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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)

THE MEMORANDUM OF UNDERSTANDING IN RELATION TO A PROPOSED ACQUISITION

This announcement is made by the Company pursuant to Rule 13.09 of the Listing Rules and Inside Information Provisions under Part XIVA of the SFO.

The Board is pleased to announce that on 15 August 2016 (after trading hours), the Purchaser and the Prospective Vendors entered into the MOU in relation to the Possible Acquisition. The Possible Acquisition, if materializes, may constitute a notifiable transaction for the Company under the Listing Rules.

The MOU is not legally binding with regard to the Possible Acquisition, it may or may not proceed. Shareholders and investors are advised to exercise caution when dealing in the Shares.

This announcement is made by the Company pursuant to Rule 13.09 of the Listing Rules and Inside Information Provisions under Part XIVA of the SFO.

The Board is pleased to announce that on 15 August 2016 (after trading hours), the Purchaser and the Prospective Vendors entered into the MOU in relation to the possible acquisition of 51% of the issued share capital of the Target Company.

Subject to the satisfaction of due diligence result on the Target Company, the Purchaser will consider further negotiation with the Prospective Vendors on the Possible Acquisition. Vendor B is the spouse of a director of the Company's subsidiary and hence is a connected person of the Company at the subsidiary level under the Listing Rules. The Possible Acquisition, if materializes, may constitute a notifiable and connected transaction for the Company under the Listing Rules.

The Target Company is a company incorporated in Hong Kong with limited liability and is principally engaged in motorcycle related business in Hong Kong, Taiwan and the PRC. The Target Company is the exclusive importer and distributor in Hong Kong of several top motorcycle and motorcycle accessories brands.

The MOU does not create legally binding obligations on the parties in relation to the Possible Acquisition but is legally binding as to the Deposit (as defined below), the exclusivity period which commences from the date of the MOU to the Long Stop Date, within the period the Purchaser has the exclusive right to negotiate with the Prospective Vendors on the Possible Acquisition. The Possible Acquisition is subject to the negotiation and entering into of the Formal Agreement.

The MOU shall remain in effect during the period commencing from the date of the MOU to the Long Stop Date (or such longer period as the parties may mutually agree in writing) unless the Purchaser gives written notice to the Prospective Vendors of its intention to abandon further negotiations, or until superseded by the execution of the Formal Agreement.

A refundable deposit in the amount of HK\$5,000,000 shall be payable by the Purchaser to the Vendor B within seven days upon signing of the MOU (the “**Deposit**”) as earnest money. In the event that the Formal Agreement is not entered into prior to the Long Stop Date, or this MOU is terminated, the Deposit shall be refunded in full without interest and without deduction to the Purchaser by the Vendor B within seven days. In the event of entering into of Formal Agreement, the Deposit will be applied towards satisfaction of the consideration of the Possible Acquisition or part thereof.

The MOU is not legally binding with regard to the Possible Acquisition. The terms and consideration for the Possible Acquisition will be subject to further negotiation between the Purchaser and the Prospective Vendors, it may or may not proceed. Shareholders and investors are advised to exercise caution when dealing in the Shares.

DEFINITIONS

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

“Board”	the board of Directors
“Company”	China Environmental Resources Group Limited (Stock Code: 1130), 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 Singapore Exchange Securities Trading Limited
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	director(s) of the Company
“Formal Agreement”	the formal agreement to be entered into between the Purchaser and the Prospective Vendors in relation to the Possible Acquisition

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	third party (parties) independent of and not connected with the Company and its connected persons
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	six (6) months after the date of the MOU (or such later date as the Prospective Vendors and the Purchaser may agree in writing)
“MOU”	the memorandum of understanding dated 15 August 2016 entered into between the Purchaser and the Prospective Vendors in relation to Possible Acquisition
“Possible Acquisition”	the possible acquisition of 51% of the issued share capital in the Target Company by the Purchaser from the Prospective Vendors as contemplated under the MOU
“PRC”	the People’s Republic of China
“Prospective Vendors”	Vendor A and Vendor B
“Purchaser”	Wide World Inc., a company incorporated in the British Virgin Islands with limited liability and a direct wholly-owned subsidiary of the Company
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.02 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	a company incorporated in Hong Kong with limited liability, which is owned as to 50% and 50% by Vendor A and Vendor B respectively
“Vendor A”	an individual, who holds 50% of the issued share capital of the Target Company

“Vendor B” an individual, who holds 50% of the issued share capital of the Target Company

“%” per cent

By order of the Board
China Environmental Resources Group Limited
Yeung Chi Hang
Chairman and Chief Executive Officer

Hong Kong, 15 August 2016

As at the date of this announcement, the Board comprises five executive Directors, namely Mr. Yeung Chi Hang, Mr. Leung Kwong Choi, Mr. Wong Po Keung, Mr. Chung Siu Wah and Mr. Chik To Pan; and three independent non-executive Directors, namely Mr. Wong Kwai Sang, Mr. Ong Chi King and Mr. Heung Chee Hang Eric.