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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)**

**ANNOUNCEMENT**

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**ICAC Press Releases and Court Order**

Reference is made to the press releases of the Independent Commission Against Corruption (“ICAC”) (i) dated 23 February 2012 stating that Mr. Lo King-fat (“**Mr. Lo**”) and Mr. Choy Ping-fai (“**Mr. Choy**”) had been jointly charged for conspiracy to defraud and (ii) dated 11 October 2012 stating that Mr. Choy had been charged jointly with four others for conspiracy to offer advantages to an agent, contrary to section 9(2)(a) of the Prevention of Bribery Ordinance and section 159A of the Crimes Ordinance. Details of the said press releases can be found at the website of the ICAC at the following links:- [http://www.icac.org.hk/en/news\\_and\\_events/pr2/index\\_uid\\_1267.html](http://www.icac.org.hk/en/news_and_events/pr2/index_uid_1267.html) and [http://www.icac.org.hk/en/news\\_and\\_events/pr2/index\\_uid\\_1349.html](http://www.icac.org.hk/en/news_and_events/pr2/index_uid_1349.html).

According to the press releases and the information provided to China Environmental Resources Group Limited (the “**Company**”) by the ICAC:

(i) Mr. Lo and Mr. Choy were alleged to have:-

- (a) falsely represented to the directors and shareholders of the Company that the consideration of HK\$500 million for the acquisition (“**Acquisition**”) of the entire issued share capital of Ample Rich Enterprises Limited by the Company from Blackpool Stadium Limited (a company wholly-owned by Mr. Choy) was determined after arm’s length negotiation between the Company and Blackpool Stadium Limited;
- (b) concealed and not disclosed a payment of HK\$100 million to a company connected to the then chairman of the Company, Mr. Tan Sim-chew; and
- (c) falsely represented that the Acquisition would not result in a change of control of the Company in that there would be no change in its board of directors caused by the completion of the Acquisition, except the changes of directorship resulting from normal and usual retirement, resignation, change and appointment of directors,

which thereby induced and caused the Company to accept, approve, ratify and confirm the Acquisition. The alleged offences took place between 1 May 2008 and 20 October 2008; and

(ii) Mr. Choy was alleged to have conspired together with four others to offer the then chairman of the Company, Mr. Tan Sim-chew, a promissory note of the Company to the value of HK\$100 million and a favour to purchase 626 million shares of the Company from Mr. Tan Sim-chew at the price of HK\$80 million. The alleged offence took place between 1 January 2008 and 14 May 2010.

Mr. Tan Sim-chew was appointed as an executive director of the Company on 7 March 1997 and chairman of the Company on 22 March 1997. He resigned as a director and chairman of the Company with effect from 14 May 2010.

Mr. Lo joined the Company in 1990. He was appointed as an executive director of the Company on 7 March 1997. He also served as company secretary and financial controller of the Company. He resigned as an executive director of the Company with effect from 19 January 2010 but remained as the company secretary and financial controller of the Company. He then resigned from all his remaining positions with the Company with effect from 7 December 2010.

Mr. Choy joined the Company in 2008 and was appointed as a director to some of the Company's subsidiaries. He resigned from all his positions within the Group with effect from 17 February 2012. Mr. Choy was formerly the spouse of Ms. Kam Yuen, former Chairman, Chief Executive Officer and executive director, of the Company.

On 15 November 2012, the Court of First Instance of High Court (the "**Court**") made the restraint and charging order prohibiting disposal of assets in Hong Kong and elsewhere (the "**Court Order**") against Mr. Choy and five others, a copy of which has been served on the Company's branch share registrar. According to the Order, Mr. Choy must not (a) remove from Hong Kong any of the property which is located in Hong Kong, and (b) in any way dispose of, or deal with, or diminish the value of any of his property, which is located within Hong Kong or outside Hong Kong, whether in his own name or not, and whether solely or jointly owned. The Court has also ordered that Mr. Choy's interest in 304,104,000 shares of the Company, which represent approximately 11.85% of the issued share capital of the Company as at the date of this announcement, shall stand charged with securing the payment to the Government of an amount equal to the value of such shares from time to time (subject to prior charges). The Court Order will remain in force unless it is varied or discharged by a further order of the Court.

The directors of the Company do not expect that the charges laid against Mr. Lo and Mr. Choy and the Court Order would have any material adverse effect on the business and operation, or financial and trading position of the Group as both Mr. Lo and Mr. Choy have already resigned from all the positions in the Group previously held by them. Save for the charges laid against Mr. Lo and Mr. Choy and the Court Order mentioned above, as at the date of this announcement, there is no other matter discloseable under the general obligation imposed by Rule 13.09 of the Rules (the "**Listing Rules**") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), which is or may be of a price-sensitive nature that is not already the subject of the Company's published announcements.

### **Update on assets acquired through the Acquisition**

Through the Acquisition, the Group indirectly acquired the 30 years operating right commencing from 10 June 2008 of approximately 60,000 Chinese mu of plantation land (the "**Plantation Land**") located in Shihezi City, Xinjiang Region, the PRC. The Plantation Land is in a flatland area mainly cultivated with poplar trees and is about 150 kilometers west from the Xinjiang provincial capital Urumqi and connected by the China national highway No. 312 and railways.

The profit guarantees of HK\$60 million and HK\$70 million for the financial years ended 30 June 2009 and 30 June 2010 respectively given under the terms of the Acquisition were achieved.

In addition, the valuation of biological assets of standing trees on the Plantation Land increased by 27.3% from RMB530,000,000 (approximately HK\$602,663,000) as at 30 June 2008 (as disclosed in independent valuation report set out in the circular dated 30 September 2008) to HK\$767,064,000 as at 30 June 2012.

### **Change of Chief Executive Officer and agent for the service of process in Hong Kong and resignation of Executive Director**

The board (the “**Board**”) of directors of the Company announces that with effect from 21 November 2012:-

- (i) Ms. Kam Yuen (“**Ms. Kam**”) has resigned as the Chief Executive Officer, executive director of the Company and agent of the Company for accepting service of process in Hong Kong and from all other positions within the Group, including her directorships in the Company’s subsidiaries and her appointments as legal representative of the Company’s PRC subsidiaries, so that she may focus on her personal endeavours;
- (ii) Mr. Zhou Hongbo (“**Mr. Zhou**”), an executive director and the Chairman of the Company, has been appointed also as the Chief Executive Officer and the Chairman of Investment Committee of the Company; and
- (iii) Ms. Luk Siu Wai Anita has been appointed as agent of the Company for accepting service of process in Hong Kong.

Ms. Kam has confirmed to the Company that she has no disagreement with the Board and there is no other matter relating to her resignation that needs to be brought to the attention to the shareholders of the Company. The Board would like to take this opportunity to express its gratitude to Ms. Kam for her valuable contributions to the Company during her tenure of service.

Set out below are the biographical details of Mr. Zhou:-

**Mr. ZHOU Hongbo**, aged 41, received a bachelor of business management degree. Mr. Zhou is certified with a qualification in forestry administrative enforcement of law and administration engineer by the State Forestry Administration. Mr. Zhou has 17 years of experience in forestry production and operation management. He was a business manager and deputy manager of Forestry Storage Plant in the Forestry Bureau of Jidong County, Heilongjiang Province, as well as a manager of Forest Protection Plant in the State Forestry Administration. He was responsible for the operation and fire protection for eight forest zones under the Jidong Forestry Bureau.

Mr. Zhou was appointed as an executive director and the Chairman of the Company on 1 June 2012. Save as disclosed above, he has not held any directorship for any listed company in Hong Kong or overseas over the past three years and he does not hold any other position in the Company or any subsidiary of the Company.

Mr. Zhou has entered into a service agreement with the Company for a term of three years commencing on 1 June 2012. His appointment is subject to retirement by rotation at general meeting of the Company in accordance with the articles of association of the Company. Pursuant to a service agreement, Mr. Zhou is entitled to an annual emolument of HK\$240,000 per annum which has been determined by the Board with reference to his duties and responsibilities with the Company, the Company's performance and the prevailing market situation and subject to the approval of the shareholders of the Company at the annual general meeting.

Mr. Zhou does not have any interests in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and he does not have any relationship with the directors, senior management, substantial shareholders or controlling shareholders of the Company.

Save as disclosed herein, there is no information in relation to Mr. Zhou which is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules and there is no other matter in relation to the appointment of Mr. Zhou as the Chief Executive Officer and the Chairman of Investment Committee of the Company that needs to be brought to the attention of shareholders of the Company.

#### **Update on proposed Capital Reorganization and Share Consolidation and change in board lot size**

Reference is made to the Company's announcement dated 14 May 2012 relating to the delay in timetable of the proposed Capital Reorganization and Share Consolidation and change in board lot size. Terms defined in the Company's circular dated 12 March 2012 relating to the proposed Share Consolidation and change in board lot size shall have the same meanings when used herein, unless the context otherwise requires.

It is expected that the petition relating to the Capital Reorganization will be filed prior to the end of November 2012 and the expected hearing date for obtaining the approval for the Capital Reorganization from the Grand Court of the Cayman Islands will be around the end of January 2013. The Company will make further announcement on the estimated timetable as soon as the hearing date before the Grand Court of the Cayman Islands has been fixed.

## **Update on major transaction in relation to acquisition of a forest plantation business**

Reference is made to the Company's announcements dated 7 December 2011 and 30 March 2012 relating to the proposed acquisition of a forest plantation business and extension of the long stop date for fulfillment of the conditions precedent set out in the Sale and Purchase Agreement to 5:00 p.m. on 30 June 2012. Terms defined in the Company's announcement dated 7 December 2011 shall have the same meanings when used herein, unless the context otherwise requires.

On 29 June 2012, the Vendor and the Purchaser entered into a letter of confirmation pursuant to which the parties have agreed to extend the date of fulfillment of the conditions precedent as set out in the Sale and Purchase Agreement to 5:00 p.m. on 31 March 2013.

Further reference is made to the Company's announcement dated 12 June 2012 in relation to delay in despatch of the relevant circular in respect of the Sale and Purchase Agreement and the transactions contemplated thereby ("**Circular**") to a date on or before 12 December 2012.

The Company is still in the course of finalizing certain information, including business and financial information of the Target Group and the valuation report on the Target for inclusion in the Circular. The Company shall make further announcement on the despatch date of the Circular as and when appropriate.

### **Resumption of Trading in Shares**

At the request of the Company, trading of the shares of the Company on the Stock Exchange was suspended from 9.00 a.m. on 24 February 2012. Application has been made for resumption of trading in the shares of the Company on the Stock Exchange with effect from 9:00 a.m. on 22 November 2012.

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

Hong Kong, 21 November 2012

*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. Cheung Ngai Lam, Mr. Wong Kwai Sang and Mr. Christopher David Thomas.*