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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)

BUSINESS UPDATE

DEVELOPMENT OF METAL RECYCLE 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.

Development of Metal Recycle Business

In view of the anticipated growth in the green business in which the Group has been principally engaged, the Group has established a wholly-owned subsidiary, namely Peak Environmental Resources Limited (高源環保產業有限公司) (the “**Subsidiary**”), to engage in the metal recycle business in Hong Kong. The Subsidiary is headed by a director who has over 20 years of experience in the metal recycle business and is well versed with the Hong Kong and China market in this industry.

As of now, the Subsidiary has leased a manufacturing base and acquired the necessary machineries and equipment to operate the waste metal collection and processing business in Hong Kong. The waste metal will be collected from different districts in Hong Kong and then centralized into the workshop located in New Territories for processing together with waste metal to be collected at the workshop.

It is expected that the operation of the metal recycle business could run smoothly within a very short period of adaptation and generate revenue to the Group.

Enhancement of Processing Capacity

Based on the Board’s research and assessment, the existing processing capacity of waste metal at the workshop may not fully satisfy the volume of business captured by the Group. In this regard, the Board decided to enhance the processing capacity by consigning an independent third party to provide processing service of waste metal.

On 31 October 2017 (after trading hours), Samuel Environmental Resources (Hong Kong) Limited (森淼環保產業(香港)有限公司) (“**Samuel HK**”), a wholly-owned subsidiary of the Company, entered into a metal recycling service agreement (the “**Service Agreement**”) with Marco Target Machinery Leasing Company Limited (隆誠機械租賃有限公司) (“**Marco Target**”), pursuant to which the Marco Target will be responsible for providing services of

processing of waste metal collected by Samuel HK for a term of one year from 1 November 2017 to 31 October 2018 which is renewable for another 12 months at the discretion of Samuel HK. It is expected that the entering into the Service Agreement could immediately enhance the volume of metal recycle business of the Group.

The processing fees for different metals under the Services Agreement were determined on arm's length basis with reference to the market prices subject to the adjustment at the end of each month.

The Board expects the metal recycle capacity at the workshop together with the processing services consignment can process approximately 10,000 tons waste metal per annum and bring substantial improvement in the revenue to the Group per annum.

Based on the above, having considered that (i) the metal recycle business could generate revenue to the Group within a short period of time; (ii) the processing capacity of waste metal would be immediately enhanced by entering into the Service Agreement in order to broaden the Group's revenue base, the Directors are of the view that the development of metal recycle business is in the ordinary and usual of course of business and in the interests of the Company and the shareholders as a whole.

This move of the Company is not subject to the notification and announcement requirements under Chapter 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

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

Hong Kong, 3 November 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.