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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)

DISCLOSEABLE TRANSACTION IN RELATION TO THE ACQUISITION OF SALE SHARES AND SALE LOAN INVOLVING THE ISSUE OF PROMISSORY NOTE

THE ACQUISITION

The Board is pleased to announce that on 6 June 2017 (after trading hours), the Purchaser, a direct wholly-owned subsidiary of the Company, the Vendor and the Target Group entered into the SPA, pursuant to which, the Purchaser has conditionally agreed to acquire the Sale Shares and take up the assignment of the Sale Loan and the Vendor has conditionally agreed to sell the Sale Shares and assign the Sale Loan at the Consideration, which has been satisfied as to (i) HK\$30 million in cash; and (ii) HK\$30 million by the issue of the Promissory Note by the Company to the Vendor. Completion has taken place simultaneously upon signing of the SPA. Upon Completion, the Target Company has become an indirect non-wholly-owned subsidiary of the Company and accordingly, the financial information of the Target Group will be consolidated into the accounts of the Group.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios under Chapter 14 of the Listing Rules in respect of the Acquisition is more than 5% but all applicable percentage ratios are less than 25%, the Acquisition constitutes discloseable transaction for the Company and is therefore subject to reporting and announcement requirement under Chapter 14 of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that on 6 June 2017 (after trading hours), the Purchaser, a direct wholly-owned subsidiary of the Company, the Vendor and the Target Group entered into the SPA, pursuant to which, the Purchaser has conditionally agreed to acquire the Sale Shares and take up the assignment of the Sale Loan and the Vendor has conditionally agreed to sell the Sale Shares and assign the Sale Loan at the Consideration, which has been satisfied as to (i) HK\$30 million in cash; and (ii) HK\$30 million by the issue of the Promissory Note by the Company to the Vendor.

THE SPA

The principal terms of the SPA are set out below:

- Date** : 6 June 2017 (after trading hours)
- Parties** : (i) the Purchaser
(ii) the Vendor
(iii) the Target Group

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, the Vendor is an Independent Third Party.

Assets to be acquired

Pursuant to the SPA, the Purchaser has conditionally agreed to acquire the Sale Shares and take up the assignment of the Sale Loan and the Vendor has conditionally agreed to sell the Sale Shares and assign the Sale Loan.

Consideration

The Consideration, in the amount of HK\$60 million, has been satisfied at Completion as to (i) HK\$30 million in cash; and (ii) HK\$30 million by the issue of the Promissory Note by the Company to the Vendor.

The Vendor agrees that he shall at his own costs and expenses arrange and deliver the Audited Completion Accounts to the Purchaser or the Purchaser's solicitors within forty-five (45) Business Days after Completion. If, as shown in the Audited Completion Accounts that, (i) the aggregate amount of the utility deposits, other prepaid expenses and cash and bank balance (the lower of HK\$10,000 or actual cash and bank balance) is lesser than; (ii) other than the Sale Loan, the aggregate amount of any provisions, account payables and liabilities (actual or contingent), the Vendor shall pay to the Purchaser 80% of such shortfall within five (5) Business Days from the date of receipt of the Audited Completion Accounts by the Purchaser or its solicitors. If there is no shortfall, the Vendor is not required to pay any amount to the Purchaser.

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

The Consideration was arrived after arm's length negotiations between the Purchaser and the Vendor and was determined after taking into account the following factors:

- (i) the property valuation of the Property (as defined below) with market value of approximately RMB70 million (equivalent to HK\$78 million) as at 31 May 2017 as prepared by an independent valuer; and
- (ii) the reasons and benefits of the Acquisition as stated under the section headed "Reasons for and benefits of the Acquisition" in this announcement.

Further details of the Property (as defined below) are set out in the section headed "Information on the Target Group and the Vendor" below. The Directors consider that the terms and conditions of the SPA, including the Consideration, are on normal commercial terms, fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

The Group has financed the Consideration by internal resources of the Group.

Completion

Completion has taken place simultaneously upon the signing of the SPA.

Upon Completion, the Company indirectly holds 80% of the interest in the Target Company which has become an indirect non-wholly-owned subsidiary of the Company. Accordingly, the financial information of the Target Group will be consolidated into the accounts of the Group.

Promissory Note

The Company has issued to the Vendor the Promissory Note in the principal amount of HK\$30 million upon Completion on the following principal terms:

- Issuer : the Company
- Principal amount : HK\$30 million (the “**Principal Sum**”)
- Issue date : the Completion Date
- Interest : Interest shall accrue on the Principal Sum or such part thereof for the time being outstanding commencing from the issue date of the Promissory Note at the rate of six per cent (6%) per annum. The Company shall pay to the holder of the Promissory Note the interest on the Principal Sum or such part thereof for the time being outstanding on the anniversary date of the date of the Promissory Note. Interest shall accrue from day to day, shall be calculated on the basis of the actual number of days elapsed and a 365 day year
- Maturity Date : the second anniversary of the date of the Promissory Note or such other date as the Company and the holder of the Promissory Note may agree in writing (the “**Maturity Date**”)
- Repayment : due and repayable on the Maturity Date
- Transferability : the holder of the Promissory Note may assign or transfer the Promissory Note to any person subject to prior written consent of the Company
- Early redemption : the Company may repay all or part of the Principal Sum together with interest accrued thereon at any time prior to the Maturity Date by giving prior written notice 7 days in advance to the holder of the Promissory Note

INFORMATION ON THE GROUP AND THE PURCHASER

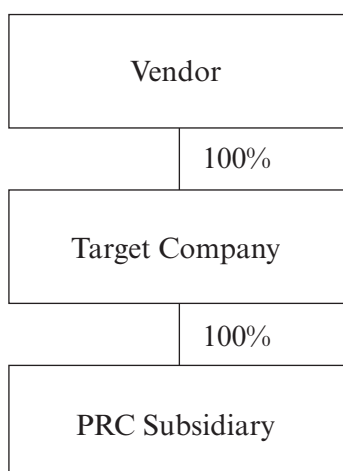
The Purchaser is a company incorporated in the BVI with limited liability and is a direct wholly-owned subsidiary of the Company with principal activity of investment holding.

The principal activities of the Group are motor trading, car parking space rentals, provision of financial services, securities trading and investment and 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, green technology markets in the PRC and overseas.

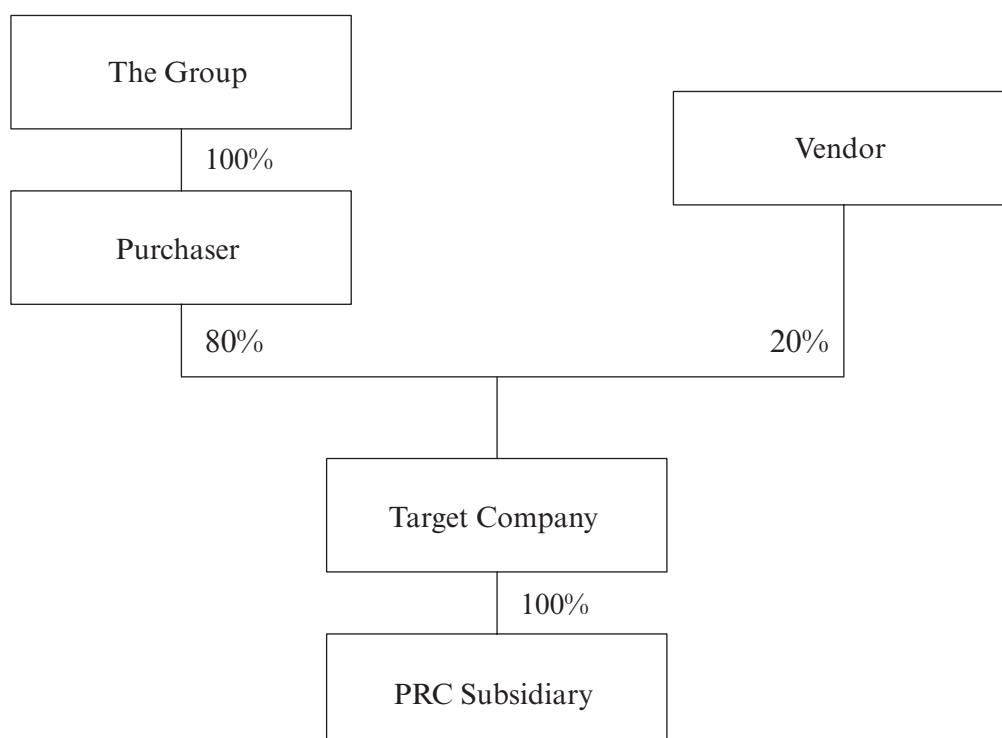
SHAREHOLDING STRUCTURE OF THE TARGET GROUP

Set out below is the shareholding structure of the Target Group (i) immediately prior to Completion; and (ii) immediately after Completion:

Shareholding structure of the Target Group immediately prior to Completion



Shareholding structure of the Target Group immediately after Completion



INFORMATION ON THE TARGET GROUP AND THE VENDOR

The Target Group

Immediately prior to the Completion, the Target Group was wholly-owned by the Vendor.

Upon Completion, the Target Group has become an indirect non-wholly-owned subsidiary of the Company which is owned as to 80% by the Purchaser and 20% by the Vendor.

The Target Company is a company incorporated in Hong Kong with limited liability and is the sole shareholder of the PRC Subsidiary. Its principal business activity is investment holding.

The PRC Subsidiary is a wholly foreign-owned enterprise registered and incorporated in the PRC. Currently, the PRC Subsidiary is not engaged in any business activity and its major asset is the industrial development which comprises 2 parcels of land with a site area of about 72,335.99 sq. m. and various buildings and ancillary structures erected thereon which has a total gross floor area of approximately 28,814.66 sq. m. located at Group of Longchuanzhou, Renzhou Village, Shatian, Dongguan City, Guangdong Province, the PRC (the “**Property**”).

The Vendor

Immediately prior to the Completion, the Vendor was the sole shareholder of the Target Company. Upon Completion, the Vendor holds 20% of the interest in the Target Company.

FINANCIAL INFORMATION OF THE TARGET GROUP

Set out below are the financial information of the Target Group as prepared in accordance with the Hong Kong Financial Reporting Standards for the year ended 31 March 2016 and 31 March 2017 respectively:

	Year ended 31 March 2016 (audited) HK\$'000	Year ended 31 March 2017 (audited) HK\$'000
Turnover	—	—
Net loss before taxation	(4,040)	(3,770)
Net loss after taxation	(4,040)	(3,770)

According to the financial information of the Target Group as at 31 March 2017, the audited consolidated net assets of the Target Group was approximately HK\$12.5 million.

REASONS FOR AND BENEFITS OF THE ACQUISITION

As stated in the interim report for the six months ended 31 December 2016 of the Company, 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 with growth potential 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 and to improve and broaden its asset base with high quality assets.

The Directors consider that the Belt and Road Initiative (the “**Initiative**”) promoted by the PRC will support economic development of the Guangdong Province as an international trade hub in the Southern China. Dongguan City, one of the major cities in Guangdong Province, is also one of the largest export markets in the PRC. In this connection, the Directors believe that the Initiative will foster demand for export goods and industrial properties in Dongguan City. The Property is one of the industrial developments located in Dongguan City and the Group intends to hold the Property for investment purpose. Having considered the location of the Property and the development potential of the Dongguan City, the Directors are of the view that the Acquisition will enable the Group to capture capital appreciation potential of the Property.

The Directors consider the Acquisition represents an attractive investment opportunity for the Group to enjoy the development potential of the Property and strengthen the asset base and/or income base of the Group.

The Directors consider that the terms of the SPA (including the Consideration) and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios under Chapter 14 of the Listing Rules in respect of the Acquisition is more than 5% but all applicable percentage ratios are less than 25%, the Acquisition constitutes discloseable transaction for the Company and is therefore subject to reporting and announcement requirement under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“Acquisition”	the acquisition of the Sale Shares and taking up the assignment of the Sale Loan pursuant to the SPA
“Audited Completion Accounts”	means the audited consolidated balance sheet of the Target Group as at the Completion Date and the audited consolidated profit and loss account for the period from the date immediately after 31 March 2017 up to Completion Date
“Board”	the board of Directors

“Business Days”	means 9:00 a.m. to 5:00 p.m. on any day (other than a Saturday, Sunday or public holiday in Hong Kong) on which banks in Hong Kong are open for normal banking business
“BVI”	the British Virgin Islands
“Company”	China Environmental Resources Group Limited (stock code: 1130), 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 Singapore Exchange Securities Trading Limited
“Completion”	the completion of the Acquisition pursuant to the terms and conditions of the SPA
“Completion Date”	6 June 2017
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the consideration to be paid by the Purchaser to the Vendor for the Sale Shares and the Sale Loan pursuant to the SPA
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	third party(ies) who is/are independent of, and not connected with, the Company and/or its connected persons
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“PRC Subsidiary”	東莞大新科技有限公司 (Dongguan Daxin Technology Co., Ltd.), a wholly foreign-owned enterprise registered and incorporated in the PRC
“Promissory Note”	the promissory note in the total principal sum of HK\$30 million issued by the Company
“Purchaser”	First Rank Corporation, a company incorporated in BVI with limited liability
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Loan”	means 80% of all outstanding amount owing by the Target Company to the Vendor on the Completion Date

“Sale Shares”	800 ordinary shares in the Target Company, representing 80% of the issued share capital of the Target Company
“Share(s)”	ordinary share(s) at par value of HK\$0.02 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“SPA”	the sale and purchase agreement dated 6 June 2017 entered into between the Purchaser, the Vendor and the Target Group in relation to the Acquisition
“sq. m.”	square metre(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Warner Investments Limited, a company incorporated in Hong Kong with limited liability
“Target Group”	the Target Company together with the PRC Subsidiary
“Vendor”	Mr. Chu Ying Man
“%”	per cent

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

Hong Kong, 6 June 2017

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.