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) SUPPLEMENTAL INFORMATION FOR DISCLOSURE IN THE ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2022 AND (2) DISCLOSEABLE TRANSACTION RELATING TO FURTHER EXTENSION OF LOAN

SUPPLEMENTAL INFORMATION ON THE MONEY LENDING BUSINESS OF THE GROUP FOR DISCLOSURE IN THE 2022 ANNUAL REPORT

Reference is made to the 2022 Annual Report. In addition to the information disclosed in the 2022 Annual Report, the Board would like to provide the Shareholders and potential investors of the Company with additional information regarding the money lending business of the Group.

DISCLOSEABLE TRANSACTION RELATING TO FURTHER EXTENSION OF LOAN

References are made to the announcements of the Company dated (i) 2 September 2016 in relation to the provision of Loan 1 in the principal amount of HK$5,000,000; and (ii) 3 March 2017 and 1 September 2017 in relation to the extensions of Loan 1. The Loan Agreement was further amended and supplemented on each of 1 September 2018, 1 June 2019, 13 December 2019, 10 June 2020, 10 December 2020, 10 December 2021 and 10 December 2022 pursuant to the respective Supplemental Agreements (including the 2022 Supplemental Agreement).

Further Extension

The Board announces that, on 10 December 2022, the Lender, being a direct wholly-owned subsidiary of the Company, entered into the 2022 Supplemental Agreement with Borrower 1 to further extend the repayment date of Loan 1 to 2656 days from the date of drawdown (i.e. a date falling on 11 December 2023).

Implications of the Listing Rules

As the highest of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Further Extension exceeded 5% but was less than 25%, the transaction contemplated under the 2022 Supplemental Agreement constituted a discloseable transaction of the Company and was therefore subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

However, due to inadvertent miscalculation of the applicable percentage ratios, the Further Extension has not been notified and announced by the Company in a timely manner in accordance with the Listing Rules. The Company will implement certain remedial measures as set out in the paragraph headed "Remedial Actions" in this announcement to prevent recurrence of similar incident in the future.

SUPPLEMENTAL INFORMATION ON THE MONEY LENDING BUSINESS OF THE GROUP FOR DISCLOSURE IN THE 2022 ANNUAL REPORT

Reference is made to the 2022 Annual Report. In addition to the information disclosed in the 2022 Annual Report, the Board would like to provide the Shareholders and potential investors of the Company with additional information regarding the money lending business of the Group.

Operation and Business Model of the Group's Money Lending Business

The Group is engaged in the money lending business through the Lender, being a direct wholly-owned subsidiary of the Company, which holds a money lenders licence under the Money Lenders Ordinance. The scope of the money lending services of the Group mainly focuses on the provision of corporate or personal loans to referred customers, instead of the mass customer market, with loan size of not more than HK$5 million in general. The target clientele primarily consists of (i) corporations which are in small to medium size with well-established business operations in Hong Kong and/or the PRC; and (ii) businessmen, executives or professionals in various industries, as referred from the Company's senior management, business partners or clients with past business dealings with the Group. The funding for the money lending business is financed by the internal resources of the Group.

The key operation of the money lending business of the Group is in Hong Kong. When a prospective client is identified, the finance department of the Group will conduct a series of due diligence work for the purpose of credit assessment. The management of the Company is primarily responsible for the credit assessment, loan approval and determination of terms under the respective loan agreements.

Internal Control Policies and Credit Risk Assessment

The Group has maintained the internal control policies for its money lending business in managing the credit risk and safeguarding the assets and interests of the Group. The key internal control procedures adopted by the Group in terms of credit risk assessment and ongoing monitoring of loan recoverability and loan collection are outlined below:

Credit Risk Assessment

To assess the creditworthiness and the repayment ability of the potential borrowers, the Group would conduct a series of due diligence work including (i) obtaining information as to the identity, background, statutory documents and financial conditions of the potential borrowers as well as the purpose of the loan; (ii) reviewing the financial statements of the corporate borrowers; and (iii) performing relevant searches such as judiciary judgment search and internet search regarding news or events that may have negative bearings on the loans or the repayment ability of the borrowers.

In respect of loan extension/renewal or change of loan terms, the internal control procedures to be conducted by the Group would include (i) reviewing the latest financial statements of the corporate borrowers; (ii) understanding from the borrowers on, among others, the reasons for loan extension/renewal or change of loan terms, the financial conditions and the intended repayment schedule/method etc.; (iii) performing relevant searches such as judiciary judgment search and internet search regarding news or events that may have negative bearings on the loans or the repayment ability of the borrowers; and (iv) assessing the feasibility of such revision(s) to the loan terms by the Board taking into account various factors such as the assessed risks, the track record of past business dealings with the borrowers as well as any other potential business opportunities.

Ongoing Monitoring of Loan Recoverability and Loan Collection

The finance department of the Group is responsible for ongoing monitoring of the loan portfolio, loan recoverability, debt collection as well as identifying any irregularities and taking mitigating measures if and when necessary. Whenever any irregularity is identified, the Group would enquire with the relevant borrower to reassess the credit risk and the loan recoverability.

The Group maintains a loan register to monitor loan repayment schedule and status. Follow-up actions in the event of a loan delinquency include telephone calls, email or text messages. The Group will issue demand letters and serve statutory demand to the defaulting client in the case that the overdue persists, and, if the circumstances warrant, it may consider pursuing legal actions against the defaulting client after seeking legal advice.

Basis of Determination of Major Terms of Loans

The key terms of loan such as the principal amount, the interest rates, the tenure, the repayment terms vary and are determined by factors including but not limited to the background and credibility of borrowers, the value of security (if any) and the assessed risk. The credit risk for a listed corporate borrower is generally considered lower than that for a private company. In determining the interest rates, the Group would take into consideration, among others, the amount of loan, the loan tenure, the value of security (if any), the assessed risk, the track record of past business dealings with the potential client(s), the prospects of other future businesses and the prevailing market interest rates. In determining the extension period at the request of borrowers, the Group would base on arm's length negotiations with borrowers with reference to, among others, the needs and the financial condition of the borrowers, the potential or past business dealings with the borrowers and the assessed risks associated with the relevant loans.

Loan Portfolio as of 30 June 2022

As at 30 June 2022, the Group had five customers with the aggregate loan receivables before loss allowance for expected credit losses of approximately HK$16.2 million, of which approximately HK$6.9 million, or approximately 42.4%, was due from the largest borrower while approximately HK$4.1 million and approximately HK$4.0 million, or approximately 25.4% and approximately 24.9%, were due from the second and the third largest borrowers, respectively. All these five customers were secured by referrals. The summary of major terms of the loan portfolio as of 30 June 2022 is tabulated below:

Loan	**Background of the borrowers**	**Date of grant of loans**	**Principal loan amount granted** *(HK$'000)*	**Outstanding loan receivables as at 30 June 2022** *(Note 1) Approx. (HK$'000)*	**Interest rate (per annum) applicable during the year ended 30 June 2022**	**Repayment/ maturity date (as renewed or extended)**	**Latest repayment terms**	**Collateral/guarantee**	**Proportion of the outstanding loan receivables before loss allowance for expected credit losses as at 30 June 2022** *(Note 1) Approx.*
1	Borrower 1 is a company listed on the Main Board of the Stock Exchange. Please also refer to the paragraph headed "Information on Borrower 1" in this announcement.	September 2016	5,000	6,857	2% *(Note 2)*	December 2023 *(Note 2)*	Bullet repayment	Not applicable	42.4%
2	Borrower 2 was a company previously listed on GEM but delisted in 2021.	October 2018	5,000	4,033 *(Note 1)*	30% *(Note 3)*	December 2023 *(Note 3)*	Bullet repayment	Guaranteed	24.9%
3	Borrower 3 is a private company with business operation in Hong Kong.	November 2018	1,000	1,001	12%	November 2025 *(Note 4)*	Instalment loan with 36 payments in three years *(Note 4)*	Secured by luxury watches and guaranteed	6.2%
4	Borrower 4 is a businessman.	April 2018	5,000	4,100	2% *(Note 5)*	November 2023 *(Note 5)*	Bullet repayment *(Note 5)*	Not applicable	25.4%
5	Borrower 5 is a businessman.	May 2019	200	175	20%	September 2023 *(Note 6)*	Instalment loan with 24 payments in two years *(Note 6)*	Not applicable	1.1%
			Total	16,166					100.0%

Notes:

(1) The outstanding loan receivables before loss allowance for expected credit losses as at 30 June 2022 amounted to approximately HK$16.2 million. After taking into account the provision of impairment loss made to the entire amount of approximately HK$4.0 million in respect of the outstanding loan receivables under Loan 2, the outstanding loan receivables of the Group net of provision of impairment loss as at 30 June 2022 amounted to approximately HK$12.1 million.

(2) The tenure of Loan 1 as initially granted was 180 days and the repayment date of Loan 1 has been further extended to 11 December 2023 as per the Supplemental Agreements. The interest rate of Loan 1 has been revised from 9% (applicable for the period from September 2016 to December 2020) to 2% (applicable for the period from December 2020 to December 2023). Please also refer to the section headed "DISCLOSEABLE TRANSACTION RELATING TO FURTHER EXTENSION OF LOAN" in this announcement for the detailed terms of Loan 1.

(3) The tenure of Loan 2 as initially granted was one month and the repayment date of Loan 2 has been further extended to 31 December 2023 as per four supplemental agreements to the loan agreement entered into between the Lender and Borrower 2. The interest rate of Loan 2 has been revised from 20% (applicable for the period from October 2018 to August 2020) to 30% (applicable for the period from September 2020 to December 2023).

(4) The tenure of Loan 3 as initially granted was 12 months and the maturity date of Loan 3 has been further extended to 25 November 2025 as per four supplemental agreements to the loan agreement entered into between the Lender and Borrower 3. The repayment terms have been changed from monthly repayment of interest and repayment of principal on the maturity date during the period from November 2018 to November 2022 to instalment repayment during the period from November 2022 to November 2025.

(5) The tenure of Loan 4 as initially granted was 12 months and the repayment date of Loan 4 has been further extended to 3 November 2023 as per five supplemental agreements (including a settlement deed) to the loan agreement entered into between the Lender and Borrower 4. The repayment terms have been changed from instalment repayment during the period from April 2018 to November 2020 to bullet repayment during the period from November 2020 to November 2023. The interest rate of Loan 4 has been revised from 12% (applicable for the period from April 2018 to November 2020), to 2% (applicable for the period from November 2020 to November 2022), and nil (applicable for the period from November 2022 to November 2023).

(6) The tenure of Loan 5 as initially granted was three months and the maturity date of Loan 5 has been further extended to 13 September 2023 as per four supplemental agreements to the loan agreement entered into between the Lender and Borrower 5. The repayment terms have been changed from bullet repayment during the period from May 2019 to October 2021 to instalment repayment during the period from October 2021 to September 2023.

The internal control procedures carried out by the Group on each of the loans at the time of initial grant and subsequent extensions or change of loan terms together with the basis of determination of the terms of the loans are summarized as follows:

Loan	Internal control procedures and credit assessment on the loans	Other basis and factors considered by the Group before agreeing to the extensions or the change of loan terms	The Group's actions taken on the incidents of defaults (if any)
1	At the time of granting Loan 1, the Group conducted relevant due diligence work for its credit risk assessment including reviewing the memorandum and articles of association of Borrower 1, the then announcements and the then financial reports/results published by Borrower 1 on the website of the Stock Exchange. The financial performance and financial positions revealed the financial strength and repayment ability of Borrower 1 at the time of granting the loan. At the times of granting extensions of the repayment date of Loan 1, the Group had been in close contact with Borrower 1 in understanding, among others, its reasons for extensions with the intended repayment schedule, and reviewed the then latest financial statements and the then announcements published by Borrower 1 on the website of the Stock Exchange to understand its then financial conditions and latest business development. Despite the loss-making of Borrower 1 during the period from 2016 to 2022, the Group had taken into consideration that (i) its total equity and net current asset position during the period from 2016 to 2022 far exceeded the outstanding loan amount, which revealed the repayment ability of Borrower 1; and (ii) the improving financial positions of Borrower 1 from the period from 2019 to 2021. The re-assessed credit risk was therefore considered acceptable at the times of granting extensions.	At the request of Borrower 1, the Group offered a lower interest rate for Loan 1 since December 2020, having taken into account the followings: (i) the Company recognized the adverse market sentiment prevailing in 2020, being the first year of the unprecedented COVID-19 pandemic, and the deteriorating financial performance of and the financial pressure experienced by Borrower 1 during these unprecedented and unpredictable difficult times; (ii) while Borrower 1, being an industry counterpart which through its subsidiaries was engaged in the money lending business and holding a valid money lenders licence under the Money Lender Ordinance at the material time, is offered to enjoy a lower interest rate for Loan 1 granted, the Group may reasonably assume to enjoy the same merit of lower interest rate to be offered by Borrower 1 in return if and when needed in the future; and (iii) by retaining strong bonding with Borrower 1, being a company listed on the Main Board of the Stock Exchange since 2007 (with market capitalization up to HK$13 billion in 2018), the Group may be benefited from the potential business opportunities including but not limited to business referrals, strategic collaborations and/or investment prospects which, if capitalized, may potentially be more lucrative than the interest income to be generated from Loan 1.	Not applicable.

Loan	Internal control procedures and credit assessment on the loans	Other basis and factors considered by the Group before agreeing to the extensions or the change of loan terms	The Group's actions taken on the incidents of defaults (if any)
2	At the time of granting Loan 2, the Group conducted relevant due diligence work for its credit risk assessment including reviewing the memorandum of association and articles of association of Borrower 2, the then announcements and the then financial reports/results published by Borrower 2 on the website of the Stock Exchange. Given the then listing status of Borrower 2 and the then gearing ratio being less than 1, its financial condition was considered acceptable and the credit risk was relatively low at the time of granting the loan. Before agreeing to the extensions of the repayment date of Loan 2, the Group has obtained and reviewed the then latest business information of Borrower 2 to ascertain its repayment ability and enquired about its debt restructuring plan.	The Group revised the interest rate from 20% to 30% per annum starting from 1 September 2020 in response to Borrower 2's request for extension of the repayment date.	Following the incidents of default of Borrower 2 in 2019, the finance department of the Group had from time to time made telephone calls to Borrower 2 to demand settlement and enquired about the expected time for repayment. In view of the prolonged non-repayment, the Group had engaged an external legal adviser to initiate legal actions including serving a statutory demand to Borrower 2. Subsequently, the Group reached a consensus on the settlement arrangement with Borrower 2 and collected part of the loan receivables from it in 2019.
3	At the time of granting Loan 3, the Group conducted relevant due diligence work for its credit risk assessment including reviewing the business registration certificate, certificate of change of name, annual returns, audited report and bank statement of Borrower 3 and performing judiciary judgment search and internet search. The Company considered that the credit risk is controllable and the likelihood of recoverability of the loan is high given the security charged with satisfactory loan-to-security ratio and having taken into account that Borrower 3 has genuine operation (rather than being an investment holding company).	Given the security charged with satisfactory loan-to-security ratio and good track record of repayment, the Company agreed to the extensions and revised the repayment terms from monthly repayment of interest and repayment of principal on the maturity date to instalment payment, which further reduces the credit risk.	Not applicable.

Loan	Internal control procedures and credit assessment on the loans	Other basis and factors considered by the Group before agreeing to the extensions or the change of loan terms	The Group's actions taken on the incidents of defaults (if any)
4	At the time of granting Loan 4, the Group conducted relevant due diligence work for its credit risk assessment, including performing judiciary judgment search and internet search. Given that (i) Borrower 4 was a reputable person with significant background, in particular as a Justice of the Peace, and previously held directorships in several listed companies; and (ii) no news or events that may have negative bearings on the loan or the repayment ability of Borrower 4 were found based on the result of relevant public searches, Borrower 4 was considered creditworthy and financially sound at the time of granting the loan. At the times of granting extensions, the Group had been in close contact with Borrower 4 in understanding, among others, his financial needs for extensions with the intended repayment schedule, and performed public searches on Borrower 4. No news or events that may have negative bearings on the loan or the repayment ability of Borrower 4 was found. Further, the Group had periodically reviewed the full lists of Justices of the Peace and confirmed that Borrower 4 has still been holding the office of the Justice of the Peace, revealing that the credibility of Borrower 4 remained.	At the request of Borrower 4, the Group offered a lower interest rate under Loan 4 since November 2020 and changed the repayment terms including the extension for bullet repayment, having taken into account the followings: (i) the Company recognized the adverse market sentiment prevailing in 2020, being the first year of the unprecedented COVID-19 pandemic, and the acute financial difficulties of Borrower 4 as a result of unprecedented series of worldwide events since mid of 2018; and (ii) having taken into account that Borrower 4 has extensive networks in both Hong Kong and the PRC, the Group envisages to bolster a solid, stable and long-term relationship with Borrower 4 and to be benefited from any potential business or investment opportunities as referred and lined up by him through his extensive networks which may be more fruitful to the Group as compared to the interest income to be incurred from Loan 4. Capitalizing on the networks of Borrower 4, the Group has gained access to a range of potential business and investment opportunities since 2016, most of which were related to the principal businesses of the Group, in particular the metal recycle business has materialized and become an integral component of the Group's core operations. The Group had been, and is likely to continue to be, benefited from the solid, long-standing and mutually beneficial relationship with Borrower 4.	Following the incidents of default of Borrower 4 at the material times during the period from 2018 to 2020, the Group had from time to time made telephone calls to Borrower 4 to demand settlement and enquired about the expected time for repayment and issued demand letters to Borrower 4. Upon issuance of a demand letter by the Company through a legal adviser to Borrower 4 in 2019, Borrower 4 had shown his commitment in repayment of the outstanding principal and interests accrued by delivering post-dated cheques in an aggregate sum of approximately HK$4.7 million (based on the then proposed instalment payment schedule pursuant to a settlement deed) to the Group. The Group resolved to enter into the settlement deed in June 2019 in consideration of receipt of the post-dated cheques delivered by Borrower 4. Following the default of Borrower 4 in late 2019, the Group issued a demand letter to Borrower 4 in March 2020 and was given to understand that his cash flow pressure would be eased after his business opportunities as contemplated in the PRC become fruitful. However, such attempts had been subsequently baffled by the unprecedented COVID-19 pandemic with stringent travel restrictions. As a gesture of goodwill, Borrower 4 had done his darnedest to make early partial repayments on interests during the period from December 2021 to October 2022 despite the agreed bullet repayment term.

Loan	Internal control procedures and credit assessment on the loans	Other basis and factors considered by the Group before agreeing to the extensions or the change of loan terms	The Group's actions taken on the incidents of defaults (if any)
5	At the time of granting Loan 5, the Group conducted relevant due diligence work for credit risk assessment including performing judiciary judgment search and internet search. No news or events that may have negative bearings on the loan or the repayment ability of Borrower 5 were found based on the result of relevant public searches. In order to control the credit risk, the Group granted the loan in the amount of HK$200,000 only.	To lower the credit risk for Loan 5, the Group revised the repayment terms in September 2021 from bullet repayment to instalment repayment in response to the request from Borrower 5 for extension of the repayment date to 13 September 2023.	Following Borrower 5's default in repayment of the instalment loan since the last payment made in July 2022, the Group had issued demand letters to demand for immediate repayment. In May 2023, the Group collected part of the loan receivables from Borrower 5 and the recovering process is still ongoing as at the date of this announcement. The Group has not pursued legal actions against Borrower 5 up to the date of this announcement as the legal costs as quoted are estimated to be not less than HK$100,000 while the total outstanding loan receivables from Borrower 5 amounted to approximately HK$189,000 as at 31 December 2022 and the legal proceedings are expected to be lengthy with no guarantee for full recovery.

The Group has adhered to its internal control policies in respect of ongoing monitoring of loan recoverability, including but not limited to identifying irregularities from time to time and making enquiries with the involved borrowers in order to reassess the associated credit risks under relevant loans and the impact on loan recoverability. The Group will continue to assess the likelihood of recovering the outstanding loan receivables and evaluate the costs and benefits of taking legal actions against the borrowers who default in payment. Having considered that the aforementioned incidents of defaults were primarily due to the global economic downturn and poor investment market sentiments as a result of the series of unprecedented and unforeseeable incidents (including the United States-China trade war since mid of 2018 followed by the Anti-Extradition Law Amendment Bill Movement in Hong Kong, the COVID-19 pandemic and/or the interest rates hikes by the United States) which adversely affected the financial and liquidity conditions of the relevant borrowers, there were no reasons for the Group to cast doubt on the effectiveness of its credit assessment work done and the Company believes that the internal control policies for the money lending business of the Group are effective.

To the best of the Directors' knowledge, information and belief, after having made all reasonable enquiries, each of the above borrowers and/or their respective ultimate beneficial owner(s) (if applicable) is an Independent Third Party. Therefore, none of the loan transactions constituted a connected transaction under Chapter 14A of the Listing Rules. Save and except for the Further Extension in respect of Loan 1 as disclosed under the section headed "DISCLOSEABLE TRANSACTION RELATING TO FURTHER EXTENSION OF LOAN" in this announcement, the Company has complied with the requirements set out in Chapter 14 and/or 14A of the Listing Rules when it granted or extended the loans to each of the respective borrowers whose loan were still outstanding as at 30 June 2022.

Impairment Assessment

The Company applied the expected credit loss ("**ECL**") model but the assessment suggested that the impact arisen from ECL on loan receivables is immaterial. The money lending business is relatively inactive and small in scale as compared to other principal businesses of the Group and the aggregate outstanding loan receivables before loss allowance for ECL were associated with five loans only and represented approximately 1.6% of the total assets of the Group as at 30 June 2022, which are relatively immaterial in terms of the aggregate value.

The identification of bad and doubtful debts requires the use of judgement and estimates. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible or the borrowers' inabilities to make timely payments. The Group assessed various factors in its internal control procedures to determine the probability of default and recoverability of loan for measuring the loss allowance (if any) for the loans, which include but limited to: (i) any significant changes in the creditworthiness of borrower; (ii) any significant changes in the value of the collateral or in the quality of guarantees; (iii) any actual or expected significant adverse changes in financial conditions that are expected to cause a significant change to the borrower's ability to meet its obligations; and/or (iv) past collection history of the borrowers and any significant changes in their behaviour such as payment status. The Group believes that its internal control procedures in respect of ongoing monitoring of loan recoverability are effective in identifying any significant changes in the creditworthiness or financial conditions of the borrowers, which in turn ensures the robust and effective impairment assessment process.

The Group's basis of impairment assessment for each of the loans as at 30 June 2022 are tabulated below:

Borrowers	**Factors considered by the Group in assessing the probability of default and recoverability of loan and the impairment as at 30 June 2022**
Borrower 1	Given the listing status of Borrower 1, its strong net current assets and total equity positions (which far exceeded the outstanding amount of the loan) despite loss-making position, the Group considered there had been no significant adverse change in its repayment ability and determined no impairment was necessary.
Borrower 2	Given the cancellation of listing of Borrower 2 in March 2021, the Group considered the possibility of loan recoverability to be remote and thus recognized the impairment loss for the entire amount of the outstanding loan receivables during the year ended 30 June 2021. No additional provision or reversal of provision for impairment loss for the loan receivables under Loan 2 was made during the year ended 30 June 2022.

Borrowers	Factors considered by the Group in assessing the probability of default and recoverability of loan and the impairment as at 30 June 2022
Borrower 3	Given no adverse change in the value of collateral and no incidents of default by Borrower 3, the Group considered there had been no significant adverse change in its repayment ability and determined no impairment was necessary.
Borrower 4	In light of the fact that (i) Borrower 4 has maintained his credibility as demonstrated by the ongoing role as the Justice of the Peace; and (ii) the loan is deemed recoverable as the value of properties owned by the Borrower 4's family far exceeded the outstanding amount of the loan despite incidents of defaults in the past, the Group considered there had been no significant adverse change in his repayment ability and determined no impairment was necessary.
Borrower 5	As Borrower 5 continued to make payments up to July 2022, the Group considered there had been no significant adverse change in his repayment ability and determined no impairment was necessary as at 30 June 2022. Further, the amount of loan receivable is immaterial to the Group as at 30 June 2022. Notwithstanding, the Group will reassess Loan 5 and make relevant loss allowance (if needed) for the year ending 30 June 2023 owing to the non-repayment by Borrower 5 at the material time during such period.

General

The supplemental information contained in this announcement does not affect other information contained in the 2022 Annual Report and save as disclosed above, all other information in the 2022 Annual Report remains unchanged.

DISCLOSEABLE TRANSACTION RELATING TO FURTHER EXTENSION OF LOAN

References are made to the announcements of the Company dated (i) 2 September 2016 in relation to the provision of Loan 1 in the principal amount of HK$5,000,000; and (ii) 3 March 2017 and 1 September 2017 in relation to the extensions of Loan 1. The Loan Agreement was further amended and supplemented on each of 1 September 2018, 1 June 2019, 13 December 2019, 10 June 2020, 10 December 2020, 10 December 2021 and 10 December 2022 pursuant to the respective Supplemental Agreements (including the 2022 Supplemental Agreement).

The Board announces that, on 10 December 2022, the Lender, being a direct wholly-owned subsidiary of the Company, entered into the 2022 Supplemental Agreement with Borrower 1 to further extend the repayment date of Loan 1 to 2656 days from the date of drawdown (i.e. a date falling on 11 December 2023).

The 2022 Supplemental Agreement

The principal terms of the 2022 Supplemental Agreement are summarised as follows:

Date	:	10 December 2022
Lender	:	Grand Diamond Investment Limited
Borrower	:	Enterprise Development Holdings Limited
Principal amount	:	HK$5,000,000, which was drawn down on 2 September 2016
Interest	:	9% per annum on the principal amount of Loan 1 for the period from 2 September 2016 to 10 December 2020 and 2% per annum for the period from 11 December 2020 to 10 December 2023 Interest shall accrue on Loan 1 from the date of drawdown until repayment in full and shall be calculated on the actual number of days elapsed and on the basis of a 365-day year
Repayment date	:	Bullet repayment in 2656 days from the date of drawdown (i.e. a date falling on 11 December 2023), or when called upon by the Lender, whichever shall be the earlier

Loan 1 granted under the Loan Agreement (as amended and supplemented by the Supplemental Agreements including the 2022 Supplemental Agreement) was funded by the internal resources of the Group.

The principal terms of the 2022 Supplemental Agreement, including the extended repayment date and the interest rate applicable, were arrived at after arm's length negotiations between the Lender and Borrower 1 with reference to, among others, the business and financial needs as well as the financial conditions of Borrower 1, the re-assessed risks associated with the Further Extension, the market practices and the track record of past business dealings with Borrower 1 as well as the prospects of other future businesses.

Before agreeing to the Further Extension as requested by Borrower 1, the Group has strictly followed its internal control procedures in respect of loan extension/renewals. The Group had been in close contact with Borrower 1 in understanding, among others, its reason for the Further Extension with the intended repayment schedule, and reviewed the latest financial statements and the announcements published by Borrower 1 on the website of the Stock Exchange to understand its then financial conditions and latest business development. Despite the loss-making position of Borrower 1 for the year ended 31 December 2021, the unaudited total equity and the unaudited net current assets of Borrower 1 as at 30 June 2022 amounted to approximately RMB168 million and approximately RMB164 million respectively, which revealed the financial strength and the repayment ability of Borrower 1. The re-assessed credit risk was therefore considered acceptable at the time of granting the Further Extension.

Based on the foregoing, the Board considered that the terms of the 2022 Supplemental Agreement were fair and reasonable and on normal commercial terms, and the entering into of the 2022 Supplemental Agreement was in the interests of the Company and the Shareholders as a whole.

Information on Borrower 1

Borrower 1 is an investment holding company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1808). Borrower 1 and its subsidiaries are principally engaged in the provision of integrated business software solutions and trading of listed securities.

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, Borrower 1 and its ultimate beneficial owner(s) are Independent Third Parties.

Information on the Group and the Lender

The Group is principally engaged in metal recycle business, motor and motor accessories business, car parking spaces rental, hotel business, 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 Lender, being a direct wholly-owned subsidiary of the Company, holds a money lenders licence under the Money Lenders Ordinance and is principally engaged in the provision of money lending services.

Reasons for and Benefits of the Entering into of the 2022 Supplemental Agreement

The Group is principally engaged in, among others, the money lending business through the Lender. The grant of Loan 1 under the Loan Agreement and the extensions pursuant to the Supplemental Agreements (including the 2022 Supplemental Agreement) are conducted in the ordinary and usual course of business of the Group.

The Group has maintained a stable business relationship with Borrower 1 since the grant of Loan 1 in 2016. Understanding the deteriorating financial performance of Borrower 1 under the then prevailing market sentiment, the Group granted the Further Extension in order to (i) lessen the repayment pressure of Borrower 1 with the hope of enhancing the feasibility for repayment of both the outstanding principal and accrued interests within a longer time frame; and (ii) retain a strong bonding with Borrower 1, being a company listed on the Main Board of the Stock Exchange since 2007, for any potential business opportunities which may be fruitful to the Group. Having taken into account the potential business referrals, strategic collaborations and/or investment prospects in addition to the interest income in connection with Loan 1, the Directors considered that the entering into of the 2022 Supplemental Agreement was in the interests of the Company and the Shareholders as a whole.

Implications of the Listing Rules

As the highest of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Further Extension exceeded 5% but was less than 25%, the transaction contemplated under the 2022 Supplemental Agreement constituted a discloseable transaction of the Company and was therefore subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

However, due to inadvertent miscalculation of the applicable percentage ratios, the Further Extension has not been notified and announced by the Company in a timely manner in accordance with the Listing Rules.

Remedial Actions

The Company deeply regrets on its non-timely notification and announcement of the Further Extension in compliance with the Listing Rules and would like to stress that such incident was inadvertent. To prevent recurrence of similar incident in the future, the Company will implement the following remedial measures:

(i) the Company will provide further guidance materials and training to responsible staff regarding proper calculation methodology of the percentage ratios relating to notifiable transactions under the Listing Rules;

(ii) the Company will review and strengthen the reporting procedure to ensure any proposed transactions which may constitute notifiable transactions would be promptly reported to the Board. The Board will further assess the proposed transactions and ensure the proposed transactions will be conducted in compliance with the applicable rules and regulations including the Listing Rules; and

(iii) the Company will arrange external advisers to provide ongoing trainings on legal and regulatory requirements applicable to the business operations of the Group to the Directors, senior management and relevant employees of the Group.

DEFINITIONS

In this announcement, unless the context specifies otherwise, the following expressions shall have the following meanings when used herein:

"2022 Annual Report"	the annual report of the Company for the year ended 30 June 2022 published on 27 February 2023
"2022 Supplemental Agreement"	the supplemental agreement to the Loan Agreement entered into on 10 December 2022 between the Lender and Borrower 1 in respect of the Further Extension
"Board"	the board of Directors
"Borrower 1"	Enterprise Development Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1808), being the borrower under the Loan Agreement (as amended and supplemented by the Supplemental Agreements including the 2022 Supplemental Agreement)
"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 Singapore Exchange Limited
"Director(s)"	director(s) of the Company
"Further Extension"	the further extension of the repayment date of Loan 1 from "2291 days from the date of drawdown" pursuant to the eighth supplemental agreement dated 10 December 2021 to "2656 days from the date of drawdown" pursuant to the 2022 Supplemental Agreement
"GEM"	the GEM of the Stock Exchange
"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 (as defined in the Listing Rules)
"Lender"	Grand Diamond Investment Limited, a company incorporated in Hong Kong with limited liability and a direct wholly-owned subsidiary of the Company
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Loan 1"	the term loan in the principal amount of HK$5,000,000 granted by the Lender to Borrower 1 pursuant to the terms of the Loan Agreement as amended and supplemented by the Supplemental Agreements
"Loan Agreement"	the loan agreement dated 2 September 2016 entered into between the Lender and Borrower 1 relating to the provision of Loan 1 as amended and supplemented by the Supplemental Agreements
"Money Lenders Ordinance"	the Money Lenders Ordinance (Chapter 163 of the laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"PRC"	the People's Republic of China, excluding, for the purposes of this announcement, Hong Kong, Macao Special Administrative Region and the territory of Taiwan
"RMB"	Renminbi, the lawful currency of the PRC
"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

"Supplemental Agreements"	the supplemental agreements to the Loan Agreement entered into between the Lender and Borrower 1, including the first supplemental agreement dated 3 March 2017, the second supplemental agreement dated 1 September 2017, the third supplemental agreement dated 1 September 2018, the fourth supplemental agreement dated 1 June 2019, the fifth supplemental agreement dated 13 December 2019, the sixth supplemental agreement dated 10 June 2020, the seventh supplemental agreement dated 10 December 2020, the eighth supplemental agreement dated 10 December 2021 and the 2022 Supplemental Agreement, in respect of, among others, the extensions of Loan 1
"United States"	the United States of America
"%"	per cent.

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

Hong Kong, 31 May 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.