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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)**

**(1) CONTINUING CONNECTED TRANSACTION –  
TENANCY AGREEMENT;**

**(2) REFRESHMENT OF GENERAL MANDATE  
TO ALLOT AND ISSUE SHARES;**

**AND**

**(3) REFRESHMENT OF SCHEME MANDATE LIMIT**

### **CONTINUING CONNECTED TRANSACTION – TENANCY AGREEMENT**

On 6 July 2016, Harvest Top, a wholly-owned subsidiary of the Company, as tenant, has entered into the Tenancy Agreement with High Brand as landlord, in respect of the leasing of the Property for a term of two year(s) commencing from 1 August 2016 to 31 July 2018 at the monthly rental of HK\$173,740 during the lease period.

### **LISTING RULES IMPLICATIONS**

As High Brand is a company which is indirectly owned as to 50% by Mrs. Yeung, High Brand is a connected person of the Company under Chapter 14A of the Listing Rules. As one of the applicable percentage ratios exceeds 5% on an annual basis, the transactions contemplated under the Tenancy Agreement constitute continuing connected transactions of the Company which are subject to the reporting, announcement, Independent Shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules.

## **REFRESHMENT OF GENERAL MANDATE**

At the 2015 AGM, the Shareholders approved, among other things, the Existing General Mandate which authorised the Directors to allot and issue not more than 282,856,352 Shares, being 20% of the then entire issued share capital of the Company of 1,414,281,762 Shares as at the date of the 2015 AGM.

The Board proposes to refresh the Existing General Mandate for the Directors to allot and issue new Shares up to 20% of the issued share capital of the Company as at the date of passing of such resolution at the EGM.

## **REFRESHMENT OF SCHEME MANDATE LIMIT**

The Board has resolved to refresh the Scheme Mandate Limit so as to provide the Company with the flexibility of granting further Options under the Share Option Scheme and to provide incentives to, and recognise the contributions of, the Group's employees and other selected grantees. The Board proposes to seek the approval of the Shareholders at the EGM to refresh the Scheme Mandate Limit.

## **GENERAL**

The Company will convene the EGM for the purpose of seeking the approval of the Shareholders and/or Independent Shareholders (as required under the Listing Rules) on the (i) Tenancy Agreement (including the proposed annual caps thereof); (ii) the proposed grant of the Refreshed General Mandate; and (iii) the refreshment of Scheme Mandate Limit. The relevant resolutions to be proposed at the EGM will be voted by poll in compliance with the Listing Rules.

An Independent Board Committee has been established to advise the Independent Shareholders in respect of the Tenancy Agreement (including the proposed annual caps thereof) and the proposed grant of the Refreshed General Mandate. Grand Moore has been appointed and approved as the independent financial adviser by the Board to advise the Independent Board Committee and the Independent Shareholders in this regard.

## **DESPATCH OF CIRCULAR**

A circular containing, among other things, (i) details of the Tenancy Agreement (including the proposed annual caps thereof); (ii) the proposed grant of the Refreshed General Mandate; (iii) the proposed refreshment of the Scheme Mandate Limit; (iv) the recommendation from the Independent Board Committee to the Independent Shareholders on the Tenancy Agreement (including the proposed annual caps thereof) and the proposed grant of the Refreshed General Mandate; (v) a letter of advice from Grand Moore to the Independent Board Committee and the Independent Shareholders on the Tenancy Agreement (including the proposed annual caps thereof) and the proposed grant of the Refreshed General Mandate; and (vi) the notice of EGM, is expected to be despatched to the Shareholders in accordance with the Listing Rules as soon as practicable.

## CONTINUING CONNECTED TRANSACTION – TENANCY AGREEMENT

On 6 July 2016, Harvest Top, a wholly-owned subsidiary of the Company, as tenant, has entered into the Tenancy Agreement with High Brand as landlord, in respect of the leasing of the Property.

The principal terms of the Tenancy Agreement are set out below:

Parties:	High Brand as landlord and Harvest Top as tenant
Property being leased:	Unit 2811, 28th Floor, West Tower, Shun Tak Centre, No. 168-200 Connaught Road Central, Hong Kong
Term:	1 August 2016 to 31 July 2018 (both days inclusive)
Monthly rental:	HK\$173,740 per month exclusive of rates, government rent, management fees, air-condition charge, water charge, electricity charge, gas charge and all other outgoings. The rental is payable in advance on the first day of each month.
Deposit:	HK\$593,442 (representing three months' rent and management fee and one quarter of government rates) and is payable upon signing of the Tenancy Agreement

### Proposed Annual Caps of the Tenancy Agreement

Based on the monthly rental payable under the Tenancy Agreement, the proposed annual cap for each of the three years ending 30 June 2019 under the Tenancy Agreement is set out below:

	<b>For the year ending 30 June 2017</b>	<b>For the year ending 30 June 2018</b>	<b>For the year ending 30 June 2019</b>
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Proposed annual cap amount	1,911,140	2,084,880	173,740

## **Condition**

The transactions contemplated under the Tenancy Agreement will be subject to the fulfillment of the following condition:

- (i) the passing by the Independent Shareholders at the EGM of a resolution approving the Tenancy Agreement and the transactions contemplated thereunder (including the proposed annual caps thereof).

If the condition for the Tenancy Agreement set out above is not fulfilled on or before 31 July 2016, the Tenancy Agreement shall cease and determine and thereafter neither party shall have any obligations and liabilities towards each other thereunder and shall have no further claims against the other under the Tenancy Agreement for costs, damages compensation or otherwise, save for any antecedent breaches of the terms thereof.

## **Reasons and Benefit for entering into the Tenancy Agreement**

The Property is currently used by the Group as office premises. The Directors are of the view that the lease of the Property under the Tenancy Agreement will help the Group to maintain stability in operations and it may minimize the administrative time and cost for finding and relocating to a new premises.

The terms of the Tenancy Agreement were negotiated on an arm's length negotiations with reference to the prevailing market rent for comparable premises in the vicinity. The monthly rental rate of the Property per square feet is comparable to the market rental rate of a neighboring unit located on the same floor in West Tower of Shun Tak Centre.

The Directors (excluding the independent non-executive Directors who will form their view after reviewing the advice from the Independent Financial Adviser) are of the view that:

- (i) the terms of the Tenancy Agreement are on normal commercial terms that are fair and reasonable;
- (ii) the proposed annual caps are fair and reasonable; and
- (iii) the continuing connected transactions contemplated under the Tenancy Agreement are and will be conducted in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

Mr. Yeung has abstained from voting at the board meeting of the Company held to approve the Tenancy Agreement and the annual cap amounts in view of the deemed interests in the transaction by virtue of Mrs. Yeung (who has 50% indirect equity interest in High Brand), being the mother of Mr. Yeung. Save for Mr. Yeung, none of the Directors have a material interest in the Tenancy Agreement and were required to abstain from voting on the relevant Board resolution in respect of the Tenancy Agreement.

## **Information of the Group and Harvest Top**

The principal activity of the Company is investment holding.

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

The principal activity of Harvest Top is property investment.

## **Information of High Brand**

The principal business activity of High Brand is property investment.

## **Listing Rules Implications**

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the date of this announcement, 50% of the issued share capital of High Brand is indirectly owned by Mrs. Yeung, being the mother of Mr. Yeung, and is therefore an associate of Mr. Yeung and hence a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the transactions as contemplated under the Tenancy Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As one of the applicable percentage ratios exceeds 5% on an annual basis, the transactions contemplated under the Tenancy Agreement are subject to reporting, announcement, Independent Shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules.

## **Voting at EGM**

The Company will convene the EGM for the purpose of seeking the approval of the Independent Shareholders on the Tenancy Agreement (including the proposed annual caps thereof). The relevant resolution to be proposed at the EGM will be voted by poll in compliance with the Listing Rules.

As at the date of this announcement, Mr. Yeung held 187,500,000 Shares and given the connection between Mrs. Yeung and Mr. Yeung, Mr. Yeung is deemed to have material interest in the Tenancy Agreement, Mr. Yeung and his associates will abstain from voting on the relevant resolution to be proposed at the EGM. Save for Mr. Yeung, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as no Shareholder has a material interest in the Tenancy Agreement, no other Shareholder is required to abstain from voting in respect of the ordinary resolution at the EGM to approve the Tenancy Agreement (including the proposed annual caps thereof).

The Independent Board Committee comprising all the independent non-executive Directors

has been established to advise the Independent Shareholders in respect of the Tenancy Agreement (including the proposed annual caps thereof). Grand Moore has been appointed and approved as the independent financial adviser by the Board to advise the Independent Board Committee of the Company and the Independent Shareholders in this regard.

## **REFRESHMENT OF GENERAL MANDATE**

At the 2015 AGM, the Shareholders approved, among other things, the Existing General Mandate which authorised the Directors to allot and issue not more than 282,856,352 Shares, being 20% of the then entire issued share capital of the Company of 1,414,281,762 Shares as at the date of the 2015 AGM.

Reference is made to the Company's announcements dated 26 April 2016 and 13 May 2016 in relation to the placing of 282,856,352 Shares. The Existing General Mandate was fully utilised upon the completion of the placing of a total of 282,856,352 Shares to not less than six places on 13 May 2016.

The Board proposed to refresh the Existing General Mandate for the Directors to allot and issue new Shares up to 20% of the issued share capital of the Company as at the date of passing of such resolution at the EGM.

As at the date of this announcement, the Company had an aggregate of 1,697,138,114 Shares in issue and no Shares are available to be issued pursuant to the Existing General Mandate. Save for the proposed grant of the Refreshed General Mandate, there has been no refreshment of the Existing General Mandate since the 2015 AGM.

Subject to the approval of the Independent Shareholders of the Refreshed General Mandate, and assuming that no other Shares will be issued and/or repurchased by the Company on or prior to the date of the EGM, the Shares in issue as at the date of the EGM would be 1,697,138,114 Shares, which means that under the Refreshed General Mandate, the Directors would be authorised to allot and issue a maximum of 339,427,622 Shares, being 20% of the Shares in issue as at the date of this announcement.

## **Reasons for the proposed grant of Refreshed General Mandate**

The Directors consider that funding requirements or appropriate investment opportunities may or may not arise at any time prior to the next annual general meeting. If such opportunities arise prior to the next annual general meeting, decisions may have to be made within a short and limited period of time. The Board considers that equity financing under a general mandate will (i) provide more flexibility for financing to the Group for future possible funding needs and enable the Company to capture possible equity fund raising in a timely manner when compared to specific mandates; (ii) provide an opportunity for the Group to issue the Company's securities as consideration for possible future investment opportunities; (iii) incur no interest obligations on the Group and thus the cost of funding under general mandates is lower than debt financing; (iv) be less costly and time-consuming than equity fund raising by way of rights issue or open offer; and (v) provide a good opportunity to enlarge the shareholder and capital base of the Company. The Board (excluding the independent non-executive Directors who will form their view after reviewing the advice from the Independent Financial Adviser) therefore considers that the Refreshed General Mandate is fair and reasonable and in the best interests of the Company and its Shareholders as a whole.

## **Voting at EGM**

As the proposed grant of the Refreshed General Mandate is to be proposed to the Shareholders before the Company's next annual general meeting, pursuant to the Listing Rules, this proposal is subject to the Independent Shareholders' approval by way of poll at the EGM. Pursuant to Rule 13.36(4)(a) of the Listing Rules, the Refreshed General Mandate requires the Independent Shareholders' approval at the EGM at which any of the controlling Shareholders and their associates or, where there are no controlling Shareholders, Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the relevant resolution. As there is no controlling Shareholder, Mr. Yeung, being executive Director, held 187,500,000 Shares representing approximately 11.05% of the Shares in issue as at the date of this announcement, is required to abstain from voting in favour of the relevant resolution in respect of the granting of the Refreshed General Mandate. In such an event, the Board was advised by Mr. Yeung that he has no intention to vote against the relevant resolution.

Save as disclosed above, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no other Shareholder is required to abstain from voting on the proposed resolution on the grant of the Refreshed General Mandate at the EGM.

## **REFRESHMENT OF SCHEME MANDATE LIMIT**

The Board has resolved to refresh the Scheme Mandate Limit so as to provide the Company with the flexibility of granting further Options under the Share Option Scheme and to provide incentives to, and recognise the contributions of, the Group's employees and other selected grantees. The Board proposes to seek the approval of the Shareholders at the EGM to refresh the Scheme Mandate Limit.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder has a material interest in the proposed refreshment of the Scheme Mandate Limit and no Shareholder will be required to abstain from voting on the relevant resolution to be proposed at the EGM.

## **GENERAL**

The Independent Board Committee which comprises Mr. Wong Kwai Sang, Mr. Ong Chi King and Mr. Heung Chee Hang, all being the independent non-executive Directors, has been established to advise the Independent Shareholders on (i) the Tenancy Agreement (including the proposed annual caps thereof); and (ii) the proposed grant of the Refreshed General Mandate.

Grand Moore has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of (i) the Tenancy Agreement (including the proposed annual caps thereof); and (ii) the proposed grant of the Refreshed General Mandate.

A circular containing, among others, information regarding (i) the Tenancy Agreement (including the proposed annual caps thereof); (ii) the proposed grant of the Refreshed General Mandate; (iii) the proposed refreshment of the Scheme Mandate Limit; (iv) the recommendation from the Independent Board Committee to the Independent Shareholders on the Tenancy Agreement (including the proposed annual caps thereof) and proposed grant of the Refreshed General Mandate; (v) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders on the Tenancy Agreement (including the proposed annual caps thereof) and the proposed grant of the Refreshed General Mandate; and (vi) the notice of the EGM will be despatched to the Shareholders as soon as practicable.

## DEFINITION

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

“2015 AGM”	the 2015 annual general meeting of the Company held on 11 November 2015
“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
“connected person(s)”	the meaning ascribed thereto under the Listing Rules
“controlling Shareholder(s)”	has the same meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened to consider and if thought fit approve (i) the Tenancy Agreement (including the proposed annual caps thereof); (ii) the proposed grant of the Refreshed General Mandate; and (iii) the proposed refreshment of the Scheme Mandate Limit
“Existing General Mandate”	the general mandate granted to the Directors by the Shareholders at the 2015 AGM to allot, issue and deal with Shares of not exceeding 20% of the then issued share capital of the Company as at the date of the 2015 AGM
“Group”	the Company and its subsidiaries
“Harvest Top”	Harvest Top Development Limited, a company incorporated Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
“High Brand”	High Brand Limited (鴻升有限公司), a company incorporated in Hong Kong, and is indirectly owned as to 50% by Mrs. Yeung

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	an independent board committee of the Company comprising all the independent non-executive Directors
“Independent Financial Adviser” or “Grand Moore”	Grand Moore Capital Limited, a corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Tenancy Agreement (including the proposed annual caps thereof) and the proposed grant of the Refreshed General Mandate
“Independent Shareholder(s)”	Shareholder(s) other than any controlling Shareholders and their associates, or where there are no controlling Shareholders, any Director (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Yeung”	Mr. Yeung Chi Hang, an executive Director, the Chairman and chief executive officer of the Company and a substantial Shareholder
“Mrs. Yeung”	Ms. Ma Shu Chin (alias Ms. Ma Shuk Kam), mother of Mr. Yeung
“Option(s)”	option(s) granted or to be granted under the Share Option Scheme
“Property”	Unit 2811, 28th Floor, West Tower, Shun Tak Centre, No.168-200 Connaught Road Central, Hong Kong
“Refreshed General Mandate”	the new general mandate proposed to be sought at the EGM to authorize the Directors to allot, issue and deal with Shares not exceeding 20% of the issued share capital of the Company as at the date of the passing of the relevant resolution

“Scheme Mandate Limit”	the total number of Shares which may be allotted and issued upon exercise of all options to be granted by the Board under the Share Option Scheme and any other share option scheme(s) of the Company to subscribe up to 10% of the Shares in issue as at the date of approval of the Share Option Scheme and thereafter, if refreshed, the total number of Shares which may be allotted and issued upon exercise of all options to be granted shall not exceed 10% of the Shares in issue as at the date of approval by the Shareholders of the refreshed limit
“Share Option Scheme”	the share option scheme adopted by the Company on 11 November 2015
“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)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tenancy Agreement”	the tenancy agreement dated 6 July 2016 entered into between Harvest Top as tenant and High Brand as landlord in relation to the leasing of the Property
“%”	per cent.

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

Hong Kong, 6 July 2016

*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.*