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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 Agents

 **KINGSTON SECURITIES**

 **聯合證券**
Head & Shoulders Securities

THE PLACING

On 12 March 2018 (after trading hours), the Placing Agents and the Company entered into the Placing Agreement pursuant to which the Placing Agents agreed to place, on a best effort basis, of up to 339,400,000 Placing Shares to currently expected to be not less than six Placees who are Independent Third Parties.

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 339,400,000 Placing Shares under the Placing represent (i) approximately 20% of the existing issued share capital of the Company of 1,697,138,114 Shares as at the date of this announcement; and (ii) approximately 16.67% of the issued share capital of the Company 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\$6,788,000.

The Placing Price of HK\$0.255 represents: (i) a discount of approximately 17.74% to the closing price of HK\$0.31 as quoted on the Stock Exchange on the date of the Placing Agreement; and (ii) a discount of approximately 19.56% to the average closing price of HK\$0.317 as quoted on the Stock Exchange for last five consecutive trading days immediately preceding to the date of the Placing Agreement.

The Placing is conditional upon, amongst other things, the Listing Committee of the Stock Exchange granting or agreeing to grant the listing of, and permission to deal in, the Placing Shares.

The maximum gross proceeds from the Placing will be approximately HK\$86.55 million. The maximum net proceeds from the Placing will amount to approximately HK\$84.13 million intended to be utilised for the general working capital of the Group. The net proceeds raised per Placing Share will be approximately HK\$0.248.

Shareholders and potential investors should note that the Placing is subject to conditions under the Placing Agreement to be fulfilled. As the Placing may or may not proceed, Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

THE PLACING AGREEMENT

Date

12 March 2018 (after trading hours)

Issuer

The Company

Placing Agents

Kingston Securities and Head & Shoulders Securities

The Company has conditionally agreed to place through the Placing Agents, on a best effort basis, of up to 339,400,000 Placing Shares to independent Placées. Each of the Placing Agents will receive a placing commission of 2.5% of the aggregate amount equal to the Placing Price multiplied by the actual number of Placing Shares successfully placed by each of the Placing Agents. The terms of the Placing Agreement were arrived at after arm's length negotiations between the Company and the Placing Agents under normal commercial terms and with reference to, amongst other things, the prevailing market conditions. The Directors are of the view that the terms of the Placing Agreement are fair and reasonable and in the interest of the Company and its Shareholders as a whole.

Placees

The Placing Agents will place the Placing Shares to currently expected to be not less than six Placees, who and whose ultimate beneficial owner(s) are Independent Third Parties.

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 339,400,000 Placing Shares under the Placing represent (i) approximately 20% of the existing issued share capital of the Company of 1,697,138,114 Shares as at the date of this announcement; and (ii) approximately 16.67% of the issued share capital of the Company 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\$6,788,000.

Ranking of Placing Shares

The Placing Shares under the Placing will rank, upon issue, *pari passu* in all respects with the Shares in issue on the date of allotment and issue of the Placing Shares.

Placing Price

The Placing Price of HK\$0.255 represents:

- (i) a discount of approximately 17.74% to the closing price of HK\$0.31 as quoted on the Stock Exchange on the date of the Placing Agreement; and
- (ii) a discount of approximately 19.56% to the average closing price per Share of HK\$0.317 as quoted on the Stock Exchange for the last five consecutive trading days immediately preceding to the date of the Placing Agreement.

The Placing Price was determined with reference to, amongst other things, the prevailing market price of the Shares and was negotiated on an arm's length basis between the Company and the Placing Agents. The Directors consider that the terms of the Placing are on normal commercial terms and are fair and reasonable based on the current market conditions. Hence, the Directors consider that the Placing is in the interests of the Company and its Shareholders as a whole.

General Mandate

The Placing Shares will be issued under the General Mandate which the Company is authorised to issue up to 339,427,622 new Shares. Up to the date of this announcement, no new Shares have been issued under the General Mandate.

Conditions of the Placing

Completion of the Placing is conditional upon:

- (i) there shall not have occurred any breach or any event render untrue or inaccurate, any of the representations, warranties or undertakings under the Placing Agreement;
- (ii) listing of and permission to deal in all the Placing Shares being granted (subject only to allotment) by the Listing Committee of the Stock Exchange in principle and dealings of the Placing Shares being allowed by the Stock Exchange (and such listing and permission not subsequently being revoked);
- (iii) no relevant government, governmental, quasi-governmental, statutory or regulatory body, court or agency having granted any order or made any decision that would make the Placing void, unenforceable or illegal, or restrict or prohibit the implementation of, or impose any additional material conditions or obligations with respect to the Placing (other than such orders or decisions as would not have a material adverse effect on the legal ability of the Company to proceed with the Placing); and
- (iv) the Placing Agreement not being terminated by the Placing Agents pursuant to the terms of the Placing Agreement.

In the event that the conditions to the Placing are not fulfilled within 15 business days from the date of the Placing Agreement (or such later date as may be agreed between the Company and the Placing Agents), the obligations and liabilities of the Company under the Placing shall be null and void except that certain terms and conditions of the Placing Agreement shall remain in full force and effect.

Termination

The Placing Agreement may be terminated by the Placing Agents at any time on or prior to the date of completion of the Placing:

- (a) if there has come to the notice of any of the Placing Agents that:
 - (i) any statement contained in this announcement was, when it was issued, or has become, untrue, incorrect or misleading in any material respect; or
 - (ii) any matter has been discovered which would, had it been discovered immediately before the date of this announcement, constitute a material omission therefrom; or
 - (iii) any matter has been discovered which would, had it been discovered immediately before the date of this announcement, constitute a material omission therefrom; or

- (iv) any breach of the undertakings, representations and warranties set out in the Placing Agreement; or
 - (v) any material breach of any of the obligations imposed upon any party to the Placing Agreement (other than the Placing Agents); or
 - (vi) any of the undertakings, representations and warranties set out in the Placing Agreement would be untrue or inaccurate or misleading in any material respect if given at that time; or
- (b) if there develops, occurs, or comes into effect the following events that, in the absolute opinion of any of the Placing Agents, would prejudice the success of the Placing:
- (i) 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 hereof) 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, whether or not sui generis with any of the foregoing, resulting in a material adverse change in, or which might be expected to result in a material adverse 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 occurring due to exceptional financial circumstances or otherwise; or
 - (iii) any 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 and if any such new law or change would materially and adversely affect the business or financial prospects of 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; or
 - (vi) any litigation or claim of material importance of any third party being instigated against any member of the Group, which has or may have a material adverse effect on the business or financial prospects of the Group.

The Directors are not aware of the occurrence of any of such events as at the date of this announcement.

If notice is given by the Placing Agents to terminate the Placing Agreement in accordance with the terms of the Placing Agreement, save for certain surviving provisions, the Placing Agreement shall thereupon cease to have effect, and none of the parties to the Placing Agreement shall have any rights or claims by reason thereof except for any antecedent breach of any obligations under the Placing Agreement.

Completion of the Placing

Completion of the Placing is expected to take place on or before the fourth business day after the day on which the conditions to the Placing have been fulfilled (or another time or date as the Company and the Placing Agents shall agree in writing).

REASONS FOR THE PLACING AND USE OF PROCEEDS

The principal activities of the Group are metal recycle business, motor trading, car parking spaces rentals, provision of financial services, securities trading and investment and sales and distribution of plantation products, environmental system and plantation materials.

The maximum gross proceeds from the Placing will be approximately HK\$86.55 million. The maximum net proceeds from the Placing will amount to approximately HK\$84.13 million intended to be utilised for the general working capital of the Group. The net proceeds raised per Placing Share will be approximately HK\$0.248.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company had not conducted any equity fund raising activities in the past twelve months immediately preceding the date of this announcement.

EFFECTS ON SHAREHOLDING STRUCTURE

The existing shareholding structure of the Company and the effect on the shareholding structure of the Company upon completion of the Placing (assuming the Placing Shares are placed in full and there will be no other change in the issued share capital of the Company between the date of this announcement and completion of the Placing) is set out as below:

	As at the date of this announcement		Immediately upon the completion of Placing	
	<i>No. of Shares</i>	<i>Approx. %</i>	<i>No. of Shares</i>	<i>Approx. %</i>
Yeung Chi Hang	187,500,000	11.05	187,500,000	9.21
Li Xiao Wu	186,318,000	10.98	186,318,000	9.15
Places	—	—	339,400,000	16.67
Other public shareholders	<u>1,323,320,114</u>	<u>77.97</u>	<u>1,323,320,114</u>	<u>64.97</u>
Total	<u>1,697,138,114</u>	<u>100.00</u>	<u>2,036,538,114</u>	<u>100.00</u>

Note: the percentages are subject to rounding error, if any.

GENERAL

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.

DEFINITIONS

The following terms shall have the following meanings ascribed to them respectively in this announcement unless the context otherwise requires:

“AGM”	the annual general meeting of the Company held on 8 November 2017
“Board”	the board of Directors
“Company”	China Environmental Resources Group Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Stock Exchange (stock code: 1130)
“Director(s)”	the director(s) of the Company

“General Mandate”	the general mandate granted to the Board pursuant to the ordinary resolution passed by the Shareholders at the AGM to allot, issue and deal with Shares up to 20% of the then issued share capital of the Company (being 1,697,138,114 Shares) as at the date of passing such resolution, which is equivalent to 339,427,622 Shares
“Group”	the Company and its subsidiaries
“Head & Shoulders Securities”	Head & Shoulders Securities Limited, a licensed corporation to carry on business in Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	third party(ies) independent of the Company and its connected persons (as defined under the Listing Rules)
“Kingston Securities”	Kingston Securities Limited, a licensed corporation to carry on business in Type 1 (dealing in securities) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Placee(s)”	any professional, institutional or other investor(s) or any of their respective subsidiaries or associates procured by the Placing Agents to subscribe for any of the Placing Shares
“Placing”	the placing of up to 339,400,000 Placing Shares pursuant to the terms of the Placing Agreement
“Placing Agents”	Kingston Securities and Head & Shoulders Securities
“Placing Agreement”	the placing agreement entered into between the Company and the Placing Agents dated 12 March 2018 in relation to the Placing
“Placing Price”	HK\$0.255 per Placing Share
“Placing Share(s)”	up to 339,400,000 new Shares to be placed pursuant to the Placing Agreement
“Shareholders”	holder(s) of the Share(s)

“Share(s)”	the ordinary share(s) of HK\$0.02 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

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

Hong Kong, 12 March 2018

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.