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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)**

### **VOLUNTARY ANNOUNCEMENT REJUVENATION OF PLANTATION SALES BUSINESS**

This announcement is made by China Environmental Resources Group Limited (the “Company” together with its subsidiaries collectively referred as the “Group”) on a voluntary basis to inform its shareholders and potential investors of the latest business development of the Group.

#### **CONSTRUCTION SCHEDULE FOR THE PLANTATION LAND**

As disclosed in the announcement dated 14 February 2018 (the “Announcement”), the Group has been operating a plantation land of approximately 30,000 mu (Chinese Mu) in Shihezi, Xinjiang of the PRC (the “Plantation Land”). As the underground water level of the region dropped in recent years, the supply of the surface water is below the demand for plantation irrigation, resulting in difficulties for conducting hydraulic engineering projects for the plantation area and therefore may result in substantial increase in capital investment.

In order to rejuvenate the plantation sales business of the Group, the Company proposed to commence the planning and preparation of construction work during the third quarter of 2018 (the “Phase 1”). In Phase 1, the Company is supposed to commence with an immediate enhancement and maintenance of the existing irrigation system to support the current irrigation for the Plantation Land in order to avoid further loss of poplar trees.

However, the Company is aware that there have been extremely unstable geographic movements, i.e. frequent earthquake in recent months in Shihezi City, where the Plantation Land is located which may have significant impact to our original plan. In this regard, the Company engaged Malcolm & Associates Appraisal Limited, an independent industry expertise to conduct a further study in June 2018 on the feasibility report which was issued in 2014 by Shihezi Technology Development Limited (石河子創和科技開發有

限公司)。The major reasons of this engagement are (i) to obtain an updated information of the current condition of the Plantation Land; and (ii) to enhance the accuracy of the total budget cost versus the previous estimate of RMB194 million as the Company considers that the total costs might increase significantly due to the extreme climate and its negative impact on the plantation irrigation.

## **ASSETS SWAP**

As stated in the Announcement, save for the reconstruction and upgrade of Plantation Land, the Company has also identified a target forestry located in northern China for Assets Swap. In this regard, the Company has commenced the preliminary negotiation with vendor of the target forestry since February 2018 while performing certain due diligence for the target forestry. However, due to the extreme climate in Shihezi City as stated above, the Company considers that it would be appropriate to obtain a comprehensive understanding of the current condition of the Plantation Land by conducting a feasibility study before any further negotiation of Assets Swap to prevent the Company from exposing to excessive warranties. Indeed, the recent negative responses from the vendor of target forestry have also raised the management's concern over the condition of the Plantation Land.

The updated feasibility report in relation to the Plantation Land is still currently under preparation by the industry expertise and is expected to be completed in late August 2018. Any conclusion in relation to the construction schedule for the Plantation Land and/or Assets Swap will only be made after reviewing the updated feasibility report.

Shareholders and potential investors of the Company should note that this announcement is published as a voluntary disclosure to allow the public to understand the latest development of the Company. Certain transactions in relation to the Assets Swap remain subject to the execution of definitive agreements and may or may not materialise as described or at all. In the event that any definitive agreement is entered into, the Company will comply with the requirements of the Rules Governing the Listing of Securities on the Stock Exchange in respect thereof and make further announcement(s) as and when appropriate. Shareholders and potential investors of the Company should thus exercise caution when dealing in the shares of the Company.

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

Hong Kong, 20 August 2018

*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.*