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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)

VOLUNTARY ANNOUNCEMENT

ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF THE TARGET COMPANY AND THE SALE LOAN

This announcement is made by the Company on a voluntary basis to provide update on the business and development of the Group to the Shareholders and potential investors.

THE ACQUISITION

The Board is pleased to announce that on 2 May 2018 (after trading hours), the Purchaser, a direct wholly-owned subsidiary of the Company, the Vendor and the Target Company entered into the SPA, pursuant to which, the Purchaser has conditionally agreed to acquire the Sale Share and the Sale Loan and the Vendor has conditionally agreed to sell the Sale Share and the Sale Loan at the Consideration, which will be fully satisfied in cash. Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company.

LISTING RULES IMPLICATIONS

As the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition are all below 5%, the Acquisition does not constitute a notifiable transaction for the Company under Chapter 14 of the Listing Rules.

As Completion is conditional upon fulfilment of the conditions precedent set out in the SPA, the Acquisition may or may not proceed. Shareholders and potential investors should exercise caution when dealing in securities of the Company.

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THE SPA

The principal terms of the SPA are set out below:

Date

2 May 2018 (after trading hours)

Parties

- (i) the Purchaser
- (ii) the Vendor
- (iii) the Target Company

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, the Vendor is an Independent Third Party.

Assets to be acquired

Pursuant to the SPA, the Purchaser has conditionally agreed to acquire the Sale Share and the Sale Loan and the Vendor has conditionally agreed to sell the Sale Share and the Sale Loan.

Consideration

Subject to the production of the evidence of payment by the Company of costs for the purpose of the entering into and implementing of the Framework Agreement and the Formal Exclusive Sale Representative Agreement, the Consideration shall be the aggregate of such cost paid by the Target Company to the PRC Company as at the date of the Completion or HK\$25,000,000, whichever is the lesser.

The Consideration shall be paid by the Purchaser to the Vendor upon Completion.

The Consideration was arrived after arm's length negotiations between the Purchaser and the Vendor and was determined after taking into account the following factors:

- (i) the anticipated amount of the Sale Loan after considering the anticipated consideration to be paid by the Target Company for the Formal Exclusive Sale Representative Agreement;
- (ii) the total paid-up amount of the Target Company; and
- (iii) the reasons for and benefits of the Acquisition as stated under the section headed "Reasons for and benefits of the Acquisition" in this announcement.

The Consideration will be financed by the internal resources of the Group.

Conditions Precedent

Pursuant to the SPA, Completion shall be subject to and conditional upon:

- (a) there having been no breach of the the representations, warranties and undertakings provided by the Vendor under the SPA from the date of the SPA up to and inclusive of the Completion Date;
- (b) there having been no material adverse change in the financial, cashflow and trading position or prospects of the Target Company since the date of the SPA;
- (c) the Purchaser's accountant having reviewed the accounts of the Target Company and the PRC Company at the Purchaser's cost and expense, and the result of such review having been satisfactory to the Purchaser in its sole discretion;
- (d) the solicitors of the Purchaser having conducted and completed legal and financial due diligence on the Target Company and the PRC Company at the Purchaser's cost and expense, the outcome of such due diligence having been satisfactory to the Purchaser in its sole discretion;
- (e) entering into the Formal Exclusive Sale Representative Agreement and the content thereof is accepted by the Purchaser in its sole discretion;
- (f) the Purchaser having conducted and completed business due diligence on the Golden Flower Tea Business at the Purchaser's cost and expenses, and the result of such due diligence having been satisfactory to the Purchaser in its sole discretion; and
- (g) the requisite approval, consent, permits and licenses from the relevant government authority and the regulatory authority (including but not limited to the Stock Exchange) in the applicable jurisdictions to which the parties are subject for the transactions hereby contemplated, if any, having been obtained.

Save and except for condition (e), the Purchaser may waive any or all of the conditions stated above.

Completion

Completion shall take place at or before 12:00 noon on the Completion Date. Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company.

INFORMATION OF THE TARGET COMPANY AND THE PRC COMPANY

The Target Company is a company incorporated in the BVI with limited liability. Currently, the Target Company is in active negotiation of the Formal Exclusive Sale Representative Agreement with the PRC Company.

Upon entering into of the Formal Exclusive Sale Representative Agreement, the Target Company will have secured exclusive rights from the PRC Company for the distribution and sale of products associated with the Golden Flower Tea Business in the PRC for a period of 30 years.

The PRC Company is a company incorporated in the PRC with limited liability. At present, the PRC Company is principally engaged in the production and sale of golden flower tea products. Subsequent to the Appointment, the PRC Company will be responsible for production activities where the Target Company will be responsible for sales and distribution activities of tea and related products associated with the Golden Flower Tea Business.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is currently engaged in metal recycle business, motor trading, car parking spaces rental, money lender business, securities trading and investment business and 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.

As stated in the interim report of the Company for the six months ended 31 December 2017, the Group has been continuing to explore new business opportunities for corporate development. The Directors are of the view that the Acquisition represents an attractive opportunity for the Group to enhance and broaden its business portfolio and income base of the Group by tapping into the tea business in the PRC.

Tea products have been traditionally viewed as having therapeutic attributes and have been well received by the Chinese communities as health supplement, soothing drinks and unique gifts. According to the statistics published by Euromonitor International, the world consumed 2.9 million tonnes of tea in 2016, up by 1.3 million tonnes as compared

to that in 2002 and is forecasted to reach 3.3 million tonnes in 2021. In terms of global tea consumption, more than half of global tea consumption comes from Asia and among which, the PRC is the largest market for tea consumption.

According to the information provided by the PRC Company, golden flower tea* (金花茶) has various health efficacy, such as conditioning against hyperlipemia and strengthening digestive and immune system and is also used for treating hematochezia and profuse menstruation. In this connection, the Directors are optimistic about the prospect of golden flower tea and related products.

After the Appointment, the Target Company will be granted exclusive rights in selling golden flower tea products in respect of the Golden Flower Tea Business in the PRC. In the connection, the Target Company will be able to capture business potential stemming from the prevalence of tea products in the PRC and the therapeutic value of golden flower tea. As such, the Acquisition will further reinforce the Group's strategy in diversifying its business portfolio by tapping into the PRC tea market and will create additional income stream for the Group.

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

LISTING RULES IMPLICATIONS

As the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition are all below 5%, the Acquisition does not constitute a notifiable transaction for the Company under Chapter 14 of the Listing Rules. This announcement is made by the Company on a voluntary basis to provide update on the business and development of the Group to the Shareholders and potential investors.

As Completion is conditional upon fulfilment of the conditions precedent set out in the SPA, the Acquisition may or may not proceed. Shareholders and potential investors should exercise caution when dealing in securities of the Company.

DEFINITIONS

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

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| “Acquisition” | the acquisition of the Sale Share and the Sale Loan pursuant to the SPA |
| “Appointment” | the appointment of the Target Company as an exclusive sale representative of the PRC Company pursuant to the Formal Exclusive Sale Representative Agreement |
| “Board” | the board of Directors |
| “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” | the completion of the Acquisition pursuant to the terms and conditions of the SPA |
| “Completion Accounts” | the management accounts of the Target Company comprising the unaudited balance sheet (consolidated or otherwise) as at the Completion Date, and the unaudited profit and loss account of the Target Company, prepared in accordance with generally accepted accounting principal, standards, and practices in Hong Kong, for the period from the date immediately after 31 March 2018 up to and inclusive of the Completion Date certified to be true and correct by a director of the Target Company |
| “Completion Date” | 31 October 2018 |
| “connected person(s)” | has the meaning ascribed to it under the Listing Rules |
| “Consideration” | the consideration to be paid by the Purchaser to the Vendor for the Sale Share and the Sale Loan pursuant to the SPA |
| “Director(s)” | director(s) of the Company |
| “Formal Exclusive Sale Representative Agreement” | the legally binding formal exclusive sale representative agreement to be entered into between the Target Company and the PRC Company pursuant to the Framework Agreement |

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| “Framework Agreement” | the non-legally binding framework agreement in respect of the Golden Flower Tea Business made between the Target Company and the PRC Company |
| “Golden Flower Tea Business” | means the distribution and sales of golden flower tea and its related product in PRC to be carried out by the Target Company |
| “Group” | the Company and its subsidiaries |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |
| “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 |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “PRC” | the People’s Republic of China |
| “PRC Company” | 廣東南多萬金農業發展有限公司, a company incorporated in the PRC with limited liability |
| “Purchaser” | International Richway Limited, a company incorporated in Hong Kong with limited liability |
| “Sale Loan” | means all the principal, interests and other sums and indebtedness and amounts whatsoever due or owing or payable to the Vendor by the Target Company as at Completion as shown on the Completion Accounts |
| “Sale Share” | one ordinary share in the issued share capital of the Target Company, representing the entire issued share capital of the Target Company as at the date of the SPA and on Completion |
| “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) |
| “SPA” | the sale and purchase agreement dated 2 May 2018 entered into between the Purchaser, the Vendor and the Target Company in relation to the Acquisition |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |

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| “Target Company” | Reward Pinnacle Limited, a company incorporated in the BVI with limited liability |
| “Vendor” | an individual who is an Independent Third Party |
| “%” | per cent. |

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

Hong Kong, 2 May 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.