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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)

INSIDE INFORMATION TERMINATION OF MEMORANDUM OF UNDERSTANDING AND ACQUISITION OF 90% EQUITY INTERESTS IN THE TARGET COMPANY

This announcement is made by China Environmental Resources Group Limited (the “**Company**”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

Reference is made to the announcements of the Company dated 21 February 2025, 19 August 2025 and 19 November 2025 in relation to a memorandum of understanding regarding a potential cooperation for the business development of rare earth-based projects and other ancillary business opportunities in the People’s Republic of China (the “**Announcements**”). Capitalised terms used below shall have the same meanings as those defined in the Announcements unless the context requires otherwise.

TERMINATION OF MOU

The Board announces that, on 12 December 2025 (after trading hours), the Company and Goldwin Century (collectively, the “**Parties**”) entered into a termination agreement whereby the parties have mutually agreed to terminate the MOU with immediate effect.

The MOU was entered into to provide a framework for the Company to conduct due diligence on Sichuan YLS and its business operations and to explore the feasibility of a potential cooperation. Following the further commercial negotiations between the Parties, it was determined that a direct acquisition of the principal operating subsidiary of Sichuan YLS, 四川源萊順再生資源有限公司 (the “**Target Company**”) would be more strategically aligned with the existing metal recycling business of which the Company had repeated of which the Company had repeatedly sought to explore such business opportunities outside Hong Kong after exiting the metal recycle business in Hong Kong. It would be more beneficial to the Group than the cooperation originally contemplated. An acquisition will allow the Group to gain direct control and fully integrate Target Company’s business, thereby more effectively capturing the synergies and growth opportunities in the rare earth materials market. Accordingly, the Parties mutually agreed to terminate the MOU, which had fulfilled its preliminary purpose, and to proceed with the acquisition by entering into the definitive agreement.

ACQUISITION OF 90% EQUITY INTERESTS IN THE TARGET COMPANY

The Board is pleased to announce that on 12 December 2025 (after trading hours), the Company, through its wholly-owned subsidiary, and Sichuan YLS entered into the equity transfer agreement (the “**Agreement**”), pursuant to which the Company, through its wholly-owned subsidiary, conditionally agreed to acquire, and Sichuan YLS conditionally agreed to sell the 90% equity interests of the Target Company at a total consideration of RMB9.0 million (equivalent to approximately HK\$9.9 million) (the “**Acquisition**”) and the consideration will be financed by the internal resources of the Group. The consideration for the Acquisition was determined with reference to the valuation results of the Target Company dated 8 December 2025 prepared by an independent valuer.

Upon completion of the Acquisition, the Target Company will become a subsidiary of the Company and the financial results of the Target Company will be consolidated into the consolidated financial statements of the Group. The Company will make further announcement(s) to provide the latest progress on the Acquisition as and when necessary in accordance with the Listing Rules.

INFORMATION ON SICHUAN YLS AND THE TARGET COMPANY

Sichuan YLS, a company incorporated in the PRC with limited liability, is a national high-tech enterprise specialising in the research and application of high-performance rare earth magnetic materials, as well as the production and sale of rare earth motor magnetic steel in the PRC. Sichuan YLS was controlled, and the economic benefits generated by it were enjoyed, by Goldwin Century through its wholly owned subsidiaries under a series of structured contracts. Goldwin Century, a company incorporated in the British Virgin Islands with limited liability, is an investment holding company.

The Target Company, a company incorporated in the PRC with limited liability, is principally engaged in the recycling of renewable and recyclable resources, with a focus on new energy motorcycle rear tyre components which generate reusable copper, aluminum, rubber and rare earth permanent magnets, and other ancillary business opportunities in the PRC. Immediately prior to the completion of the Acquisition, the Target Company is wholly-owned by Sichuan YLS.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, each of Goldwin Century, Sichuan YLS, the Target Company and its ultimate beneficial owner(s) is independent of the Company and its connected persons (as defined in the Listing Rules).

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in metal recycle business, motor and motor accessories business, car parking spaces rental, 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 Group also has a hotel leasing business in Nepal.

The Directors believe that the Acquisition represents a strategic opportunity to enhance and extend the Group's metal recycling business by advancing into the high-quality and specialized area of rare earth material recycling, a sector with significant global prospects and development potential. The Acquisition provides the Group with a gateway to the rare earth business, enabling it to access high-quality rare earth magnetic materials, differentiate itself in competitive markets such as electric vehicles and green technologies. The Directors are of the view that the Acquisition positions the Group to meet the increasing demand for advanced materials and innovative solutions across its diverse business segments, including metal recycling and green market applications.

Based on the above, the Directors are of the view that the Acquisition is in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of Goldwin Century, Sichuan YLS, the Target Company and its ultimate beneficial owner(s) is independent of the Company and its connected persons (as defined under the Listing Rules). Therefore, the Acquisition does not constitute a connected transaction of the Company under Chapter 14A of the Listing Rules.

As none of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) of the Acquisition exceeds 5%, the Acquisition does not constitute a notifiable transaction of the Company under Chapter 14 of the Listing Rules.

As completion of the Acquisition is conditional upon the satisfaction of the conditions precedents set out in the Agreement, the Acquisition may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.

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

Hong Kong, 12 December 2025

As at the date of this announcement, the Board comprises six executive Directors, namely Mr. Yeung Chi Hang, Mr. Leung Kwong Choi, Mr. Wong Po Keung, Mr. Chung Siu Wah, Mr. Chik To Pan and Mr. Liu Yafei; and three independent non-executive Directors, namely Mr. Heung Chee Hang, Eric, Mr. Lee Chi Ho and Ms. Lai Pik Chi, Peggy.