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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)

**PROPOSED OPEN OFFER ON THE BASIS OF THIRTY-THREE
OFFER SHARES FOR EVERY TEN SHARES HELD ON THE
RECORD DATE**

AND

RESUMPTION OF TRADING

Underwriter of the Open Offer



華晉證券有限公司

China Rise Securities Co. Limited

THE OPEN OFFER

The Company proposes to raise approximately HK\$162.8 million (assuming no subscription rights attaching to the outstanding Options are exercised on or before the Record Date) to approximately HK\$164.1 million (assuming full exercise of the subscription rights attaching to the outstanding Options on or before the Record Date) before expenses by way of the Open Offer of not less than 602,988,342 Offer Shares (assuming no subscription rights attaching to the outstanding Options are exercised on or before the Record Date) and not more than 607,773,342 Offer Shares (assuming full exercise of the subscription rights attaching to the outstanding Options on or before the Record Date) at a price of HK\$0.27 per Offer Share, on the basis of thirty-three Offer Shares for every ten Shares held on the Record Date.

The Open Offer will not be available to the Excluded Shareholders.

The estimated net proceeds of the Open Offer will be approximately HK\$156.8 million (assuming no subscription rights attaching to the outstanding Options are exercised on or before the Record Date) to approximately HK\$158.1 million (assuming full exercise of the subscription rights attaching to the outstanding Options on or before the Record Date). The Company intends to apply such net proceeds as to (i) approximately HK\$150.0 million for financing the payment of refundable cash deposit of the Formal Agreement in the event that the Formal Agreement is entered into where such amount shall be treated as partial payment of the consideration of the Possible Acquisition subject to the terms of the Formal Agreement; and (ii) the remaining balance as general working capital of the Group.

LISTING RULES IMPLICATIONS

The Open Offer is conditional upon, among other things, approval from the Independent Shareholders at the EGM.

GENERAL

The Circular containing, among other things, (i) further information of the Open Offer; (ii) a letter of recommendation from the independent board committee of the Company to the Independent Shareholders in respect of the Open Offer; (iii) a letter of advice from the independent financial adviser to the independent board committee of the Company and the Independent Shareholders on the Open Offer; and (iv) notice of the EGM, will be despatched to the Shareholders on or before 19 September 2013 so as to allow sufficient time for the preparation of the relevant information for inclusion in the Circular.

Upon the approval of the Open Offer by the Independent Shareholders at the EGM, the Prospectus Documents setting out details of the Open Offer will be despatched to the Qualifying Shareholders as soon as practicable and the Prospectus, together with the Overseas Letter, will be despatched to the Excluded Shareholders for information only.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares was suspended with effect from 9:00 a.m. on 13 August 2013 on the Stock Exchange and from 8:30 a.m. on 13 August 2013 on the SGX-ST, 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 with effect from 9:00 a.m. and 8:30 a.m. respectively on 16 August 2013.

THE OPEN OFFER

Issue statistics

Basis of the Open Offer	: Thirty-three Offer Shares for every ten Shares held on the Record Date by the Qualifying Shareholders
Number of Shares in issue as at the date of this announcement	: 182,723,748 Shares
Number of Offer Shares	: Not less than 602,988,342 Offer Shares (assuming no subscription rights attaching to the outstanding Options are exercised on or before the Record Date), and not more than 607,773,342 Offer Shares (assuming full exercise of the subscription rights attaching to the outstanding Options on or before the Record Date) (<i>Note</i>)
Subscription Price	: HK\$0.27 per Offer Share

Note:

As at the date of this announcement, there are 1,450,000 outstanding Options to subscribe for an aggregate of 1,450,000 Shares. Assuming full exercise of the subscription rights attaching to the outstanding Options on or before the Record Date, additional 4,785,000 Offer Shares will be issued. Therefore, the maximum number of Offer Shares that may be issued under the Open Offer would be 607,773,342 Offer Shares.

As at the date of this announcement, save for the outstanding Options, the Company has no other outstanding convertible securities, options or warrants in issue which confer any rights to subscribe for, convert or exchange into the Shares.

Taking into account 182,723,748 Shares in issue as at the date of this announcement and assuming there is no change in the issued share capital of the Company from the date of this announcement to the date of the Record Date, a minimum number of 602,988,342 Offer Shares may be issued under the Open Offer. The minimum number of Offer Shares represents approximately 330.00% of the existing issued share capital of the Company as at the date of this announcement and approximately 76.74% of the issued share capital of the Company as enlarged by the issue of the minimum number of Offer Shares. The minimum number of Offer Shares will have an aggregate nominal value of HK\$12,059,766.84.

Taking into account 182,723,748 Shares in issue as at the date of this announcement and 1,450,000 new Shares which may be issued upon full exercise of the outstanding Options on or prior to the Record Date, a maximum number of 607,773,342 Offer Shares may be issued under the Open Offer. The maximum number of Offer Shares represents approximately 332.62% of the existing issued share capital of the Company as at the date of this announcement and approximately 76.74% of the issued share capital of the Company as enlarged by the issue of the maximum number of Offer Shares. The maximum number of Offer Shares will have an aggregate nominal value of HK\$12,155,466.84.

Qualifying Shareholders

The Open Offer is only available to the Qualifying Shareholders. The Company will send the Prospectus Documents to the Qualifying Shareholders only. To the extent reasonably practicable, the Company will send copies of the Prospectus, together with the Overseas Letter, to each of the Excluded Shareholders for their information only. Please take special note that the Company will send the PALs to the Qualifying Shareholders only.

To qualify for the Open Offer, a Shareholder must be (i) registered as a member of the Company on the register of members of the Company at the close of business on the Record Date; and (ii) not be an Excluded Shareholder.

In order to be registered as members of the Company on its register of members at the close of business on the Record Date, Qualifying Shareholders must lodge any transfer of the Shares (with the relevant share certificates) with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, the Company's Hong Kong branch share registrar located at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on 11 October 2013.

The last day for dealing in the Shares on a cum-entitlement basis is 9 October 2013. The Shares will be dealt with on an ex-entitlement basis from 10 October 2013.

The latest time for acceptance of and payment for the Offer Shares is expected to be at 4:00 p.m. on 1 November 2013.

Holders of the outstanding Options who wish to participate in the Open Offer should exercise the subscription rights attaching to their outstanding Options in accordance with the terms of the Share Option Scheme on or before 4:30 p.m. on 11 October 2013 so as to enable them to be registered as members of the Company on or before the Record Date.

Closure of register of members

The register of members of the Company will be closed from 15 October 2013 to 17 October 2013, both dates inclusive to determine the eligibility and entitlements to the Open Offer. No transfer of Shares will be registered during this period.

Rights of the Excluded Shareholders

The Prospectus Documents are not intended to be registered under the applicable securities legislation of any jurisdiction other than Hong Kong. Overseas Shareholders may not be eligible to take part in the Open Offer as explained below.

In compliance with Rule 13.36(2)(a) of the Listing Rules, the Company is currently making enquiries regarding the feasibility of extending the Open Offer to the Overseas Shareholders, and if, having made such enquiry, the Directors consider that it is necessary or expedient not to offer the Offer Shares to the Overseas Shareholders on account either of the legal restrictions under the laws of the relevant place or any requirement of the relevant regulatory body or stock exchange in that place, the Open Offer will not be available to such Overseas Shareholders. Accordingly, the Open Offer will not be extended to the Excluded Shareholders. Further information in this connection will be set out in (i) the Prospectus Documents containing among other things, details of the Open Offer, to be despatched to the Qualifying Shareholders as soon as practicable; and (ii) the Overseas Letter to be despatched to the Excluded Shareholders. The Company will only send the Prospectus, together with the Overseas Letter, to the Excluded Shareholders for their information, but will not send any PAL to them.

The Offer Shares to which the Excluded Shareholders would otherwise be entitled under the Open Offer will be taken up by the Underwriter.

The Subscription Price

The Subscription Price for the Offer Shares is HK\$0.27 per Offer Share, payable in cash in full upon application.

The Subscription Price represents:

- (a) a discount of 50.00% to the closing price of HK\$0.540 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a discount of 50.00% to the average closing price of HK\$0.540 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;

- (c) a discount of approximately 52.21% to the average closing price of HK\$0.565 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day;
- (d) a discount of approximately 18.92% to the theoretical ex-rights price of approximately HK\$0.333 per Share based on the closing price of HK\$0.540 per Share as quoted on the Stock Exchange on the Last Trading Day; and
- (e) a discount of approximately 92.61% to the unaudited consolidated net asset value per Share of approximately HK\$3.653 (based on 182,723,748 issued Shares as at the date of this announcement and the unaudited net asset value of the Group of approximately HK\$667.43 million as at 31 December 2012).

The Subscription Price was determined after arm's length negotiations between the Company and the Underwriter with reference to the market price of the Shares, the financial conditions of the Company and the prevailing market conditions. In view of the prevailing market conditions of the capital market in Hong Kong and the benefits of the Open Offer, the Directors consider that the terms of the Open Offer, including the Subscription Price, is fair and reasonable and in the interests of the Company and the Shareholder as a whole. The net price per Offer Share upon full acceptance of the relevant provisional allotment of the Offer Shares (assuming no subscription rights attaching to the outstanding Options are exercised on or before the Record Date) will be approximately HK\$0.26.

Fractions of the Offer Shares

Entitlement to the Offer Shares will be rounded down to the nearest whole number. No fractional entitlements to the Offer Shares will be allotted to the Qualifying Shareholders. All such fractional entitlements will be aggregated and taken up by the Underwriter in accordance with the terms and conditions of the Underwriting Agreement.

The Company will consider to procure designated agent to provide odd lot matching services for the Offer Shares. Further details will be disclosed in the Circular.

Status of the Offer Shares

The Offer Shares, when allotted, issued and fully paid, will rank pari passu in all respects with the Shares then in issue. Holders of the Offer Shares will be entitled to receive all future dividends and distributions which are declared, made or paid after the date of allotment and issue of the Offer Shares.

No application for excess Offer Shares

Qualifying Shareholders will not be entitled to subscribe for any Offer Shares in excess of their respective assured entitlements. Considering that each Qualifying Shareholder will be given an equal opportunity to participate in the Company's future development by subscribing for his/her/its entitlements under the Open Offer, the Board considers that the Company will not be justified in making additional effort and incurring additional costs to administer the excess application procedures. All Offer Shares not taken up under the Open Offer are underwritten by the Underwriter.

Share certificates and refund cheques for Open Offer

Subject to the fulfillment of the conditions of the Open Offer, share certificates for the Offer Shares are expected to be posted to Qualifying Shareholders who have validly accepted and paid for the Offer Shares on or before 8 November 2013 by ordinary post at their own risk. Refund cheques in respect of the Offer Shares if the Open Offer is terminated are also expected to be posted on or before 8 November 2013 by ordinary post at their own risk.

Application for listing

The Company will apply to the Listing Committee for the listing of and permission to deal in, the Offer Shares.

Subject to the granting of the listing of, and permission to deal in, the Offer Shares on the Stock Exchange, the Offer Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Offer Shares on the Stock Exchange or such other dates as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Dealings in the Offer Shares will be subject to the payment of stamp duty (if any) in Hong Kong and any other applicable fees and charges in Hong Kong.

THE UNDERWRITING AGREEMENT

Date : 12 August 2013 (after trading hours)

Underwriter : China Rise Securities Company Limited. To the best of the Directors' knowledge and information, the Underwriter and its ultimate beneficial owners are Independent Third Parties. As at the date of this announcement, the Underwriter does not hold any Shares

- Total number of Underwritten Shares : Not less than 602,988,342 Offer Shares (in the event that no subscription rights attaching to the outstanding Options are exercised on or before the Record Date) and not more than 607,773,342 Offer Shares (in the event that all subscription rights attaching to the outstanding Options are exercised on or before the Record Date), being all the Offer Shares
- Commission : 2.5% of the aggregate Subscription Price in respect of the Underwritten Shares

Pursuant to the Underwriting Agreement, the Underwriter has conditionally agreed that, if any of the Underwritten Shares has not been taken up by 4:00 p.m. on the Final Acceptance Date, it will subscribe for or procure the subscription for all such Underwritten Shares not so taken up. Accordingly, the Open Offer is fully underwritten.

The commission rate of 2.5% was determined after arm's length negotiation between the Company and the Underwriter by reference to the existing financial position of the Group, the size of the Open Offer and the current and expected market condition. The Board considers the terms of the Underwriting Agreement including the commission rate are fair and reasonable so far as the Company and the Shareholders are concerned.

Conditions of the Open Offer and the Underwriting Agreement

The Open Offer and the obligations of the Underwriter under the Underwriting Agreement are conditional upon the following conditions being fulfilled:

- (i) due posting to the Shareholders of the Circular;
- (ii) the passing by the Independent Shareholders at the EGM of ordinary resolutions to approve the Open Offer;
- (iii) the signing by or on behalf of all of the Directors of one printed copy of each of the Prospectus Documents and the certification by two Directors (or by their agents duly authorised in writing) in the manner as mentioned in condition (v) below of two copies of each of the Prospectus Documents;
- (iv) the delivery of one such signed copy of each of the Prospectus Documents to the Underwriter;

- (v) the delivery to the Stock Exchange and filing and registration with the Registrar of Companies in Hong Kong respectively of one copy of each of the Prospectus Documents each duly certified by two Directors (or by their agents duly authorised in writing) in compliance with the Companies Ordinance (and all other documents required to be attached thereto) and otherwise complying with the requirements of the Companies Ordinance and the Listing Rules;
- (vi) the Cayman Island Monetary Authority granting consent (if required) to the issue of the Offer Shares and the Shares that may fall to be issued;
- (vii) the posting of copies of the Prospectus Documents to the Qualifying Shareholders;
- (viii) compliance by the Company with its obligations under relevant clauses of the Underwriting Agreement; and
- (ix) the Listing Committee (a) agreeing to grant the listing of, and permission to deal in, the Offer Shares and the Shares that may fall to be issued or subject to such conditions which the Underwriter and in their reasonable opinion accept and the satisfaction of such conditions (if any); and (b) not having withdrawn or revoked such listing and permission by no later than the first day of their dealings.

If any of the above conditions is not fulfilled on or before the Prospectus Posting Date or such later date as the Underwriter and the Company may agree in writing, or the Underwriting Agreement is terminated by the Underwriter by written notice to the Company pursuant to the terms of the Underwriting Agreement, the Open Offer will not proceed.

Termination of the Underwriting Agreement

The Underwriter may terminate the arrangements set out in the Underwriting Agreement by notice in writing issued to the Company by the Underwriter at any time before the Latest Time for Termination, if:

- (i) the occurrence of the following events would, in the reasonable opinion of the Underwriter materially and adversely affect the business, financial or trading position or prospects of the Group as a whole or otherwise makes it inexpedient or inadvisable for the Company or the Underwriter to proceed with the Open Offer:
 - (a) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever;

- (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreement) of a political, military, financial, economic, currency or other nature (whether or not sui generis with any of the foregoing or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict); or
 - (c) the occurrence of any change in market conditions or combination of circumstances in Hong Kong (including without limitation suspension or material restriction on trading in securities);
- (ii) any change occurs in the circumstances of the Company or any member of the Group which would materially and adversely affect the prospects of the Group as a whole;
 - (iii) the Company commits any breach of or omits to observe any of the obligations or undertakings expressed to be assumed by it under the Underwriting Agreement;
 - (iv) the Underwriter shall receive notification pursuant to relevant clause of the Underwriting Agreement or shall otherwise become aware of, the fact that any of the representations or warranties contained in the Underwriting Agreement was, when given, untrue or inaccurate or would in any respect be untrue or inaccurate if repeated as provided in relevant clause of the Underwriting Agreement and Underwriter shall in its reasonable opinion determine that any such untrue representation or warranty represents or is likely to represent a material and adverse change in the business, financial or trading position or prospects of the Group as a whole or is otherwise likely to have a material and adverse effect on the Open Offer ; or
 - (v) the Company shall, after any matter or event referred to in relevant clause of the Underwriting Agreement has occurred or come to the attention of the Underwriter, fail promptly to send out any announcement or circular (after the despatch of the Prospectus Documents), in such manner (and as appropriate with such contents) as the Underwriter may reasonably request for the purpose of preventing the creation of a false market in the securities of the Company.

Upon the giving of such notice, all obligations of the Underwriter under the Underwriting Agreement shall cease and determine and no party to the Underwriting Agreement shall have any claim against any other party in respect of any matter or thing arising out of or in connection with the Underwriting Agreement provided that the Company shall remain liable to pay to the Underwriter such fees as may then be agreed by the parties as set out in the Underwriting Agreement but not the underwriting commission. If the Underwriter exercises such right, the Open Offer will not proceed.

WARNING OF THE RISK OF DEALING IN THE SHARES

The Open Offer is conditional upon, among others, the fulfillment of the conditions set out under the section headed “Conditions of the Open Offer and the Underwriting Agreement” and the Underwriter not terminating the Underwriting Agreement in accordance with the terms thereof (a summary of which is set out in the section headed “Termination of the Underwriting Agreement”). Accordingly, the Open Offer may or may not proceed. Shareholders and potential investors are advised to exercise due caution when dealing in the Shares, and if they are in any doubt about their position, they should consult their professional advisers.

Shareholders should note that, based on the expectable timetable as contained in this announcement, the Shares will be dealt in on an ex-entitlement basis commencing from 10 October 2013 and that dealing in the Shares will take place while the conditions to which the Underwriting Agreement is subject remained unfulfilled. Any Shareholders or other persons dealing in the Shares up to the date on which all conditions to which the Open Offer is subject are fulfilled will accordingly bear the risk that the Open Offer may not become unconditional and may not proceed.

REASONS FOR THE OPEN OFFER AND USE OF PROCEEDS

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.

The gross proceeds from the Open Offer will be not less than approximately HK\$162.8 million but not more than HK\$164.1 million before expenses. The estimated net proceeds from the Open Offer will be not less than approximately HK\$156.8 million but not more than HK\$158.1 million after deducting all necessary expenses for the Open Offer, which include the commission to the Underwriters, the fees to the Company's professional and legal advisers and printing and translation costs. The net proceeds of the Open Offer is intended to be applied as to (i) approximately HK\$150.0 million for financing the payment of refundable cash deposit of the Formal Agreement (the **"Deposit"**) in the event that the Formal Agreement is entered into. The Deposit shall be treated as partial payment of the consideration of the Possible Acquisition (as mentioned below) subject to the terms of the Formal Agreement; and (ii) the remaining balance as general working capital of the Group. If the entering into of the Formal Agreement does not proceed, the net proceeds of approximately HK\$150.0 million which is originally intended to be used for financing payment of the Deposit will then be used for other suitable investment opportunities as and when identified by the Group. Up to the date of this announcement, apart from the Possible Acquisition, no other specific investment opportunities have been identified by the Group.

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, on 19 July 2013, as disclosed in the MOU Announcement, the Group demonstrated its initiative in seeking appropriate business investment or business development opportunities by entering into the MOU with the Prospective Vendor in relation to the Possible Acquisition associated with possible investment in the PRC hotel sector. The Group is now conducting due diligence investigation on the Possible Acquisition. Subject to the satisfaction of due diligence result and in the event that the Directors consider that the Possible Acquisition will offer the Group an investment opportunity to diversify and expand its business portfolio into the PRC hotel sector with the view of broadening the income source of the Group, generating additional and stable cashflow and bringing investment returns to the Shareholders,

the Group will further negotiate with the Prospective Vendor for the entering into of the Formal Agreement. Furthermore, the Prospective Vendor has indicated that prior to further negotiation of the Formal Agreement, it is expecting the Group to have funding for payment of the Deposit in the amount of not less than HK\$150.0 million in order for the Formal Agreement to be entered into. As such, in order to facilitate the Group in its negotiation of the Formal Agreement, it is necessary for the Group to raise funds to finance the payment of the Deposit.

The Directors consider that the Open Offer provides a good opportunity for the Group to (i) raise funds for financing the Possible Acquisition when it materializes; (ii) strengthen the capital base of the Group which will facilitate the Group's long-term development; (iii) provide the Company with sufficient financial flexibility necessary for the Group in capturing the prevailing investment opportunity associated with the Possible Acquisition in a timely manner and for Group's future development and investment purposes as and when suitable opportunities arises; and (iv) enhance its overall financial position. Furthermore, the Open Offer will enable the Qualifying Shareholders to participate in the future development of the Company on equal terms, given that the Open Offer will allow the Qualifying Shareholders to maintain their respective pro rata shareholdings in the Company and therefore avoid dilution.

Apart from the Open Offer, the Board has also considered other financing alternatives such as a rights issue which allows the Shareholders to trade their nil-paid entitlements in the market in nil-paid form. However, the Board views that such trading arrangements will increase the administrative works and expenses for the proposed fund raising exercise. The Board considers raising funds by way of the Open Offer is more cost-effective and efficient as compared to a rights issue.

The Directors (excluding the independent non-executive Directors whose opinion will be set forth in the circular in respect of the Open Offer, after taking into account the independent advice from an independent financial adviser) consider that the Open Offer is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

SHAREHOLDING STRUCTURE OF THE COMPANY

The shareholding structure of the Company immediately before and after the completion of the Open Offer is set out below:

Scenario 1:

Assuming no subscription rights attaching to the outstanding Options are exercised on or before the Record Date:

	Immediately after completion of the Open Offer					
	As at the date of this announcement		Assuming all the Offer Shares are subscribed by the Qualifying Shareholders		Assuming none of the Offer Shares are subscribed by the Qualifying Shareholders (Note)	
	<i>No. of Shares held</i>	<i>%</i>	<i>No. of Shares held</i>	<i>%</i>	<i>No. of Shares held</i>	<i>%</i>
Public Shareholders:						
The Underwriter	—	—	—	—	602,988,342	76.74
Other Public Shareholders	<u>182,723,748</u>	<u>100.00</u>	<u>785,712,090</u>	<u>100.00</u>	<u>182,723,748</u>	<u>23.26</u>
	<u>182,723,748</u>	<u>100.00</u>	<u>785,712,090</u>	<u>100.00</u>	<u>785,712,090</u>	<u>100.00</u>

Scenario 2:

Assuming full exercise of the subscription rights attaching to the outstanding Options on or before the Record Date:

	As at the date of this announcement		As at the Record Date (Assuming the outstanding Options have been fully exercised)		Immediately after completion of the Open offer				
					Assuming all the Offer Shares are subscribed by the Qualifying Shareholders		Assuming none of the Offer Shares are subscribed by the Qualifying Shareholders (Note)		
	No. of Shares held	%	No. of Shares held	%	No. of Shares held	%	No. of Shares held	%	
Public Shareholders:									
The Underwriter	—	—	—	—	—	—	607,773,342	76.74	
Other Public Shareholders	182,723,748	100.00	184,173,748	100.00	791,947,090	100.00	184,173,748	23.26	
	<u>182,723,748</u>	<u>100.00</u>	<u>184,173,748</u>	<u>100.00</u>	<u>791,947,090</u>	<u>100.00</u>	<u>791,947,090</u>	<u>100.00</u>	

Note:

This scenario is for illustrative purpose only and will never occur. The Underwriter has undertaken to the Company that (i) it shall procure that the Underwriter, each of the sub-underwriters and subscribers procured by them, together with any parties acting in concert with each of them, will not own 30% or more of the issued share capital of the Company immediately after the Open Offer which will give rise to an obligation to make a mandatory general offer under the Takeovers Code; and (ii) it shall cause the Underwriter and each of the sub-underwriters to procure each of the subscribers who are Independent Third Parties to take up such number of the Offer Shares as necessary to ensure that the public float requirements under Rule 8.08 of the Listing Rules are complied with. As at the date of the announcement, the Underwriter has entered into sub-underwriting arrangement with eight sub-underwriters, being Independent Third Parties, in respect of the sub-underwriting of all the Underwritten Shares.

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.

EXPECTED TIMETABLE

2013

Event		Date
Expected date of despatch of the circular in relation to the Open Offer and the notice of the EGM which will be on or before	Thursday	19 September
Latest time for lodging proxy forms for the EGM	11:00 a.m. on Sunday	6 October
EGM	11:00 a.m. on Tuesday	8 October
Announcement of results of the EGM	Tuesday	8 October
Last day of dealings in the Shares on a cum-entitlement basis	Wednesday	9 October
First day of dealings in the Shares on an ex-entitlement basis	Thursday	10 October
Latest time for lodging transfer of the Shares in order to qualify for the Open Offer	4:30 p.m. on Friday	11 October
Register of members of the Company closes (both days inclusive)	Tuesday 15 October to Thursday	17 October
Record Date	Thursday	17 October
Register of members of the Company re-opens	Friday	18 October
Despatch of Prospectus Documents to the Qualifying Shareholders and despatch of Prospectus, together with the Overseas Letter, to the Excluded Shareholders for information only	Friday	18 October
Latest time and date for acceptance of and payment for the Offer Shares	4:00 p.m. on Friday	1 November
Latest Time for Termination	4:00 p.m. on Tuesday	5 November
Announcement of results of the Open Offer	Thursday	7 November
Despatch of certificates for Offer Shares	Friday	8 November
If the Open Offer is terminated, refund cheques to be despatched on or before	Friday	8 November
Dealings in Offer Shares commence	Monday	11 November

All time and dates specified in this announcement refer to Hong Kong local time and dates. Dates or deadlines specified in this announcement are indicative only and may be varied by agreement between the Company and the Underwriter. Any consequential changes to the expected timetable will be published or notified to the Shareholders as and when appropriate.

POSSIBLE ADJUSTMENTS TO THE OUTSTANDING OPTIONS

As a result of the Open Offer, the exercise price and the number of Shares to be issued pursuant to the outstanding Options may be adjusted in accordance with the respective terms and conditions of the Share Option Scheme. The Board will instruct its auditors or an independent financial adviser to certify the adjustments, if any, to the outstanding Options and will inform the holders of the outstanding Options of the adjustments, if any, accordingly. Further announcement will be made by the Company in respect of such adjustments as and when appropriate.

LISTING RULES IMPLICATIONS

As the Open Offer will increase the issued share capital of the Company by more than 50%, in accordance with Rule 7.24(5) of the Listing Rules, the Open Offer must be made conditional on approval by the Independent Shareholders in general meeting by a resolution on which any controlling Shareholders and their associates or, where there are no controlling shareholders, Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the resolution relating to the Open Offer. As at the date of this announcement, the Company has no controlling Shareholder and none of the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates hold any Share. Accordingly, no Shareholder is required to abstain from voting in favour of the Open Offer at the EGM.

The Company will establish an independent board committee comprising the independent non-executive Directors to make recommendation to the Independent Shareholders in respect of the Open Offer. The Company will appoint an independent financial adviser to advise the independent board committee and the Independent Shareholders in this regard.

An EGM will be convened and held for the Independent Shareholders to consider and, if thought fit, to approve, among other things, the Open Offer.

GENERAL

The Circular containing, among other things, (i) further information of the Open Offer; (ii) a letter of recommendation from the independent board committee of the Company to the Independent Shareholders in respect of the Open Offer; (iii) a letter of advice from the independent financial adviser to the independent board committee of the Company and the Independent Shareholders on the Open Offer; and (iv) notice of the EGM, will be despatched to the Shareholders on or before 19 September 2013 so as to allow sufficient time for the preparation of the relevant information for inclusion in the Circular.

Upon the approval of the Open Offer by the Independent Shareholders at the EGM, the Prospectus Documents setting out details of the Open Offer will be despatched to the Qualifying Shareholders as soon as practicable and the Prospectus will, together with the Overseas Letter, be despatched to the Excluded Shareholders for information only.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares was suspended with effect from 9:00 a.m. on 13 August 2013 on the Stock Exchange and from 8:30 a.m. on 13 August 2013 on the SGX-ST, 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 with effect from 9:00 a.m. and 8:30 a.m. respectively on 16 August 2013.

DEFINITIONS

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

“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Business Day”	a day on which licensed banks in Hong Kong are generally open for business, other than a Saturday or a Sunday or a day on which a black rainstorm warning or tropical cyclone warning signal number 8 or above is issued in Hong Kong at any time between 9:00 a.m. and 12:00 noon and is not cancelled at or before 12:00 noon

“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Circular”	the shareholders’ circular to be issued by the Company in accordance with the Listing Rules in respect of the Open Offer
“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
“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 Open Offer
“Excluded Shareholders”	those Overseas Shareholders whom the Directors consider, it is necessary or expedient not to offer the Offer Shares to the such Shareholders on account either of the legal restrictions under the laws of the relevant place or any requirement of the relevant regulatory body or stock exchange in that place
“Final Acceptance Date”	1 November 2013 or such other date as the Underwriter may agree in writing with the Company as the latest date for acceptance of, and payment for, the Offer Shares
“Formal Agreement”	the formal agreement to be entered into between the Company and the Prospective Vendor in relation to the Possible Acquisition
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“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
“Independent Shareholders”	the Shareholders other than controlling Shareholders and their respective associates or, where there are no controlling Shareholders, any Shareholders other than Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates
“Last Trading Day”	12 August 2013, being the last trading day before the suspension of the trading of the Shares, pending the release of this announcement
“Latest Time for Termination”	4:00 p.m. on the second Business Day after the Final Acceptance Date or such other time and date as the Underwriter may agree in writing with the Company
“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
“MOU”	the memorandum of understanding dated 19 July 2013 entered into between the Company and the Prospective Vendor in relation to Possible Acquisition
“MOU Announcement”	announcement of the Company dated 19 July 2013 in relation to the MOU
“Offer Share(s)”	Shares to be issued and allotted under the Open Offer, being not less than 602,988,342 Shares and not more than 607,773,342 Shares
“Open Offer”	the proposed issue of the Offer Shares at the Subscription Price by way of open offer on the basis of thirty-three Offer Shares for every ten Shares held by the Qualifying Shareholders on the Record Date pursuant to the terms to be set out in the Prospectus Documents and summarized in this announcement
“Options”	the options granted by the Company to subscribe for Shares under the Share Option Scheme

“Overseas Letter”	a letter from the Company to the Excluded Shareholders explaining the circumstances in which the Excluded Shareholders are not eligible to participate in the Open Offer
“Overseas Shareholder(s)”	the Shareholder(s) whose names appear on the register of members of the Company at the close of business on the Record Date and whose address(es) as shown on such register is/are outside Hong Kong
“PAL(s)”	the renounceable provisional allotment letter(s) issued to the Qualifying Shareholders in connection with the Open Offer
“Possible Acquisition”	the possible acquisition of entire equity interest in the Target by the Company from the Prospective Vendor as contemplated under the MOU
“PRC”	the People’s Republic of China
“Prospective Vendor”	Grand Keen Limited, a company incorporated in Samoa with limited liability
“Prospectus”	the Open Offer prospectus
“Prospectus Documents”	the Prospectus and the PAL(s)
“Prospectus Posting Date”	18 October 2013 or such other date as the Underwriter may agree in writing with the Company, as the expected date of despatch of the Prospectus Documents to the Qualifying Shareholders
“Qualifying Shareholders”	the Shareholders other than the Excluded Shareholders whose names appear on the register of members of the Company at the close of business on the Record Date
“Record Date”	17 October 2013 or such other date the Underwriter may agree with the Company in writing, being the date by reference to which entitlements to the Open Offer will be determined
“Registrar”	Computershare Hong Kong Investor Services Limited, the Company’s Hong Kong branch share registrar located at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong

“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 Option Scheme”	the share option scheme of the Company adopted on 16 December 2005
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the subscription price of HK\$0.27 per Offer Share under the Open Offer
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Target”	Clear Wisdom Limited, a company incorporated in British Virgin Islands with limited liability
“Underwriter”	China Rise Securities Company Limited, a licensed corporation to carry out business in type 1 (dealing in securities) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Underwriting Agreement”	the underwriting agreement dated 12 August 2013 entered into between the Company and the Underwriter in relation to the Open Offer
“Underwritten Shares”	not less than 602,988,342 Offer Shares and not more than 607,773,342 Offer Shares, being all the Offer Shares, which are fully underwritten by the Underwriter pursuant to the terms of the Underwriting Agreement
“%”	per cent

By Order of the Board
China Environmental Resources Group Limited
Zhou Hongbo
Chairman and Chief Executive Officer

Hong Kong, 15 August 2013

As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Zhou Hongbo (Chairman and Chief Executive Officer), Mr. Kwok Wai, Wilfred and Mr. Leung Kwong Choi; and three independent non-executive Directors, namely Mr. Wong Kwai Sang, Mr. Christopher David Thomas and Mr. Chan Ka Yin.