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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)**

### **MAJOR TRANSACTION DISPOSAL OF ENTIRE EQUITY INTEREST OF A SUBSIDIARY AND THE ASSIGNMENT OF THE SALE LOAN**

#### **THE DISPOSAL**

The Board is pleased to announce that on 31 March 2023 (after trading hours), the Company, the Purchaser and the Disposal Company entered into the SPA, pursuant to which, the Company (as vendor) has conditionally agreed to sell the Sale Share and assign the Sale Loan to the Purchaser, and the Purchaser has conditionally agreed to acquire the Sale Share and take up the assignment of the Sale Loan at the Transaction Consideration of HK\$59.0 million. The Sale Share represents the entire issued share capital of the Disposal Company. The major asset of the Disposal Group is the 80% interest in the Industrial Property.

As at the date of this announcement, the Disposal Company is a direct wholly-owned subsidiary of the Company. Upon Completion, the Company will cease to hold any interest in the Disposal Company. Accordingly, the Disposal Company will cease to be a subsidiary of the Company upon Completion and the financial results of the Disposal Group will no longer be consolidated into the financial statements of the Group.

#### **LISTING RULES IMPLICATIONS**

As the highest of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Disposal exceeds 25% but is less than 75%, the Disposal constitutes a major transaction for the Company under Chapter 14 of the Listing Rules, and therefore is subject to reporting, announcement and shareholders' approval requirements pursuant to Chapter 14 of the Listing Rules.

## **GENERAL**

The EGM will be convened for the purpose of considering and, if thought fit, approving the SPA and the transactions contemplated thereunder.

A circular containing, among other things, (i) further details of the SPA and the Disposal; (ii) the valuation report of the Industrial Property; (iii) other information required to be disclosed under the Listing Rules; and (iv) the notice convening the EGM is expected to be despatched to the Shareholders on or before 28 April 2023 as more time is required to prepare the information for inclusion in the circular.

**Completion of the Disposal is conditional upon the satisfaction or, if applicable, waiver of the conditions set out in the paragraph headed “Conditions Precedent” in this announcement, including the approval of the SPA and the transactions contemplated thereunder by the Shareholders at the EGM. Accordingly, the Disposal may or may not proceed. Shareholders and the potential investors of the Company are therefore advised to exercise caution when dealing the Shares.**

## **INTRODUCTION**

The Board is pleased to announce that on 31 March 2023 (after trading hours), the Company, the Purchaser and the Disposal Company entered into the SPA, pursuant to which, the Company (as vendor) has conditionally agreed to sell the Sale Share and assign the Sale Loan to the Purchaser, and the Purchaser has conditionally agreed to acquire the Sale Share and take up the assignment of the Sale Loan at the Transaction Consideration of HK\$59.0 million subject to the terms and conditions of the SPA.

## **THE SPA**

The principal terms of the SPA are set out below:

### **Date**

31 March 2023 (after trading hours)

### **Parties**

- (i) the Company (as vendor);
- (ii) the Purchaser (as purchaser); and
- (iii) the Disposal Company

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiry, the Purchaser is a merchant and an Independent Third Party.

## **Assets to be disposed**

The Company has conditionally agreed to sell the Sale Share and assign the Sale Loan to the Purchaser, and the Purchaser has conditionally agreed to acquire the Sale Share and take up the assignment of the Sale Loan. The Sale Share represents the entire issued share capital of the Disposal Company and the Sale Loan represents the Shareholder's Loan. The major asset of the Disposal Group is the 80% interest in the Industrial Property.

## **Transaction Consideration**

The Transaction Consideration in an aggregate amount of HK\$59.0 million is payable by the Purchaser by cashier order drawn on the licensed bank(s) in Hong Kong or solicitors' cheque(s) in HK\$ in the following manner:

- (i) as to HK\$5,900,000 is payable upon signing of the SPA;
- (ii) as to HK\$5,900,000 is payable within seven (7) days after the date on which the SPA and the transactions contemplated thereunder have been approved by the Shareholders at the EGM; and
- (iii) the remaining balance in the amount of HK\$47,200,000 is payable on Completion.

The Transaction Consideration was arrived at based on normal commercial terms after arm's length negotiations between the Company and the Purchaser and was determined with reference to, among others, (i) the unaudited consolidated net liabilities of the Disposal Group attributable to the Company of approximately HK\$8.2 million as at 31 December 2022; (ii) the Shareholder's Loan of approximately HK\$59.2 million as at 31 December 2022; (iii) the valuation of 80% interest in the Industrial Property attributable to the Group with an appraised market value of RMB49.76 million (equivalent to approximately HK\$56.23 million) (the "**Appraised Value**") as at 28 February 2023 as prepared by an independent valuer; and (iv) the reasons for and benefits of the Disposal described in the section headed "Reasons for and benefits of the Disposal" below.

As the Transaction Consideration represents a premium of approximately 15.7% over approximately HK\$51.0 million, being the sum of the unaudited consolidated net liabilities of the Disposal Group attributable to the Company and the Shareholder's Loan as at 31 December 2022, the Directors consider that the Transaction Consideration is fair and reasonable.

## **Conditions Precedent**

The Completion is conditional upon fulfilment of the following conditions:

- (a) the Company having shown and proved that it has good title to the Sale Share and the Sale Loan free from all Encumbrances to the reasonable satisfaction of the Purchaser;
- (b) the Company having shown and proved that the HK Subsidiary is the sole shareholder of the PRC Subsidiary and has a good title to (i) the entire registered capital of the PRC Subsidiary; and (ii) all amounts, including principal and interest, owing by the PRC Subsidiary to the HK Subsidiary, if any, free from all Encumbrances;
- (c) the Company having shown and proved that the PRC Subsidiary has a good title to the Industrial Property free from all Encumbrances; and
- (d) the passing of the necessary resolutions by the Shareholders in the EGM approving the SPA and the transactions contemplated thereunder.

None of the parties to the SPA is entitled to waive the condition (d) above. The Purchaser may waive (in whole or in part) any of the conditions referred to in (a) and (c) above, such waiver shall be effective only if it is made in writing and notified to the solicitors of the Company.

As at the date of this announcement, none of the above conditions have been waived or fulfilled.

## **Completion**

Upon fulfilment (or waiver where applicable) of all the conditions set out in the section headed “Conditions Precedent” above, the Completion will take place on the Completion Date. If prior to the Completion Date, any of the warranties set out in the SPA are found to be untrue, misleading or incorrect in any material respect, the Company shall make its best efforts to duly and completely rectify or remedy the same to the reasonable satisfaction of the Purchaser within a reasonable period before the Completion Date and the Purchaser shall be entitled to give notice in writing to the Company to postpone the Completion Date to 7 Business Days until and after all such untrue, misleading or incorrect warranties are rectified or remedied to its reasonable satisfaction.

Upon Completion, the Company will cease to hold any interest in the Disposal Company. Accordingly, the Disposal Company will cease to be a subsidiary of the Company upon Completion and the financial results of the Disposal Group will no longer be consolidated into the financial statements of the Group.

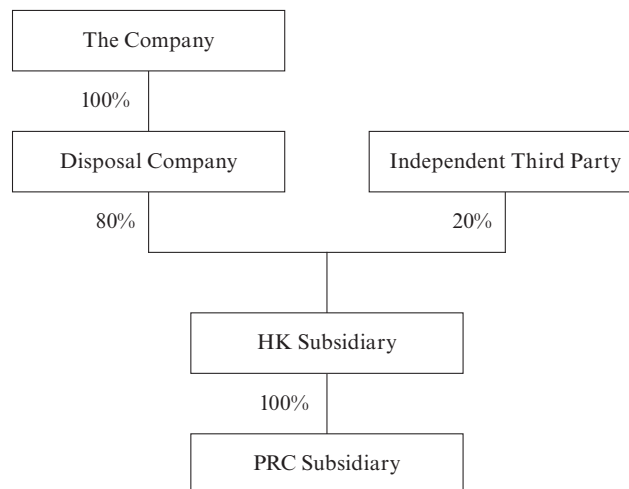
If the Completion does not proceed on the Completion Date because the Company has failed or is unable to discharge any of its obligations set out in the SPA, the Purchaser may: (a) by written notice to the Company defer Completion to a Business Day not more than seven (7) days after the Completion Date; or (b) proceed to Completion so far as practicable but without prejudice to the Purchaser's rights to the extent that the Company shall not have complied with its obligations thereunder; or (c) rescind the SPA upon giving written notice with immediate effect to the Company without liability on the part of the Purchaser. Upon rescission of the SPA by the Purchaser pursuant to (c) above, all moneys paid by the Purchaser to the Company under the SPA shall be returned to the Purchaser forthwith who shall also be entitled to recover from the Company damages (if any) which the Purchaser may sustain by reason of such failure on the part of the Company.

If the Completion does not proceed on the Completion Date because the Purchaser has failed or is unable to discharge any of his obligations set out in the SPA, the Company may determine the SPA by giving written notice of termination to the Purchaser or the solicitors of the Purchaser. The Company shall be entitled to forfeit any sums paid, as disclosed under (i) and (ii) in the section headed "Transaction Consideration" in this announcement, absolutely as agreed liquidated damages but not as penalty without prejudice to any other rights and remedies of the Vendor.

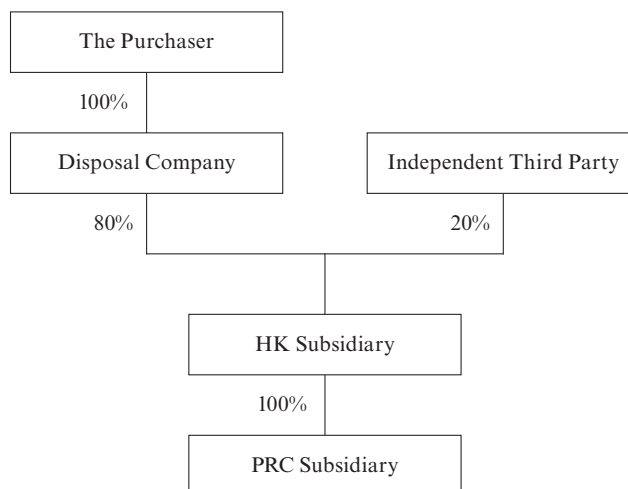
## INFORMATION ON THE DISPOSAL GROUP

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

### Shareholding structure of the Disposal Group immediately prior to Completion



## Shareholding structure of the Disposal Group immediately after Completion



As at the date of this announcement, the Disposal Company is directly wholly-owned by the Company. Upon Completion, the Company will cease to hold any interest in the Disposal Company.

The Disposal Company is a company incorporated in the BVI with limited liability and is an investment holding company.

The HK Subsidiary is a company incorporated in Hong Kong with limited liability and is owned as to 80% by the Disposal Company and 20% by an Independent Third Party. Its principal business activity is investment holding and it holds the entire equity interest in the PRC Subsidiary.

The PRC Subsidiary is a wholly foreign-owned enterprise registered and established in the PRC. Currently, the PRC Subsidiary is not engaged in any business activity and its major asset is the Industrial Property which comprises two parcels of land with a total site area of about 72,335.99 sq. m. (or approximately 778,627.50 sq. ft.) and various buildings and ancillary structures erected thereon with a total gross floor area of approximately 28,814.66 sq. m. (or approximately 310,161.00 sq. ft.) located at Group of Longchuanzhou, Renzhou Village, Shatian Town, Dongguan City, Guangdong Province, the PRC, which is in a vacant possession as at the date of this announcement.

## FINANCIAL INFORMATION ON THE DISPOSAL GROUP

Set out below are the unaudited consolidated financial information of the Disposal Group as prepared in accordance with the Hong Kong Financial Reporting Standards for the years ended 30 June 2021 and 30 June 2022 and the six months ended 31 December 2022:

	<b>For the six months ended 31 December 2022</b> (unaudited) <i>Approximate</i> <i>HK\$'000</i>	<b>For the year ended 30 June</b> <b>2022</b> (unaudited) <i>Approximate</i> <i>HK\$'000</i>		<b>2021</b> (unaudited) <i>Approximate</i> <i>HK\$'000</i>
Turnover	—	—	—	—
Loss before taxation	968	646	646	671
Loss after taxation	968	646	646	671

According to the financial information of the Disposal Group as at 31 December 2022, the unaudited consolidated net assets of the Disposal Group was approximately HK\$1.3 million and the unaudited consolidated net liabilities of the Disposal Group attributable to the Company was approximately HK\$8.2 million.

## FINANCIAL EFFECT OF THE DISPOSAL

As at the date of this announcement, the Disposal Company is a direct wholly-owned subsidiary of the Company. Upon Completion, the Company will cease to hold any interest in the Disposal Company. Accordingly, the Disposal Company will cease to be a subsidiary of the Company upon Completion and the financial results of the Disposal Group will no longer be consolidated into the financial statements of the Group.

For illustrative purpose, assuming the Completion has taken place on 31 December 2022, it is estimated that the Company would realise an unaudited gain on the Disposal of approximately HK\$19.0 million, being the difference between the Transaction Consideration of HK\$59.0 million and the adjusted unaudited consolidated net assets of the Disposal Group attributable to the Company of approximately HK\$38.9 million as at 31 December 2022, taking into account the assignment of the Sale Loan, after deducting the expenses attributable to the Disposal of approximately HK\$1.1 million. However, the Shareholders should note that the above estimation has not taken into account the potential tax impact upon Completion and the actual financial effect as a result of the Disposal to be recorded by the Group is subject to final audit to be performed by the auditors of the Company.

The Company intends to use the net proceeds from the Disposal of approximately HK\$57.9 million for (i) potential business and investment opportunities which may arise from time to time; (ii) repayment of indebtedness of the Company; (iii) general working capital of the Group.

## **REASONS FOR AND BENEFITS OF THE DISPOSAL**

The Group is principally engaged in metal recycle business, motor and motor accessories business, car parking spaces rental, money lending business 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. The Group is developing hotel business in Nepal. The Group has been continuing to explore new business opportunities for corporate development and dedicates to develop sustainable current business.

As stated in the interim report of the Company for the six months ended 31 December 2022, the Industrial Property was affected by a new town zoning plan in which part of the land would be used as or affected by an exit and its connected roads from a new highway to Shatian Town. Negotiations with the relevant government authorities (the “**Negotiations**”) were still undergoing. Plans for best use of the land and buildings can only be devised when final results are known.

Given that the Negotiations have been proceeding since 2018 and no agreement has been reached up to and including the date of the SPA, the Board considers that there is no guarantee on the timeframe for obtaining the results of the lengthy Negotiations and it is unforeseeable as to whether such results will be favourable to the future development of the Industrial Property. Accordingly, the Board is of the view that the Disposal provides the Group a great opportunity to realise its long-term investment in the Disposal Group so as to reallocate the Group’s financial resources for optimizing the operational efficiency and to enhance the return to the Group.

Based on the above, the Directors consider that the terms of the SPA are on normal commercial terms, fair and reasonable and the Disposal is in the interests of the Company and the Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

As the highest of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Disposal exceeds 25% but is less than 75%, the Disposal constitutes a major transaction for the Company under Chapter 14 of the Listing Rules, and therefore is subject to reporting, announcement and shareholders’ approval requirements pursuant to Chapter 14 of the Listing Rules.



## GENERAL

The EGM will be convened for the purpose of considering and, if thought fit, approving the SPA and the transactions contemplated thereunder. A circular containing, among other things, (i) further details of the SPA and the Disposal; (ii) the valuation report of the Industrial Property; (iii) other information as required to be disclosed under the Listing Rules; and (iv) the notice convening the EGM is expected to be despatched to the Shareholders on or before 28 April 2023 as more time is required to prepare the information for inclusion in the circular.

**Completion of the Disposal is conditional upon the satisfaction or, if applicable, waiver of the conditions set out in the paragraph headed “Conditions Precedent” in this announcement, including the approval of the SPA and the transactions contemplated thereunder by the Shareholders at the EGM. Accordingly, the Disposal may or may not proceed. Shareholders and potential investors of the Company are therefore advised to exercise caution when dealing in the Shares.**

## DEFINITIONS

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

“associate(s)”	has the meaning as ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day”	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, 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”	means completion of the sale and purchase of the Sale Share and the assignment of the Sale Loan in accordance with the terms and conditions of the SPA
“Completion Date”	means any day within six (6) months after the date of passing of the necessary resolutions by the Shareholders in the EGM approving the SPA and the transactions contemplated thereunder and on a date mutually agreed upon in advance by the parties to the SPA in writing

“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Sale Share and the assignment of the Sale Loan pursuant to the terms and conditions of the SPA
“Disposal Company”	First Rank Corporation, a company incorporated in the BVI with limited liability and as at the date of this announcement, a direct wholly-owned subsidiary of the Company
“Disposal Group”	the Disposal Company and its subsidiaries including the HK Subsidiary and the PRC Subsidiary
“EGM”	an extraordinary general meeting of the Company to be convened for the purpose of considering, and if thought fit, approving the SPA and the transactions contemplated thereunder
“Encumbrance(s)”	any mortgage, charge, pledge, lien, rental assignment, priority or security interest, whatsoever over or in any property, assets or rights whatsoever nature and includes any agreement for any of the same held by or conferred upon any person other than the owner of the subject matter
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HK Subsidiary”	Warner Investments Limited, a company incorporated in Hong Kong with limited liability
“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 (as defined in the Listing Rules)
“Industrial Property”	an industrial development comprising two parcels of land located at Group of Longchuanzhou, Renzhou Village, Shatian Town, Dongguan City, Guangdong Province, the PRC (中國廣東省東莞市沙田鎮稔洲村龍船洲小組) with a total site area of about 72,335.99 sq.m (or approximately 778,627.50 sq.ft.) and various buildings and ancillary structures erected thereon with a total gross floor area of approximately 28,814.66 sq. m. (or approximately 310,161.00 sq.ft.)

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan Consideration”	an amount equal to the Sale Loan, and in case the Sale Loan exceeds the Transaction Consideration, an amount equivalent to the Transaction Consideration less HK\$8.00, being the cash consideration for the Sale Loan
“PRC”	the People’s Republic of China, excluding, for the purposes of the SPA, Hong Kong, Macao Special Administrative Region and the territory of 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 established in the PRC
“Purchaser”	Mr. WONG Shing Chau, a merchant and an Independent Third Party
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Loan”	means the total amount of the Shareholder’s Loan
“Sale Share”	being one (1) issued ordinary share in the Disposal Company, representing the entire issued share capital of the Disposal Company
“Share Consideration”	the cash consideration for the Sale Share, being the difference between the Transaction Consideration and the Loan Consideration and in case the Sale Loan exceeds the Transaction Consideration, HK\$8.00
“Share(s)”	ordinary share(s) of HK\$0.02 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Shareholder’s Loan”	the shareholder’s loan, including principal and interest, owed by the Disposal Company to the Company as at Completion on the Completion Date, the entire sum of which shall be assigned by the Company to the Vendor as the Sale Loan (such loan balance as at 31 December 2022 was approximately HK\$59.2 million)
“SPA”	the sale and purchase agreement dated 31 March 2023 entered into among the Company, the Purchaser and the Disposal Company in relation to the Disposal

“sq. ft.”	square feet
“sq. m.”	square metre(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transaction Consideration”	the cash consideration for the Disposal, being an aggregate of HK\$59.0 million
“%”	per cent.

\* *For identification purposes only*

For the purpose of illustration only, conversions of RMB into HK\$ in this announcement are based on the exchange rate of RMB1.00 to HK\$1.13. Such conversions should not be construed as representations that any amounts have been, could have been, or may be, exchanged at this or any other rates

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

Hong Kong, 31 March 2023

*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.*