enhanced from the added pedestrian flow upon commencement of operation of the future metro station. In this connection, this will drive the demand for both retail floor spaces and serviced apartments. Therefore, the proposed development of the Hotel Property as envisaged under the Hotel Renovation Scheme and the Updated Planning Scheme which will be offering retail floor spaces and serviced apartments targeting at high-end market will enable the Target Group to capture the aforesaid potential market opportunities thus bringing income stream to the Enlarged Group.

In view of (i) optimistic prospect of the Guangzhou property market where the Hotel Property is situated; and (ii) the development potential of the Hotel Property in view of its intended development in accordance to the Hotel Renovation Scheme and the Updated Planning Scheme, the Directors consider that the Acquisition will enhance the financial performance of the Group and will bring investment returns to the Shareholders by enabling the Group to tap into the PRC commercial property market with growth potential.

Upon Completion, the Target will become a subsidiary of the Group and the financial results of the Target Group will be consolidated into the Group's financial statements. Currently, the Vendor has no intention to participate in the day-to-day operations of the Target Group upon Completion.

Upon Completion, the Group will continue to develop its existing businesses. At present, the Company estimates that up to December 2014, that green technology segment, which comprises the research and development, project establishment, application and sale of green and environmental product, technology, service and related products for sustainable development, will continue to be the major source of

income of the Group. Regarding plantation activities of the Group, the problem of underground water shortage lengthened the growth cycle of the timber assets in the plantation land in Xinjiang Region, the PRC. No concrete harvesting plan for the timber assets has been made by the Group for generating income. The Group will continue to monitor the market development of the timber assets and explore suitable business opportunities with the view of generating income from its plantation activities.

Up to the date of this announcement, the Company has no intention and has not entered into, nor propose to enter into any agreement, arrangement, understanding or undertaking, whether formal or informal and whether express or implied, and negotiation (whether concluded or not) with an intention to dispose, scale-down and/or terminate of its existing business and major assets of the Group. However, should suitable business opportunities arise in the future, the Group will continue to explore and consider any of such business opportunities, including acquisitions or realizations, which are in line with the Group's business strategies and may enhance the Group's future business development.

As at the date of this announcement, the Company has no intention to change the composition of its Board upon Completion. Furthermore, there is no provision in the Sale and Purchase Agreement that the Vendor can appoint or nominate any directors to the Board. In addition, up to the date of the announcement, the Company has no intention to nominate neither the Vendor nor any personnel of the Target Group as directors to the Board.

Mr. John Tam Tze Yeung, the marketing manager and a member of the senior management team of the Group, participates actively in hospitality and real estate industry. Mr. Tam possesses concrete knowledge and experience in hotel management, development and investment and holds the position of consultant for several companies in the aforesaid aspects. In addition, Mr. Tam also maintained relationship with several hotels. In view of (i) Mr. Tam's background and experience in hotel industry; (ii) key management team and competent personnel of the Target Group will be retained by the Company upon Completion to support ongoing operation of the Target Group; and (iii) the Company will also consider recruiting candidates who possess the relevant industry experience to supplement the existing management team of the Target Group when necessary, the Company considers that the business of the Target Group can be effectively managed upon Completion.

The Directors consider that the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

SHAREHOLDING STRUCTURE OF THE COMPANY

The following chart sets out the possible effects of the Acquisition on the shareholding structure of the Company assuming that there are no other changes to the shareholding structure of the Company (other than the Conversion Shares) from the date of this announcement to the date of Completion, (i) as at the date of this announcement; (ii) immediately upon Completion and assuming conversion of the Convertible Bonds to such extent as allowed under the conversion restrictions of the Convertible Bonds; and (iii) immediately upon Completion and assuming full conversion of the Convertible Bonds at the initial conversion price of HK\$0.356 per Share.

	As at the date of this announcement		Immediately upon Completion and assuming conversion of the Convertible Bonds to such extent as allowed under the conversion restrictions of the Convertible Bonds (Note 1)				Immediately upon Completion and assuming full conversion of the Convertible Bonds (Note 2)	
	<i>No. of Shares held</i>		<i>No. of Shares held</i>		<i>No. of Shares held</i>		<i>No. of Shares held</i>	
		%		%		%		%
Mr. Yeung Chi Hang	125,000,000	15.91	125,000,000	11.14	125,000,000	10.36		
Mr. Cheng Tun Nei	80,378,816	10.23	80,378,816	7.16	80,378,816	6.66		
The Vendor	—	—	336,573,426	29.99	421,348,314	34.91		
Public Shareholders	<u>580,333,274</u>	<u>73.86</u>	<u>580,333,274</u>	<u>51.71</u>	<u>580,333,274</u>	<u>48.08</u>		
	<u>785,712,090</u>	<u>100.00</u>	<u>1,122,285,516</u>	<u>100.0</u>	<u>1,207,060,404</u>	<u>100.00</u>		

Notes:

- Pursuant to the terms of the Convertible Bonds, the Company will not issue any Conversion Shares if (i) upon such issue, any Bondholder(s) and parties acting in concert with it/them will be obligated to carry out a mandatory general offer under the Takeovers Code, and (ii) upon such issue, the shareholding by the public in the Company will be less than 25% or the minimum prescribed percentage as set out in the Listing Rules from time to time (collectively, the “**Conversion Restrictions**”). The shareholding structure set out in this column assumes that the Conversion Restrictions are complied and with the aggregate holdings of the Vendor and its concert parties upon issue of the Conversion Shares does not exceed 29.99% of the issued share capital of the Company on the date of conversion nor will it trigger a mandatory general offer under the Takeovers Code on the Vendor.
- Pursuant to the terms of the Convertible Bonds, the Company will not issue any Conversion Shares if upon such issue, the Conversion Restrictions are not complied with. Therefore, the shareholding structure set out in this column and with the aggregate holdings of the Vendor and its concert parties upon issue of the Conversion Shares exceeds 29.99% of the issued share capital of the Company on the date of conversion is shown for illustrative purpose only.

DETAILS OF PREVIOUS FUND RAISING ACTIVITIES IN THE PAST 12 MONTHS

Save as disclosed below, the Company has not conducted any fund raising activities in the past 12 months before the date of this announcement:

Date of announcement	Event	Net proceeds (Approximately)	Intended use of proceeds	Actual use of proceeds as at the date of this announcement
20 March 2013	Placing of 24,000,000 new Shares	HK\$6.13 million	General working capital	<ol style="list-style-type: none"> 1. Approximately HK\$3.4 million was used to settle professional fees and general administrative expenses of the Group; and 2. approximately HK\$2.73 million was used to settle part of the payment obligation of approximately of HK\$5.8 million of an acquisition, details of which was announced by the Company on 23 April 2013
10 June 2013	Placing of 30,453,958 new Shares	HK\$5.74 million	General working capital	<ol style="list-style-type: none"> 1. Approximately HK\$3.07 million was used to settle part of the payment obligation of approximately HK\$5.8 million of an acquisition, details of which was announced by the Company on 23 April 2013; and 2. approximately HK\$2.67 million was used to settle professional fees and general administrative expenses of the Group.
15 August 2013	The Open Offer	HK\$156.8 million	As to (i) approximately HK\$150.0 million for financing the Deposit; and (ii) the remaining balance as general working capital	HK\$70.0 million has been applied for payment of the Initial Deposit and HK\$80.0 million will be applied for payment of the Further Deposit, the remaining balance of approximately HK\$6.8 million has not been utilized and was held as bank deposit.

LISTING RULES IMPLICATIONS

As some of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition exceeds 100%, the Acquisition constitutes a very substantial acquisition for the Company and is therefore subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

In this connection, an EGM will be convened and held for the Shareholders to consider and, if thought fit, approve the relevant resolutions in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, (i) the Vendor and its ultimate beneficial owner are Independent Third Parties; and (ii) the Vendor, its ultimate beneficial owners and their respective associates did not hold any Shares, or options or securities convertible or exchangeable into Shares as at the date of the Sale and Purchase Agreement. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder has a material interest in the Acquisition which is different from the other Shareholders. Therefore, no Shareholder is required to abstain from voting on the relevant resolutions to be proposed at the EGM to approve the Sale and Purchase Agreement and the transactions contemplated thereunder. If the Vendor and its respective associates hold any Shares on the date of the EGM, they will be required to abstain from voting on the relevant resolutions to be proposed at the EGM in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder.

GENERAL

The Circular containing, among other things, (i) further information of the Acquisition; (ii) accountants' report of the Target Group; (iii) pro forma financial information on the Enlarged Group; (iv) valuation report on the Hotel Property; and (vii) notice of the EGM, will be dispatched to the Shareholders on or before 21 January 2014 so as to allow sufficient time for the preparation of the relevant information for inclusion in the Circular.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares has been suspended from 9:00 a.m. on 27 November 2013 pending the release of this announcement. Application has been made by the Company to the Stock Exchange and the SGX-ST for the resumption of trading of the Shares from 9:00 a.m. and 8:30 a.m. respectively on 31 December 2013.

As completion of the Acquisition is subject to the fulfillment of a number of conditions precedent and may or may not proceed, Shareholders and potential investors should exercise caution when dealing with the Shares.

DEFINITIONS

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

“Acquisition”	the proposed acquisition of the Sale Share pursuant to the Sale and Purchase Agreement
“Board”	the board of Directors
“Bondholder(s)”	holder(s) of the Convertible Bonds
“Business Day”	a day (other than a Saturday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
“BVI”	the British Virgin Islands
“Circular”	the shareholders’ circular to be issued by the Company in accordance with the Listing Rules in respect of the Acquisition
“Company”	China Environmental Resources Group Limited, a company incorporated in the Cayman Islands with limited liability and the Shares of which have a primary listing on the Main Board of the Stock Exchange and a secondary listing on the SGX-ST
“Completion”	completion of the transactions contemplated under the Sale and Purchase Agreement
“Completion Date”	the date on which the Completion takes place
“Consideration”	the consideration of HK\$300 million payable by the Purchaser for the Sale Share under the Sale and Purchase Agreement
“Conversion Rights”	the rights attached to the Convertible Bonds to convert the same or a part thereof into Conversion Shares pursuant to the terms and conditions of the Convertible Bonds

“Conversion Shares”	421,348,314 new Shares upon conversion of the Convertible Bonds
“Convertible Bonds”	HK\$150 million convertible bonds to be issued by the Company to the Vendor in satisfaction of the equivalent amount of the Consideration on the Completion Date, which shall carry 2% interest and the principal amount of which shall be convertible into new Conversion Shares at the initial conversion price of HK\$0.356 per Conversion Share (subject to adjustment) in partial satisfaction of the Consideration
“Deposit”	the Initial Deposit and the Further Deposit
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder, including the Acquisition, the issue of the Convertible Bonds and the allotment and issue of the Conversion Shares and the grant of the Specific Mandate
“Encumbrances”	means any claim, mortgage, charge, pledge, lien, security, option, priority, equity, restriction, right of first refusal, right of pre-emption, third party right or interest, other encumbrance or security interest of any kind or another type of preferential agreement having similar effect, any deferred purchase, title retention, leasing, sale and repurchase or sale and leaseback arrangement whatsoever, or any agreement therefore
“Enlarged Group”	the Group upon Completion, together with the Target Group
“Further Deposit”	the refundable further deposit of HK\$80,000,000 payable to the Vendor within 15 Business Days after the date of the Sale and Purchase Agreement
“GFA”	gross floor area
“Group”	the Company and its subsidiaries

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HK Subsidiary”	Sheng Di Property Holdings Limited, a company incorporate in Hong Kong with limited liability and is wholly owned by the Target
“HK Subsidiary Restructuring”	completion of transfer of all of the share capital and equity interest in HK Subsidiary to the Target
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hotel”	the 399 rooms four stars hotel known as 新世紀酒店 (New Century Hotel) owned and operated by the PRC Subsidiary and located at No. 43 Xiuquan Road, Huadu District, Guangzhou City, Guangdong Province, the PRC
“Hotel Licence”	means the license issued by Industrial and Commercial Bureau of Guangzhou for the Hotel and/or all license in PRC to be required to run the Hotel
“Hotel Property”	The Hotel (including the land where the Hotel is erected thereon), Level 2 to Level 9 of two blocks of 9-storey staff quarters (including respective entitled shares of the land belonged to those captioned floors of which the staff quarters is erected upon) and the Land
“Hotel Renovation Scheme”	renovation scheme of the Hotel which involves (i) upgrade of the Hotel into high-class serviced apartments; and (ii) renovation of podium floors of the Hotel into a high-class shopping centre
“Initial Deposit”	the refundable deposit of HK\$70,000,000 payable to the Vendor upon signing of the Sale and Purchase Agreement
“Independent Third Party(ies)”	an independent third party, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, who is not connected with the Company and its connected persons

“Land”	an appertaining piece of development site of the Hotel located at No.43 Xiuquan Road, Huadu District, Guangzhou City, Guangdong Province, the PRC as a result of the Updated Planning Scheme
“Last Trading Day”	26 November 2013, being the last trading day before the suspension of the trading of the Shares, 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 of Hong Kong Limited
“Long Stop Date”	31 May 2014 or such later date as the Purchaser and the Vendor may agree in writing
“Open Offer”	the issue of 602,988,342 Shares by open offer on the basis of thirty-three offer shares for every ten existing shares
“Outstanding Bank Loan”	the aggregate outstanding principal amounts and interest accrued on the PRC Bank Loans as at the Completion Date
“PRC”	the People’s Republic of China
“PRC Bank Loans”	the outstanding bank facilities owed by the PRC Subsidiary
“PRC Subsidiary”	廣州新世紀酒店有限公司 (Guangzhou New Century Hotel Limited), a wholly foreign owned enterprise established in the PRC which is wholly owned by the HK Subsidiary
“Purchaser”	Prima Choice Limited, a company incorporated in BVI with limited liability and a wholly owned subsidiary of the Company
“Relevant Land Plots”	the plots of land where the Hotel, the staff quarters and the Land are situated
“RMB”	Renminbi, the lawful currency of the PRC

“Sale and Purchase Agreement”	the agreement to acquire the Sale Share entered into between the Purchaser and the Vendor dated 27 November 2013 as amended and varied by the Supplemental Agreement
“Sale Share”	the entire issued share capital of the Target
“Samoa”	the independent state of Samoa
“SGX-ST”	Singapore Exchange Securities Trading Limited
“Share(s)”	ordinary share(s) in the Company of HK\$0.02 each
“Shareholder(s)”	holder(s) of the Share(s)
“Share Mortgage”	the share mortgage dated 9 December 2013 executed by the Target in favour of the Company to charge the entire issued share capital of the HK Subsidiary to the Company to secure the full refund of the Deposit by the Vendor to the Purchaser in accordance with the terms and conditions of the Sale and Purchase Agreement
“Specific Mandate”	the specific mandate to be obtained from the Shareholders at the EGM for the allotment and issuance of the Conversion Shares falling to be issued upon exercise of the conversion rights attached to the Convertible Bonds
“sq. m.”	square meter(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Agreement”	the supplemental agreement dated 16 December 2013 entered into between the Purchaser and the Vendor to amend and vary certain terms and conditions of the Sale and Purchase Agreement
“Takeovers Code”	Hong Kong Code on Takeovers and Mergers
“Target”	Clear Wisdom Limited, a company incorporated in BVI with limited liability
“Target Group”	the Target, the HK Subsidiary and the PRC Subsidiary

“Updated Planning Scheme”	the approved updated planning scheme of the PRC Subsidiary by relevant authority in relation to the Relevant Land Plots for (i) increasing permitted total GFA (above ground) on the Relevant Land Plots from around 82,387 sq.m. to 101,953 sq. m.; and (ii) construction of underground GFA of around 11,284 sq. m. for retail uses and ancillary GFA for car parking use
“Vendor”	Grand Keen Limited, a company incorporated in Samoa with limited liability
“%”	per cent

By Order of the Board
China Environmental Resources Group Limited
Kwok Wai, Wilfred
Executive Director

Hong Kong, 30 December 2013

As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Kwok Wai, Wilfred, Mr. Leung Kwong Choi and Mr. Wong Po Keung; and three independent non-executive Directors, namely Mr. Wong Kwai Sang, Mr. Christopher David Thomas and Mr. Chan Ka Yin.