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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)

**LETTER OF INTENT
IN RELATION TO A POSSIBLE DISPOSAL**

On 14 October 2010 (after trading hours of the Stock Exchange), the Company entered into the non-legally binding Letter of Intent with the Purchaser, an independent third party, in relation to the Possible Disposal. The Letter of Intent shall remain valid until 31 December 2010.

The Possible Disposal, if materializes, may constitute a notifiable transaction for the Company under the Listing Rules. Further announcement in respect of the Possible Disposal will be made by the Company in accordance with the requirements of the Listing Rules as and when appropriate.

This announcement is made pursuant to Rule 13.09(1) of the Listing Rules.

LETTER OF INTENT

On 14 October 2010 (after trading hours of the Stock Exchange), the Company and the Purchaser entered into the Letter of Intent, pursuant to which the Company and the Purchaser shall enter into a formal agreement for the sale and purchase of the Equity Interests, which comprises (i) the Benefun Sale Share, being the entire issued share capital of Benefun (BVI) Limited; (ii) the Wylkeen Sale Share, being the entire issued share capital of Wylkeen Investment Limited; and (iii) the Zhangzhou Equity Interest, being the entire equity interest of Zhangzhou Golden River Estate Development Company Limited.

The Purchaser shall pay a non-refundable deposit of HK\$1,000,000 to the Company within fourteen days from the date of the Letter of Intent before conducting the due diligence on the Disposal Group. The consideration for the Possible Disposal shall be determined after arm's length negotiations between the Company and the Purchaser after completion of the due diligence to be carried out by the Purchaser. The Letter of Intent shall remain valid until 31 December 2010.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner(s) are third parties independent of the Company and connected persons of the Company.

INFORMATION OF THE DISPOSAL GROUP

The Disposal Group consists of Benefun (BVI) Limited and its subsidiaries, Wylkeen Investment Limited and Zhangzhou Golden River Estate Development Company Limited.

Benefun (BVI) Limited is an investment holding company incorporated in the British Virgin Islands with limited liability, which owns (i) 75% equity interest in Fun (Xiamen) Enterprise Corporation Limited (廈門奮發(FUN) 企業有限公司), a company registered as a wholly-foreign owned enterprise with limited liability in the PRC; (ii) the entire equity interest

in Top Ace Enterprises Limited, a company incorporated in Hong Kong with limited liability; (iii) the entire equity interest in Wingo Asia Limited, a company incorporated in the British Virgin Islands with limited liability; (iv) the entire equity interest in Timar investment Limited, a company incorporated in the British Virgin Islands with limited liability; and (v) the entire equity interest in Siuchuan Fun Garments Company Limited (四川省奮發服飾有限公司), a company registered as a domestic enterprise with limited liability in the PRC. Benefun (BVI) Limited and its subsidiaries are principally engaged in the garment manufacturing and retailing business and property investment business, which have been discontinued by the Group during the year ended 30 June 2009.

Wylkeen Investment Limited is an investment holding company incorporated in the British Virgin Islands, which owns 25% equity interest in Fun (Xiamen) Enterprise Corporation Limited. Zhangzhou Golden River Estate Development Company Limited, a wholly-foreign owned enterprise with limited liability in the PRC with registered share capital of RMB13,300,000, is principally engaged in property development business in the PRC.

REASONS FOR THE POSSIBLE DISPOSAL

The Group is principally engaged in the business of plantation, research and development of plantation related technologies, manufacture, sale and distribution of plantation products and materials, environmental system, biotechnological application, green medical application and property development in the PRC.

In view of the intensified price competition and surge in material prices and production costs in the garment industry and the continued losses resulted from the segment of apparel manufacturing since 2006, the Group had gradually scaled down its garment manufacturing and retailing business since early 2008 and discontinued such business during the year ended 30 June 2009. In addition, the Group has disposed of its investment property in the PRC, which was held by Wingo Asia Limited, during the year ended 30 June 2009. The Directors consider that the Possible Disposal shall enable the Group to realize the value of the Disposal Group, which no longer has any significant business activities, and to concentrate its resources on further cultivating the profitable green business in the PRC.

GENERAL

The Board wishes to emphasize that the Letter of Intent does not constitute a legally-binding commitment in respect of the Possible Disposal, which is subject to, among other things, the execution and completion of a formal agreement, the terms and conditions of which are not yet agreed between the parties.

The Possible Disposal, if materializes, may constitute a notifiable transaction for the Company under the Listing Rules. Further announcement in respect of the Possible Disposal will be made by the Company in accordance with the requirements of the Listing Rules as and when appropriate.

As the Possible Disposal may or may not proceed, potential investors and Shareholders are advised to exercise caution when dealing in the securities of the Company.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms have the following meanings:

“Benefun Sale Share”	1 ordinary share of US\$1.00 each in the issued share capital of Benefun (BVI) Limited, representing its entire issued share capital
“Board”	the board of Directors
“Company”	China Environmental Resources Group Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Stock Exchange
“connected persons”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company

“Disposal Group”	Benefun (BVI) Limited and its subsidiaries, Wylkeen Investment Limited and Zhangzhou Golden River Estate Development Company Limited
“Equity Interests”	the Benefun Sale Share, the Wylkeen Sale Share and the Zhangzhou Equity Interest
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Letter of Intent”	the non-legally binding letter of intent dated 14 October 2010 entered into between the Company and the Purchaser in relation to the Possible Disposal
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, and for the purpose of this announcement, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Possible Disposal”	the possible disposal of the Equity Interests by the Company to the Purchaser
“Purchaser”	Hangfull Limited, an investment holding company incorporated in the British Virgin Islands with limited liability
“Share(s)”	ordinary share(s) of HK\$0.01 each in the issued share capital of the Company

“Shareholder(s)”	the holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Wylkeen Sale Share”	1 ordinary share of US\$1.00 each in the issued share capital of Wylkeen Investment Limited, representing its entire issued share capital
“Zhangzhou Equity Interest”	the entire registered share capital of Zhangzhou Golden River Estate Development Company Limited (漳州市金河房地產開發有限公司)
“%”	per cent

By Order of the Board
China Environmental Resources Group Limited
Kam Yuen
Chairman

Hong Kong, 14 October 2010

As at the date of this announcement, the Board comprises three executive Directors, namely Ms. Kam Yuen (Chairman and Chief Executive Officer), Mr. Kwok Wai Wilfred and Mr. Leung Kwong Choi; and three independent non-executive Directors, namely Mr. Cheung Ngai Lam, Mr. Wong Kwai Sang and Mr. Christopher David Thomas.