

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 LEASE AGREEMENT

On 4 September 2019, Waldo (an indirect wholly-owned subsidiary of the Company) as lessee entered into the Lease Agreement with the Lessors as lessors in relation to the lease of the Premises for a term of 10 years commencing from 1 September 2019 to 31 August 2029. (both days inclusive).

LISTING RULES IMPLICATIONS

In accordance with HKFRS 16 “Leases”, the Group will recognize the value of the right-of-use asset on its balance sheet in connection with the lease of the Premises by the Group as lessee under the Lease Agreement. Accordingly, the lease transaction under the Lease Agreement will be regarded as acquisition of asset by the Group for the purpose of the Listing Rules.

As one of the applicable percentage ratios (as defined in the Listing Rules) in respect of the value of the right-of-use of the Premises under the Lease Agreement exceeds 5% but all applicable percentage ratios are less than 25%, the transaction contemplated thereunder constitutes discloseable transaction of the Company and is subject to the announcement requirement under Chapter 14 of the Listing Rules.

INTRODUCTION

Reference is made to the announcement of the Company dated 30 July 2019 (the “**Announcement**”). As disclosed in the Announcement, the Company is negotiating a lease at Kathmandu to operate a hotel with restaurant outlets.

On 4 September 2019, Waldo (an indirect wholly-owned subsidiary of the Company) as lessee entered into the Lease Agreement with the Lessors as lessors in relation to the lease of the Premises for a term of 10 years commencing from 1 September 2019 to 31 August 2029 (both days inclusive).

THE LEASE AGREEMENT

Principal terms of the Lease Agreement are summarised below:

Date: 4 September 2019

Lessors: The Lessors

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Lessors is an Independent Third Party as at the date of this announcement.

Lessee: Waldo

Premises: Small Chhaya Complex located at Kathmandu District, Kathmandu Metropolitan City, Ward No. 26, Thamel, Nepal on plot no. 1024

Rental: *For the first three years:* NPR 3,990,000 (equivalent to approximately HK\$269,000) per month, including rental tax.

For the fourth year and the subsequent term: the monthly rental shall be increased by 5% of the previous monthly rental every year.

The aggregate value of consideration payable under the Lease Agreement by the Lessee is NPR 552,971,000 (equivalent to approximately HK\$37,244,000) which will be satisfied by internal resources of the Group.

Term: 10 years commencing from 1 September 2019 to 31 August 2029 (both days inclusive)

Payment period: *For the first year:* three months of monthly rental is payable in advance on a quarterly basis with the first payment on or before five days prior to 1 September 2019

For the second year and the subsequent term: six months of monthly rental is payable in advance on a half yearly basis

Security deposits: A sum of NPR 11,970,000 (equivalent to approximately HK\$806,000), representing three months' rent, is payable within 7 days upon signing of the Lease Agreement

Other terms: Without prejudice to any other right or remedy of the Lessors under the Lease Agreement or at law, if the monthly rental or any part thereof or any other sum payable by the Lessee to the Lessors pursuant to the provisions of the Lease Agreement shall not have been paid upon the date whereon payment of the same is due then the Lessee shall pay to the Lessors daily interest upon the monthly rental or all such sums outstanding at the best lending rate for term loan of Rastriya Banijya Bank of Nepal from their respective due dates until the said monthly rental or such other sum outstanding shall have been paid. Interest payable by the Lessee upon arrears of the said monthly rental shall not itself be deemed to be part of the monthly rental

REASONS AND BENEFITS OF THE LEASE AGREEMENT

The Group is currently engaged in metal recycle business, motor and motor accessories business, car parking spaces rental, money lending business, golden flower tea products trading and securities trading and investment business. The Group also maintains 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 and green technology markets in the PRC and overseas.

It has been the business strategy of the Group to seek potential business opportunities in order to enhance value of the shareholders of the Company and strengthen its business portfolio.

According to a working paper last updated by the World Bank on 26 July 2019, gross domestic product growth in Nepal is estimated at 7.1 percent in financial year 2019, driven mainly by the service and agriculture sectors. The service sector is likely to grow by 7.5 per cent due to a boost in the retail, hotel and restaurant sub-sector, driven by an uptick in tourist arrivals and remittance-fueled private consumption. The Directors are of the view that the economic development of Nepal is positive.

In this connection, the Group had decided to explore business opportunities in the hotel and restaurant service industry in Nepal. The Premises is located in Nepal. The Group intends to lease the Premises for operation of business and commercial activities including but not limited to shops, hotel, food and beverage services.

The Board considers that entering into the Lease Agreement is in line with the Company's business development strategy and will facilitate the Group to tap into the service industry in Nepal with growth potential.

The terms of the Lease Agreement, including the rent, were determined after arm's length negotiation among the Lessors and Waldo and with reference to the open market rent of comparable premises in the vicinity of the Premises.

In light of the above, the Directors are of the view that the terms of the Lease Agreement are on normal commercial terms and fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

THE RIGHT-OF-USE ASSET

Based on preliminary estimation of the Company, the value of the right-of-use asset to be recognised by the Group under the Lease Agreement shall amount to approximately HK\$30.9 million, which is the present value of aggregate lease payments less incentives (if any), plus initial direct costs and estimated reinstatement cost with the lease in accordance with HKFRS 16. Discount rate of 3.57% is applied to compute the present value of aggregate lease payments less incentives (if any) under the Lease Agreement.

LISTING RULES IMPLICATIONS

In accordance with HKFRS 16 "Leases", the Group will recognize the value of the right-of-use asset on its balance sheet in connection with the lease of the Premises by the Group as lessee under the Lease Agreement. Accordingly, the lease transaction under the Lease Agreement will be regarded as acquisition of asset by the Group for the purpose of the Listing Rules.

As one of the applicable percentage ratios (as defined in the Listing Rules) in respect of the value of the right-of-use of the Premises under the Lease Agreement exceeds 5% but all applicable percentage ratios are less than 25%, the transaction contemplated thereunder constitutes discloseable transaction of the Company and is subject to the announcement requirement under Chapter 14 of the Listing Rules.

DEFINITION

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

"associate(s)"	has the meaning as ascribed to it under the Listing Rules
"Board"	the board of Directors

“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
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRS”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party”	a third party independent of the Company and its connected persons (as defined in the Listing Rules)
“Lease Agreement”	the lease agreement entered into among Waldo as lessee and the Lessors as lessors on 4 September 2019 for the lease of the Premises
“Lessors”	Narayan Krishna Shrestha, Kabita Shrestha and Khadananda Dawadi
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“NPR”	Nepali Rupees, the lawful currency of Nepal
“PRC”	The People’s Republic of China
“Premises”	Small Chhaya Complex located at Kathmandu District, Kathmandu Metropolitan City, Ward No. 26, Thamel, Nepal on plot no. 1024
“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)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Waldo” or “Lessee” Waldo Kingdom Private Limited, a company incorporated in Nepal and an indirect wholly-owned subsidiary of the Company

“%” per cent.

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

Hong Kong, 4 September 2019

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.