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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 (1) POSSIBLE SUBSCRIPTION; (2) POSSIBLE FORMATION OF A JOINT VENTURE; AND (3) POSSIBLE DISTRIBUTORSHIP

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 24 June 2016 (after trading hours), the Target Company and the Company entered into the MOU in relation to the Possible Transactions. The Possible Transactions, if materializes, may constitute notifiable transactions for the Company under the Listing Rules.

The MOU is not legally binding with regard to the Possible Transactions, 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 24 June 2016 (after trading hours), the Target Company and the Company (collectively, the “**Parties**”) entered into the MOU, pursuant to which (i) the Target Company intends to allot and issue, and the Company intends to subscribe for up to 20% of the enlarged issued share capital of the Target Company (the “**Subscription Shares**”) immediately after the subscription (the “**Possible Subscription**”); (ii) the Target Company and the Company intend to form a joint venture in Asia to carry on the business of manufacturing Target Company’s specialist sport cars to meet orders from Asia to be solicited by the Company in Asia (the “**Possible JV Formation**”); and (iii) the Company intends to act as the sole distributor of Target Company’s specialist sport cars in Asia (the “**Possible Distributorship**”) (the Possible Subscription, the Possible JV Formation and the Possible Distributorship are collectively referred to as the “**Possible Transactions**”).

Subject to the Company's satisfaction of due diligence results on the Target Company, the Company proposes to subscribe the Subscription Shares at such price and on such terms as may be agreed by the Parties. Simultaneously upon the Company subscribing the Subscription Shares, the Target Company and the Company will enter into agreement(s) for the Possible JV Formation and the Possible Distributorship on such terms and conditions as the Target Company and the Company may agree. The Possible Transactions, if materializes, may constitute notifiable transactions for the Company under the Listing Rules.

Insofar as is practicable, the Parties agree to proceed with the Possible Transactions in accordance with the following timetable:

- (i) within three (3) months after the signing of the MOU (the "**Inspection Period**"), the Company will commence, carry on and complete the due diligence inspection on the Target Company;
- (ii) within seven (7) days after the end of the Inspection Period, the Company will notify the Target Company in writing as to whether it will proceed with the Possible Transactions or any part thereof; and
- (iii) within twenty-one (21) days after the Company notifying the Target Company in writing that the Company has decided to proceed with the Possible Transactions (the "**Long Stop Date**"), the Parties should endeavor to negotiate and agree in good faith on the terms and conditions of the formal agreements for the Possible Transactions (the "**Definitive Agreements**")

To the best knowledge, information and belief of the Directors after having made all reasonable enquiries, each of the Target Company and its ultimate beneficial owners is an Independent Third Party.

The Target Company is carrying on the business of manufacturing specialist sport cars.

The MOU does not create legally binding obligations on the Parties in relation to the Possible Transactions but is legally binding as to the exclusivity period which commences from the date of the MOU to the Long Stop Date (or such longer period as the parties may mutually agree), within the period the Company has the exclusive right to negotiate with the Target Company on the Possible Transactions. The Possible Transactions are subject to the negotiation and entering into of the Definitive Agreements.

The MOU shall be terminated upon the occurrence of any of the following events:

- (i) the Parties mutually agree in writing to terminate the MOU;
- (ii) the Company informing the Target Company in writing of its intention not to proceed with the Possible Transactions;
- (iii) the absence of the Definitive Agreements made on or before the Long Stop Date; or
- (iv) the execution of the Definitive Agreements.

The MOU is not legally binding with regard to the Possible Transactions. The terms and consideration for the Possible Transactions will be subject to further negotiation between the Target Company and the Company, 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 to it under the Listing Rules
“Director(s)”	director(s) of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	third party(ies) independent of the Company and its connected persons
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MOU”	the memorandum of understanding dated 24 June 2016 entered into between the Target Company and the Company in relation to Possible Transactions
“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 the England with limited liability
“%” per cent

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

Hong Kong, 24 June 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.