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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)

MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE PROPOSED ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF THE TARGET COMPANY AND THE SALE LOAN

THE SPA

The Board is pleased to announce that on 26 March 2015 (after trading hours), the Purchaser, the Vendors and the Target Company entered into the SPA, pursuant to which (i) the Vendors have conditionally agreed to sell and the Purchaser has conditionally agreed to acquire the Sale Shares; and (ii) the Vendors have conditionally agreed to sell and assign and the Purchaser has conditionally agreed to take up an assignment of the Sale Loan. The Transaction Consideration for the Acquisition will be satisfied by a combination of cash and by issue of the Promissory Note by the Company. Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Ms. Ma, mother of Mr. Yeung, an executive Director, owned 60% of each of the 1st Vendor and 2nd Vendor, therefore both Vendors are connected persons of the Company as defined under the Listing Rules. As some of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition exceed 25% but below 100%, the Acquisition constitutes a major and connected transaction of the Company and is therefore subject to the reporting, announcement, circular and the Independent Shareholders' approval requirements under Chapter 14 and Chapter 14A of the Listing Rules.

GENERAL

The Circular containing, among other things, (i) further information of the Acquisition; (ii) accountants' report of the Target Company; (iii) pro forma financial information on the Enlarged Group; (iv) valuation report on the Property; (v) a letter from the Independent Board Committee in respect of the Acquisition; (vi) a letter of advice from Pan Asia Corporate Finance Limited, the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders regarding the Acquisition; and (vii) notice of the EGM, will be despatched to the Shareholders on or before 30 April 2015 so as to allow sufficient time for the preparation of the relevant information for inclusion in the Circular.

As Completion is conditional upon fulfilment of the conditions precedent set out in the SPA, the Acquisition may or may not proceed. Shareholders and potential investors should exercise caution when dealing in securities of the Company.

INTRODUCTION

The Board is pleased to announce that on 26 March 2015 (after trading hours), the Purchaser, the Vendors and the Target Company entered into the SPA, pursuant to which (i) the Vendors have conditionally agreed to sell and the Purchaser has conditionally agreed to acquire the Sale Shares; and (ii) the Vendors have conditionally agreed to sell and assign and the Purchaser has conditionally agreed to take up an assignment of the Sale Loan. The Transaction Consideration for the Acquisition will be satisfied by a combination of cash and by issue of the Promissory Note. Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company.

THE SPA

Date

26 March 2015 (after trading hours)

Parties

- (i) Purchaser: Prima Choice Limited
- (ii) Vendors:
 - (a) 1st Vendor; and
 - (b) 2nd Vendor(collectively, the “**Vendors**”)
- (iii) the Target Company

Information of the Vendors

Both 1st Vendor and 2nd Vendor are an investment holding companies and their sole business activities are holding shares in the Target Company. As at the date of this announcement, both 1st Vendor and 2nd Vendor have the same shareholding structure and are owned as to (i) 60% by Ms. Ma, mother of Mr. Yeung, an executive Director; (ii) 20% by Mr. Cheng Kwee, a director of the Target Company; and (iii) 20% by Mr. Cheung Chung Chit, an Independent Third Party.

Both Vendors are controlled by Ms. Ma, mother of Mr. Yeung,, therefore both Vendors are connected persons of the Company as defined under the Listing Rules.

Assets to be acquired

Pursuant to the SPA, (i) the Purchaser has conditionally agreed to acquire the Sale Shares, representing the entire issued share capital of the Target Company, at the Share Consideration; and (ii) the Purchaser has conditionally agreed to take up an assignment of the Sale Loan, representing all amounts, including principal and interest, owing by the Target Company to the Vendors as at Completion Date, at the Loan Consideration.

As at the date of this announcement, the Vendors are the legal and beneficial owners of the Sale Shares, details of which are set out as follows:

Name of Vendors	Number of Sale Shares held	Percentage of Sale Shares
1st Vendor	9,999	99.99%
2nd Vendor	1	0.01%
Total:	<u>10,000</u>	<u>100.00%</u>

Based on the management accounts of the Target Company as at 31 December 2014, the Company is indebted to the 1st Vendor in the amount of approximately HK\$40,894,000.

Consideration

Pursuant to the terms of the SPA, the Transaction Consideration (comprising the Share Consideration and the Loan Consideration) for the Acquisition shall be calculated as follows:

Transaction Consideration = HK\$140,000,000.00 + Sum X – Sum Y

Where:–

Sum X = the aggregate amount of the following tangible assets of the Target Company:–

- (a) utility deposits, management fee deposits, rates, government rent and other expenses prepaid in relation to the Property for the period up to and inclusive of the Completion Date as shown in the Apportionment Account; and
- (b) any cash and bank balance as shown in the Completion Accounts, or HK\$50,000.00, whichever is lower

Sum Y = the aggregate amount of the liabilities of the Target Company on the Completion Date, other than the Sale Loan, as shown in the Completion Accounts and the amount payable by the Vendors under the Apportionment Account, if any.

Subject to the adjustment for the difference in the audited Completion Accounts and the draft Completion Accounts as set out in the SPA, the Transaction Consideration (comprising the Share Consideration and the Loan Consideration and calculated with reference to the Apportionment Account and the draft Completion Accounts delivered by the Vendors at least five (5) Business Days before Completion Date pursuant to the SPA) shall be paid by the Purchaser to the Vendors in the following manner:

- (a) the Deposit in the sum of HK\$42,000,000 shall be paid to the 1st Vendor upon the Vendors' production of duly executed Share Charge together with the Vendor's resolutions and BVI legal opinion proving that the Vendors are subsisting and good standing, with power and capacity to charge and sell the Sale Shares and there would be due execution to the satisfaction of the Purchaser's Solicitors; and
- (b) subject to the adjustment for the difference in the audited Completion Accounts and the draft Completion Accounts as set out in the SPA, the balance of the Transaction Consideration (calculated with reference to the Apportionment Account and the draft Completion Accounts delivered by the Vendors at least five (5) Business Days before Completion Date pursuant to the SPA) shall be paid to the 1st Vendor upon Completion, of which HK\$60,000,000 shall be satisfied by the Promissory Note and the remaining balance shall be paid in cash.

Pursuant to the SPA, the Vendors declared that the 1st Vendor, shall be the Vendors' agent for the purpose of receiving the Transaction Consideration or any part thereof and other moneys payable to the Vendors pursuant to the SPA.

The cash portion of the Transaction consideration will be funded by internal resources of the Group.

Further details of the Promissory Note is set out in the section headed "Promissory Note" below.

Basis of the Transaction Consideration

The Transaction Consideration (comprising the Shares Consideration and the Loan Consideration) was arrived at based on normal commercial terms after arm's length negotiations between the Purchaser and the Vendors and was determined after taking into account the following factors:

- (a) the preliminary valuation on 100% interest of the Property (the "**Valuation**") of approximately HK\$150,000,000 as at 18 March 2015 prepared by an independent professional valuer;
- (b) the net asset value of the Target Company;
- (c) amount of the Sale Loan; and
- (d) the reasons and benefits of the Acquisition as stated under the section headed "Reasons for and benefits of the Acquisition" in this announcement.

Out of the Transaction Consideration, the Loan Consideration will be an amount equal to the Sale Loan as at the Completion Date.

The Transaction Consideration (assuming difference between Sum X and Sum Y as stipulated above to be zero) represents a discount of approximately 6.7% to the Valuation. Valuation report on the Property will be contained in the Circular.

In view of the above, the Board considers that the terms and conditions (including the Transaction Consideration) of the SPA are fair and reasonable and on normal commercial terms and in the interest of the Company and the Shareholders as a whole.

Discharge of Mortgage

The Vendors shall, at its costs and expenses, procure the discharge of the Mortgage on or before the Completion Date.

Share Charge

For the purpose of guaranteeing the proper and due performance and discharge of the Vendors of their obligations and duties under the SPA, the Vendors agree to execute the Share Charge.

Conditions Precedent

Completion of the SPA and the obligation of the Purchaser under the SPA shall be subject to and conditional upon:–

- (i) if necessary, disclosure and/or confirmation of the true identities of the Vendors' directors, ultimate beneficiaries, their relating parties, etc. to such extent as may be required by the Listing Rules (“**Identities**”). For the avoidance of doubt, the Vendors hereby consent to the disclosure to the general public of the SPA and the Identities whenever such disclosure is deemed appropriate and necessary in the opinion of the Purchaser;
- (ii) if necessary, the passing by the Shareholders at the EGM approving the SPA and the transactions contemplated in the SPA and having satisfied and complied with all legal and regulatory requirements including but not limited to reporting and announcement under the Listing Rules;
- (iii) the Vendors having shown and proved, to the satisfaction of the Purchaser's Solicitors, that the Target Company has a good title to the Property in accordance with Sections 13 and 13A of the Conveyancing and Property Ordinance (Cap. 219 of the Laws of Hong Kong);
- (iv) there having been no outstanding notices, orders, complaints or requirements issued by any governmental body, authority or department to the Target Company in respect of the Property or any part thereof or requiring compliance with the terms of the government lease in respect of the Property;
- (v) the Vendors having provided the documents or information in the possession, custody or control of the vendor under the Due Diligence Checklist as soon as practicable after the date of the SPA and at least seven (7) Business Days prior to the Completion Date;
- (vi) the Target Company having no liabilities or indebtedness (whether actual or contingent) as at Completion other than:–
 - (a) the Sale Loan;
 - (b) all deferred tax liabilities, if any; and
 - (c) accrued expenses and other accounts payable in the ordinary course of business, if any;

- (vii) there having been no breach of the Warranties from the date of the SPA up to and inclusive of the Completion Date;
- (viii) the Purchaser's accountant having reviewed the accounts of the Target Company at the Purchaser's cost and expense, and the result of such review having been satisfactory to the Purchaser in its sole discretion; and
- (ix) the Purchaser having through its Solicitors or other professional agent conducted and completed due diligence on the Target Company at the Purchaser's cost and expense, the outcome of such due diligence having been satisfactory to the Purchaser in its sole discretion.

In the event any of the conditions (i) to (ix) above is not fulfilled on Completion, the Purchaser shall be entitled to terminate the SPA by giving notice in writing to the Vendors' Solicitors (whereupon the SPA shall become null and void and of no further effect), without prejudice to the rights accrued to the parties prior to such termination (including, without limitation, the Purchaser's right to the immediate return of the Deposit and other rights, claims or remedies against the Vendors for any breach or non-fulfilment of any obligations).

The Purchaser may waive (in whole or in part) any of the conditions referred to conditions (i) and (ix) above, such waiver shall be effective only if it is made in writing and notified to the Vendor or the Vendors' Solicitors.

As at the date of this announcement, no condition precedent has been fulfilled or waived.

Completion

Completion shall take place on or before 2:00 p.m. on the Completion Date.

If the Completion does not proceed on the Completion Date because the Vendors have failed or are unable to discharge any of their obligations under the SPA, the Purchaser may:–

- (i) by written notice to the Vendors defer Completion to a Business Day not more than seven (7) days after the Completion Date; or
- (ii) proceed to Completion so far as practicable but without prejudice to the Purchaser's rights to the extent that the Vendors shall not have complied with its obligations under the SPA; or
- (iii) rescind the SPA upon giving written notice with immediate effect to the Vendors without liability on the part of the Purchaser.

Upon rescission of the SPA by the Purchaser, all moneys paid by the Purchaser to the Vendors under the SPA shall be returned to the Purchaser forthwith who shall also be entitled to recover from the Vendors damages (if any) which the Purchaser may sustain by reason of such failure on the part of the Vendors.

If the Completion does not proceed on the Completion Date because the Purchaser has failed or is unable to discharge any of its obligations under the SPA, the Vendors may forthwith determine the SPA by giving written notice of termination to the Purchaser or the Purchaser's Solicitors. The Vendors shall be entitled to forfeit the Deposit absolutely as agreed liquidated damages but not as penalty without prejudice to any other rights and remedies of the Vendors.

Immediately after Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company and the financial results of the Target Company will be consolidated into the accounts of the Group.

PROMISSORY NOTE

The terms of the Promissory Note have been negotiated on an arm's length basis and the principal terms of which are as follows:

Issuer:	The Company
Principal amount:	HK\$60,000,000
Issue date:	Completion Date
Maturity date:	Third anniversary date of the Completion Date
Interest:	Interest shall be calculated at 6% per annum on the principal amount then outstanding on a daily basis (i.e. interest per day = $6\% / 365 \text{ days} \times \text{principal amount of the Promissory Note then outstanding}$) which shall be due and payable quarterly starting from the last day of the third calendar months after Completion Date
Transferability:	The Promissory Note and the interest and rights of the noteholder shall be assignable by endorsement without Company's prior written consent but with written notice 28 days in advance of such assignment.
Early redemption by the Company:	The Company shall give 28 days prior written notice to early redeem the Promissory Note, in whole or in part.
Application for listing:	No application will be made for the listing of the Promissory Note on any stock exchange.

The terms of the Promissory Note are determined after arm's length commercial negotiation between the Purchaser and Vendors with reference to the prevailing market condition and the financial position of the Group. In view of the above, the Directors consider the terms of the Promissory Note are fair and reasonable and in the interest of the Company and its Shareholders as a whole.

INFORMATION ON THE TARGET COMPANY AND THE PROPERTY

The Target Company is a property holding company incorporated in Hong Kong on 25 August 1992 with limited liability. The Target Company is owned as to 99.99% and 0.01% by the 1st Vendor and 2nd Vendor respectively. The Target Company is the registered owner of the Property.

The Property comprises (i) 72 car parking spaces located at Building 1; and (ii) 23 car parking spaces located at Building 2. The Property was acquired by the Target Company in 1992 and 1997 at an aggregate consideration of HK\$59,180,000. The Property is classified as an investment property of the Target Company and been generating rental income to the Target Company.

A tenancy agreement dated 9 May 2012 (the “**Tenancy Agreement**”) was entered into between the Target Company as landlord and one of the leading Hong Kong car parking management companies (the “**Car Parking Company**”) as tenant in respect of the Property for a term of three years commencing from 1 June 2012 to 31 May 2015. Pursuant to the Tenancy Agreement, the Car Parking Company will pay to the Target Company the higher of (i) the basic monthly rent of HK\$135,000 (the “**Basic Monthly Rent**”); or (ii) the percentage monthly rent which will be determined based on predetermined percentage of the aggregate of Car Parking Company’s monthly gross receipts or revenue received from leasing out those car parking spaces of the Property and all income from business conducted at the Property. To the best of the Directors’ knowledge, the Target Company is currently negotiating with the Car Parking Company for the renewal of the Tenancy Agreement. Nevertheless, according to the SPA, any such renewal (or part thereof) prior to Completion shall have to be consented by the Purchaser in writing.

Set below is the financial information of the Target Company as prepared in accordance with Hong Kong Financial Reporting Standards for the year ended 31 December 2013 and 2014:

	Year ended 31 December	
	2013	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Turnover	3,101	3,172
Net profit before taxation	1,689	1,556
Net profit after taxation	1,308	1,556

The unaudited net assets of the Target Company as at 31 December 2014 was approximately HK\$2,420,000.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in distribution of plantation products, environmental system and plantation materials, provision of green technology services and money lending business.

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.

The Directors view that under prevailing economic environment, investing in the property market in Hong Kong is a relatively prudent investment option for providing the Group with a steady income stream and for capturing capital appreciation potential given limited supplies per year. The Directors also consider that car parking spaces are very limited in Hong Kong and they are relatively easier to lease out and have limited maintenance costs as compare to residential or commercial properties. In addition, car parking spaces will also enjoy capital appreciation potential as residential or commercial properties.

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 strengthening its asset base and expanding its business portfolio into the Hong Kong property sector with growth potential. It is expected that the Acquisition will be beneficial to the Group for bringing in additional and stable cashflow to the Group in view of the income generated from rental of the Property. As such, the Directors consider that the Acquisition is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Upon Completion, the Group will continue to develop its existing businesses.

LISTING RULES IMPLICATION

As at the date of this announcement, Ms. Ma, mother of Mr. Yeung, an executive Director, owned 60% of each of the 1st Vendor and 2nd Vendor, therefore both Vendors are connected persons of the Company as defined under the Listing Rules. As some of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition exceed 25% but below 100%, the Acquisition constitutes a major and connected transaction of the Company and is therefore subject to the reporting, announcement, circular and the Independent Shareholders' approval requirements under Chapter 14 and Chapter 14A of the Listing Rules.

GENERAL

Since the Acquisition constitutes a connected transaction for the Company and given the connection between Ms. Ma and Mr. Yeung, Mr. Yeung had abstained from voting on the relevant Board resolution in this aspect. Save for Mr. Yeung, none of the Directors have a material interest in the Acquisition and were required to abstain from voting on the relevant Board resolution in respect of the Acquisition.

An EGM will be convened and held for the Independent Shareholders to consider, and if thought fit, to approve, the Acquisition and the transactions contemplated under the SPA. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of (i) the Vendors; and (ii) the remaining ultimate beneficial owners of the Vendors (other than Ms. Ma) and their respective associates did not hold any Shares, or options or securities convertible or exchangeable into Shares as at the date of the SPA. Saved for Mr. Yeung, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as no Shareholder has a material interest in the Acquisition, no Shareholder is required to abstain from voting in respect of the ordinary resolution at the EGM to approve the Acquisition and the transactions contemplated under the SPA.

The Independent Board Committee comprising all independent non-executive Directors has been established to make recommendations to the Independent Shareholders regarding the SPA and the transactions contemplated thereunder. Pan Asia Corporate Finance Limited has been appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in the same regard.

The Circular containing, among other things, (i) further information of the Acquisition; (ii) accountants' report of the Target Company; (iii) pro forma financial information on the Enlarged Group; (iv) valuation report on the Property; (v) a letter from the Independent Board Committee in respect of the Acquisition; (vi) a letter of advice from Pan Asia Corporate Finance Limited, the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders regarding the Acquisition; and (vii) notice of the EGM, will be despatched to the Shareholders on or before 30 April 2015 so as to allow sufficient time for the preparation of the relevant information for inclusion in the Circular.

DEFINITIONS

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

“1st Vendor”	FORTUNE GROUP INVESTMENT LIMITED, a company incorporated in the BVI with limited liability
“2nd Vendor”	WINBO PROPERTY LIMITED, a company incorporated in the BVI with limited liability
“Accounts Date”	31 December 2013
“Acquisition”	the proposed acquisition of the Sale Shares and Sale Loan pursuant to the SPA
“Appointment Account”	an apportionment account containing details of the expenses and outgoings arising from the Property to be payable by the Vendors and the Purchaser
“Board”	the board of Directors
“Building 1”	Harbour View Garden, Nos. 2-2F and 4-4C Catchick Street and No. 1B Sands Street, Kennedy Town, Hong Kong
“Building 2”	Harbour View Garden Tower III, Nos 6-6C Catchick Street and No. 21 North Street, Kennedy Town now known as No. 2 Catchick Street, Hong Kong
“Business Day”	9:00 a.m. to 5:00 p.m. on any day (other than a Saturday) on which banks in Hong Kong are open for the transaction of normal banking business
“BVI”	the British Virgin Islands
“Circular”	the shareholders’ circular to be issued by the Company and despatched to its Shareholders under the Listing Rules, which will contain (among other matters) further details of the Acquisition and the notice of EGM
“Company”	China Environmental Resources Group Limited, a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the main board of the Stock Exchange (Stock code: 1130) and a secondary listing on the Singapore Exchange Securities Trading Limited
“Completion”	completion of the sale and purchase of the Sale Shares and the assignment of the Sale Loan pursuant to the SPA

“Completion Accounts”	the management accounts of the Target Company comprising the unaudited balance sheet (consolidated or otherwise) as at the Completion Date, and the unaudited profit and loss account of the Target Company, prepared in accordance with generally accepted accounting principal, standards, and practices in Hong Kong, for the period from the date immediately after the Accounts Date up to and inclusive of the Completion Date certified to be true and correct by an incumbent director of the Target Company
“Completion Date”	a date on or before 15 June 2015 or such other date as the Vendors and the Purchaser may agree in writing
“connected persons”	has the meaning ascribed to it under the Listing Rules
“Deed of Assignment”	the deed of assignment of the Sale Loan to be entered into by the Vendor(s), the Purchaser and the Target Company in the form set out in the SPA
“Deposit”	deposit in the amount of HK\$42,000,000 paid by the Purchaser in manner appearing in the SPA
“Director(s)”	director(s) of the Company
“Due Diligence Checklist”	the due diligence checklist delivered to the Purchaser’s Solicitors by the Vendor’s Solicitors set out in the SPA
“EGM”	the extraordinary general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving, among other matters, the Acquisition and the transactions contemplated under the SPA
“Enlarged Group”	the Group upon Completion, together with the Target Company
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	An independent committee of the Board which comprises Mr. Wong Kwai Sang, Mr. Ong Chi King and Mr. Heung Chee Hang Eric
“Independent Shareholders”	Shareholders other than Mr. Yeung and his associates who are required by the Listing Rules to abstain from voting at the EGM

“Independent Third Party(ies)”	third party(ies) who is/are independent of, and not connected with, the Company and its connected persons (as defined in the Listing Rules)
“Loan Consideration”	an amount equal to the Sale Loan, being the consideration for the sale and purchase of the Sale Loan
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
“Mortgage”	the mortgage/legal charge dated 1st November 1997 on the Property and registered in the Land Registry by Memorial No.UB7351115
“Mortgage Amount”	the total outstanding amount (if any) (including all principal and interest) required to release the Mortgage at Completion
“Mr. Yeung”	Mr. Yeung Chi Hang, an executive Director, the chairman and chief executive officer of the Company and a Substantial Shareholder
“Ms. Ma”	Ms. Ma Shu Chin (alias Ms. Ma Shuk Kam), mother of Mr. Yeung
“PRC”	the People’s Republic of China
“Promissory Note”	the promissory note in an amount of HK\$60,000,000 to be issued upon Completion by the Company in favour of the 1st Vendor in the form set out in the SPA
“Property”	72 and 23 car parking spaces located at Building 1 and Building 2 respectively
“Purchaser”	Prima Choice Limited, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of the Company
“Purchaser’s Solicitors”	Messrs. TONY KAN & CO., Solicitors & Notaries
“Sale Loan”	all amounts, including principal and interest, owing by the Target Company to the Vendor(s) as at Completion Date
“Sale Shares”	10,000 ordinary shares of HK\$10,000 in the issued share capital of the Target Company representing the entire issued share capital of the Target Company as at the date of the SPA and on Completion

“Share(s)”	ordinary share(s) in the Company of HK\$0.02 each
“Share Charge”	the “all money” first legal mortgage over the Sale Shares to be executed by the Vendors in favour of the Purchaser in the form set out in the SPA
“Shares Consideration”	an amount equal to the difference between the Transaction Consideration and the Loan Consideration, being the consideration for the sale and purchase of the Sale Shares
“Shareholders”	holders of the Shares
“SPA”	the sale and purchase agreement dated 26 March 2015 entered into among the Purchaser, the Vendors and the Target Company in respect of the Acquisition
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Substantial Shareholder”	has the meaning ascribed to it under the Listing Rules
“Target Company”	Harvest Top Development Limited, a company incorporated in Hong Kong with limited liability
“Transaction Consideration”	the consideration to be paid by the Purchaser to the Vendors for the Sale Shares and the Sale Loan pursuant to the SPA
“Vendors”	together, 1st Vendor and 2nd Vendor
“Vendors’ Solicitors”	Messrs. Bobby Tse & Co., Solicitors
“Warranties”	the representations, warranties, undertakings made or given by the Vendors to the Purchaser as contained in the SPA
“%”	per cent

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

Hong Kong, 26 March 2015

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. Chen Yuyang; and three independent non-executive Directors, namely Mr. Wong Kwai Sang, Mr. Ong Chi King, and Mr. Heung Chee Hang Eric.