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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)

PLACING OF NEW SHARES UNDER GENERAL MANDATE

Placing Agent



Reference is made to the announcement of the Company dated 25 March 2014 in relation to a possible placing under general mandate.

On 26 March 2014 (after trading hours), the Company entered into the Placing Agreement with the Placing Agent whereby the Company conditionally agreed to place, through the Placing Agent, on a best effort basis, 157,142,418 new Shares to not less than six independent Placees at the Placing Price of HK\$0.375 per Placing Share.

Assuming that there will be no change in the issued share capital of the Company between the date of this announcement and completion of the Placing, the Placing Shares represent 20.00% of the Company's existing issued share capital and approximately 16.66% of the Company's issued share capital as enlarged by the allotment and issue of the Placing Shares.

The Placing Price of HK\$0.375 per Placing Share represents (i) a discount of approximately 18.48% to the closing price of HK\$0.46 per Share as quoted on the Stock Exchange on 26 March 2014, being the date of the Placing Agreement; and (ii) a discount of approximately 4.34% to the average closing price of HK\$0.392 per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including 25 March 2014.

The gross proceeds from the Placing will be approximately HK\$58.93 million. The Company intends to use the entire net proceeds of approximately HK\$57.35 million from the Placing as general working capital of the Group.

The Placing is conditional upon, among others, the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Placing Shares.

As completion of the Placing is subject to the satisfaction of a number of conditions, the Placing may or may not proceed. Shareholders and the public are reminded to exercise caution when dealing in the Shares.

Reference is made to the announcement of the Company dated 25 March 2014 in relation to a possible placing under general mandate. The Board is pleased to announce that on 26 March 2014, the Placing Agreement was entered into between the Company and the Placing Agent. Summarized below are the principal terms of the Placing Agreement.

THE PLACING AGREEMENT

Date

26 March 2014 (after trading hours)

Parties

The Company and the Placing Agent

Placing Agent

Get Nice Securities Limited, the Placing Agent, has conditionally agreed to place 157,142,418 Placing Shares on a best effort basis and in consideration thereof, it will receive a placing commission of 2.5% on the gross proceeds of the Placing upon completion of the Placing. The Directors are of the view that the placing commission accords with the market rate and is fair and reasonable.

To the best of the Directors' knowledge and belief having made all reasonable enquiries, as at the date of this announcement, the Placing Agent and its ultimate beneficial owners are third parties independent of, not acting in concert (as defined in the Takeovers Code) with and not connected with the Company and its connected persons.

Placees

The Placing Agent will place the Placing Shares to not less than six independent Placees, being professional, institutional or other investors, who and whose ultimate beneficial owners are third parties independent of, not acting in concert (as defined in the Takeovers Code) with and not connected with the Company and its connected persons. It is expected that none of the Placees will become substantial Shareholder (as defined in the Listing Rules) immediately after completion of the Placing.

Number of Placing Shares

Assuming that there will be no change in the issued share capital of the Company between the date of this announcement and the completion of the Placing, the 157,142,418 Placing Shares represent 20.00% of the Company's existing issued share capital and approximately 16.66% of the Company's issued share capital as enlarged by the allotment and issue of the Placing Shares. The aggregate nominal value of the Placing Shares under the Placing will be HK\$3,142,848.36.

Placing Price

The Placing Price of HK\$0.375 per Placing Share represents (i) a discount of approximately 18.48% to the closing price of HK\$0.46 per Share as quoted on the Stock Exchange on 26 March 2014, being the date of the Placing Agreement; and (ii) a discount of approximately 4.34% to the average closing price of HK\$0.392 per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including 25 March 2014.

The Placing Price, which was agreed after arm's length negotiation between the Company and the Placing Agent, was determined with reference to the prevailing market price of the Shares. The Directors consider that the terms of the Placing are on normal commercial terms and are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Ranking of Placing Shares

The Placing Shares, when issued and fully paid, will rank pari passu in all respects among themselves and with the Shares in issue on the date of allotment and issue of the Placing Shares.

General Mandate

The Placing Shares will be allotted and issued under the General Mandate granted to the Directors by a resolution of the Shareholders passed at the annual general meeting of the Company held on 27 November 2013 pursuant to which the Directors are allowed to allot and issue up to 157,142,418 new Shares.

As at the date of this announcement, no new Shares have been issued and allotted pursuant to the General Mandate. Accordingly, the issue of the Placing Shares is not subject to the approval of the Shareholders.

Condition of the Placing

Completion of the Placing is conditional upon

1. the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Placing Shares; and
2. the transactions contemplated by the Placing Agreement not being prohibited by law or regulation or interpretation thereof (including without limitation, any statute, order, rule, regulation, request, judgement or directive promulgated or issued by any legislative, executive, judicial or regulatory body or authority) in Hong Kong, Singapore or other jurisdiction which is applicable to the Company or the Placing Agent.

If the conditions are not fulfilled on or prior to the Long Stop Date, the Placing Agreement shall terminate and none of the parties shall have any claim against the other for costs, damages, compensation or otherwise save for any antecedent breach of the Placing Agreement.

Application will be made by the Company to the Listing Committee of the Stock Exchange for the grant of the listing of, and permission to deal in, the Placing Shares.

Termination of the placing

The Placing Agent may terminate the Placing Agreement without any liability to the Company, by notice in writing to the Company at any time prior to the Completion Date upon the occurrence of any of the following events which, in the absolute opinion of the Placing Agent, has or may have a material adverse effect on the business or financial conditions, affairs or prospects of the Company or the Group taken as a whole or the success of the Placing or otherwise makes it inappropriate, inadvisable or inexpedient to proceed with the Placing on the terms and in the manner contemplated in the Placing Agreement:

(A) there develops, occurs or comes into force:

- (i) the occurrence of any event, development or change (whether or not local, national or international or forming part of a series of events, developments or changes occurring or continuing before, on and/or after the date of the Placing Agreement) and including an event or change in relation to or a development of an existing state of affairs of a political, military, industrial, financial, economic, fiscal, regulatory or other nature, resulting in a material change in, or which may result in a material change in, political, economic, fiscal, financial, regulatory or stock market conditions; or
- (ii) the imposition of any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange or the SGX-ST occurring due to exceptional financial circumstances or otherwise; or
- (iii) any material change in conditions of local, national or international securities markets occurs; or
- (iv) any new law or regulation or change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong, Singapore or any other jurisdiction relevant to the Group; or
- (v) a change or development occurs involving a prospective change of taxation or exchange control (or the implementation of exchange control) in Hong Kong, Singapore or elsewhere; or
- (vi) any litigation or claim being instigated against the Company or any member of the Group; or

- (B) any material breach of any of the representations, warranties and undertakings by the Company set out in the Placing Agreement or any event occurs or any matter arises on or after the date of the Placing Agreement and prior to the Completion Date which if it had occurred or arisen before the date of the Placing Agreement would have rendered any of such representations and warranties untrue or incorrect in any material respect or there has been a material breach by the Company of any other provision of the Placing Agreement; or
- (C) there is any adverse change in the financial position of the Company which is material in the context of the Placing;

then and in any such case, the Placing Agent may terminate the Placing Agreement without liability to the Company by giving notice in writing to the Company provided that such notice is received prior to the Long Stop Date.

Upon the giving of the above mentioned notice by the Placing Agent to the Company, all obligations of each of the parties under the Placing Agreement shall cease and determine and no party shall have any claim against the other party in respect of any matter arising out of or in connection with the Placing Agreement except for any antecedent breach of any obligation under the Placing Agreement; and outstanding liabilities under the terms of the Placing Agreement.

Completion of the Placing

Completion of the Placing shall take place on the Completion Date.

As completion of the Placing is subject to the satisfaction of the conditions under the Placing Agreement, the Placing may or may not proceed. Shareholders and the public are reminded to exercise caution when dealing in the Shares.

REASONS FOR THE PLACING AND USE OF PROCEEDS

The Company is an investment holding company. Its subsidiaries are principally engaged in 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, green medical markets and green technology markets in the PRC and overseas.

The gross proceeds from the Placing will be approximately HK\$58.93 million. The Company intends to use the entire net proceeds of approximately HK\$57.35 million from the Placing as general working capital of the Group. The net proceeds raised per Placing Share will be approximately HK\$0.365.

The Directors are of the view that the Placing will enlarge the shareholder base and the capital base of the Company. In addition, the net proceeds of the Placing will strengthen the Group's financial position for future development of the Group. Accordingly, they consider that the Placing is in the interests of the Company and the Shareholders as a whole.

FUND RAISING EXERCISES DURING THE PAST 12 MONTHS

Date of announcement	Fund raising activity	Net proceeds to be raised (approximately)	Proposed use of the net proceeds	Actual use of the net proceeds
20 March 2013	Placing of 24,000,000 new shares under general mandate	HK\$6.13 million	General working capital of the Group	Fully utilized as: <ol style="list-style-type: none"> 1. Approximately HK\$3.4 million was used to settle professional fees and general administrative expenses of the Group; and 2. Approximately HK\$2.73 million was used to settle part of the payment obligation of approximately of HK\$5.8 million of an acquisition, details of which was announced by the Company on 23 April 2013
10 June 2013	Placing of 30,453,958 new shares under general mandate	HK\$5.74 million	General working capital of the Group	Fully utilized as: <ol style="list-style-type: none"> 1. Approximately HK\$3.07 million was used to settle part of the payment obligation of approximately HK\$5.8 million of an acquisition, details of which was announced by the Company on 23 April 2013; and 2. Approximately HK\$2.67 million was used to settle professional fees and general administrative expenses of the Group.

Date of announcement	Fund raising activity	Net proceeds to be raised (approximately)	Proposed use of the net proceeds	Actual use of the net proceeds
15 August 2013.	Open Offer on the basis of 33 offers shares for every 10 existing shares held on record date.	HK\$156.8 million	For financing:— 1. Approximately HK\$150.0 million for financing the payment of refundable cash deposit (the “Deposit”) of the formal agreement (the “Formal Agreement”) in relation to proposed acquisition (the “Proposed Acquisition”) in the event that the Formal Agreement is entered into; and 2. General working capital of the Group	Fully utilized as: 1. Approximately HK\$150.0 million has been applied for the payment of the Deposit, and 2. Approximately HK\$6.8 million was used to settle professional fees and the remaining was applied to general administrative expenses of the Group.

Save as disclosed above, the Company has not conducted any other fund raising exercises in the past twelve months before the date of this announcement.

EFFECT ON SHAREHOLDING STRUCTURE

The shareholding structures of the Company (i) as at the date of this announcement and (ii) immediately after completion of the Placing (assuming there is no change in the share capital of the Company between the date of this announcement and completion of the Placing) are set out below for illustration purpose:

Name of Shareholders	As at the date of this announcement		Immediately after completion of the Placing	
	Number of Shares	Approximately %	Number of Shares	Approximately %
Mr. Yeung Chi Hang ("Mr. Yeung") ^(Note 1)	125,000,000	15.91	125,000,000	13.26
Mr. Cheng Tun Nei	80,378,816	10.23	80,378,816	8.53
Public Shareholders:				
- The Placees	—	—	157,142,418	16.66
- Others	<u>580,333,274</u>	<u>73.86</u>	<u>580,333,274</u>	<u>61.55</u>
Total	<u>785,712,090</u>	<u>100.00</u>	<u>942,854,508</u>	<u>100.00</u>

Note

1. Mr. Yeung is an executive Director of the Company.

DEFINITIONS

In this announcement, the following terms shall have the meanings ascribed to them below unless the context otherwise requires:

“Board”	the board of Directors
“Business Day”	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for business
“Company”	China Environmental Resources Group Limited (Stock Code: 1130), a company incorporated in 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 SGX-ST

“Completion Date”	means a day as soon as possible following the satisfaction of all the conditions of the Placing and in any event not later than five (5) Business Days after the satisfaction of the conditions of the Placing (or such other date as the Company and the Placing Agent may agree in writing) and on which completion of the Placing will take place
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“Director(s)”	the director(s) of the Company
“General Mandate”	the mandate granted to the Directors by the Shareholders at the annual general meeting of the Company held on 27 November 2013 to allot, issue and deal with up to 20% of the then issued share capital of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
”Long Stop Date”	16 April 2014 or such later date as the Company and the Placing Agent shall agree
“Placees”	any professional, institutional or other investor procured by the Placing Agent to subscribe for any of the Placing Shares pursuant to the Placing Agreement
“Placing”	placing of 157,142,418 new Shares by the Placing Agent on a best effort basis pursuant to the terms of the Placing Agreement
“Placing Agent”	Get Nice Securities Limited, a licensed corporation to carry on business in type 1 regulated activity (dealing in securities), type 4 regulated activity (advising on securities), type 6 regulated activity (advising on corporate finance) and type 9 regulated activity (asset management) under the SFO

“Placing Agreement”	a conditional placing agreement dated 26 March 2014 entered into between the Company and the Placing Agent in relation to the Placing
“Placing Price”	HK\$0.375 per Placing Share
“Placing Shares”	157,142,418 new Shares to be placed under the Placing
“PRC”	the People’s Republic of China
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGX-ST”	the Singapore Exchange Securities Trading Limited
“Shareholder(s)”	holder(s) of Share(s)
“Share(s)”	ordinary share(s) at par value of HK\$0.02 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Code on Takeovers and Mergers in Hong Kong
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent

By order of the Board
China Environmental Resources Group Limited
Kwok Wai, Wilfred
Executive Director

Hong Kong, 26 March 2014

As at the date of this announcement, the Board comprises four executive Directors, namely Mr. Kwok Wai, Wilfred, Mr. Leung Kwong Choi, Mr. Wong Po Keung and Mr. Yeung Chi Hang; and three independent non-executive Directors, namely Mr. Wong Kwai Sang, Mr. Chan Ka Yin and Mr. Ong Chi King.