

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

This announcement appears for information purpose only and does not constitute an invitation or offer to acquire, purchase, or subscribe for any securities of the Company.



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 Agent



On 16 February 2024 (after trading hours), the Placing Agent and the Company entered into the Placing Agreement pursuant to which the Company has conditionally agreed to place through the Placing Agent, on a best effort basis, up to 407,307,622 Placing Shares at the Placing Price of HK\$0.04 per Placing Share to not less than six Placers who and whose beneficial owners are Independent Third Parties. The Placing Shares will be allotted and issued under the General Mandate.

Assuming that there will be no change in the issued share capital of the Company from the date of this announcement up to the Completion Date, the maximum number of the Placing Shares under the Placing represents approximately (i) 20.00% of the existing issued share capital of the Company of 2,036,538,114 Shares as at the date of this announcement; and (ii) 16.67% of the issued share capital of the Company as enlarged by the allotment and issue of the maximum number of the Placing Shares. The aggregate nominal value of the maximum number of the Placing Shares under the Placing will be HK\$8,146,152.44 based on par value of HK\$0.02 per Share.

The Placing Price of HK\$0.04 per Placing Share represents (i) a discount of approximately 7.0% to the closing price of HK\$0.043 per Share as quoted on the Stock Exchange on the date of the Placing Agreement; and (ii) a discount of approximately 14.2% to the average closing price of HK\$0.0466 per Share for the last five trading days immediately prior to the date of the Placing Agreement based on the respective daily closing prices quoted on the Stock Exchange.

It is expected that the maximum gross proceeds and net proceeds from the Placing will be approximately HK\$16.3 million and approximately HK\$15.8 million, respectively. Assuming that all the Placing Shares are successfully placed, the net price per Placing Share will be approximately HK\$0.039.

The Shareholders and the potential investors of the Company should note that Completion is subject to the fulfillment of the conditions under the Placing Agreement. As the Placing may or may not proceed, the Shareholders and the potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

THE PLACING AGREEMENT

Date

16 February 2024 (after trading hours)

Issuer

The Company

Placing Agent

Get Nice Securities Limited

The Company has conditionally agreed to place through the Placing Agent, on a best effort basis, up to 407,307,622 Placing Shares to the Placees upon the terms and subject to the conditions of the Placing Agreement.

To the best knowledge, information and belief of the Board, having made all reasonable enquiries, the Placing Agent, its associates and their respective ultimate beneficial owner(s) are Independent Third Parties.

Placees

The Placing Agent will, on a best effort basis, place the Placing Shares either by itself or through its sub-placing agents to not less than six Placees, being professional, institutional or other investors, who and whose ultimate beneficial owner(s) (if applicable) are Independent Third Parties.

Number of Placing Shares

Assuming that there will be no change in the issued share capital of the Company from the date of this announcement up to the Completion Date, the maximum number of 407,307,622 Placing Shares under the Placing represents approximately (i) 20.00% of the existing issued share capital of the Company of 2,036,538,114 Shares as at the date of this announcement; and (ii) 16.67% of the issued share capital of the Company as enlarged by the allotment and issue of the maximum number of the Placing Shares. The aggregate nominal value of the maximum number of the Placing Shares under the Placing will be HK\$8,146,152.44 based on par value of HK\$0.02 per Share.

Ranking of Placing Shares

The Placing Shares under the Placing will rank, upon issue, *pari passu* in all respects with the Shares in issue at the time of issue of the Placing Shares.

Placing Price

The Placing Price of HK\$0.04 per Placing Share represents (i) a discount of approximately 7.0% to the closing price of HK\$0.043 per Share as quoted on the Stock Exchange on the date of the Placing Agreement; and (ii) a discount of approximately 14.2% to the average closing price of HK\$0.0466 per Share for the last five trading days immediately prior to the date of the Placing Agreement based on the respective daily closing prices quoted on the Stock Exchange. The estimated expenses for the Placing amounted to approximately HK\$0.5 million, comprising placing commission and other related expenses and professional fees. Assuming that all the Placing Shares are successfully placed, the net price per Placing Share will be approximately HK\$0.039.

The Placing Price was determined with reference to the current market conditions, prevailing market prices and liquidity of the Shares and was negotiated on an arm's length basis between the Company and the Placing Agent. The Directors consider that the terms of the Placing, including the Placing Price, are on normal commercial terms and are fair and reasonable based on the current market conditions and in the interests of the Company and the Shareholders as a whole.

Placing Commission

The placing commission to be received by the Placing Agent pursuant to the Placing Agreement is 2% of the amount equal to the Placing Price multiplied by the number of Placing Shares actually and successfully placed by the Placing Agent.

The placing commission was arrived at after arm's length negotiations between the Company and the Placing Agent with reference to the prevailing market commission rate for similar transactions, the size of the Placing as well as the trading performance of the Shares. The Directors consider that the terms of the Placing, including the placing

commission, are on normal commercial terms and are fair and reasonable based on the current market conditions and in the interests of the Company and the Shareholders as a whole.

General Mandate

The Placing Shares will be issued under the General Mandate. Accordingly, the issue of the Placing Shares is not subject to the approval of the Shareholders. At the AGM 2023, the General Mandate was granted to the Directors, pursuant to which the Company is authorised to issue up to 407,307,622 Shares. As at the date of this announcement, no Share has been issued under the General Mandate.

Application for listing of Placing Shares

Application will be made by the Company to the Listing Committee for the grant of approval for the listing of, and permission to deal in, the Placing Shares.

Conditions of the Placing Agreement

Completion is conditional upon:

- (i) the listing of and permission to deal in the Placing Shares being granted by the Listing Committee (and such permission and listing not subsequently being revoked prior to the delivery of definitive share certificate(s) representing the Placing Shares); and
- (ii) the transactions contemplated by the Placing Agreement not being prohibited by law or regulation or interpretation thereof (including without limitation, any statute, order, rule, regulation, request, judgement or directive promulgated or issued by any legislative, executive, judicial or regulatory body or authority) in Hong Kong, Singapore or other jurisdiction which is applicable to the Company or the Placing Agent.

If any of the above conditions is not fulfilled on or prior to the Long Stop Date, the Placing Agreement will terminate (other than the indemnity clause which shall remain in full force and effect) and none of the parties will have any claim against another for costs, damages, compensation or otherwise save in respect of any antecedent breaches of the Placing Agreement.

Termination of the Placing

The Placing Agent may terminate the Placing Agreement without any liability to the Company, by notice in writing to the Company at any time prior to the Completion Date upon the occurrence of any of the following events which, in the absolute opinion of the Placing Agent, has or may have a material adverse effect on the business or financial conditions, affairs or prospects of the Company or the Group taken as a whole or the

success of the Placing or otherwise makes it inappropriate, inadvisable or inexpedient to proceed with the Placing on the terms and in the manner contemplated in the Placing Agreement:

- (A) there develops, occurs or comes into force:
 - (i) the occurrence of 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 of the Placing Agreement) 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, resulting in a material change in, or which may result in a material 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 or the SGX-ST occurring due to exceptional financial circumstances or otherwise; or
 - (iii) any material 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, Singapore or any other jurisdiction relevant to 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, Singapore or elsewhere; or
 - (vi) any litigation or claim being instigated against the Company or any member of the Group; or
- (B) any material breach of any of the representations, warranties and undertakings by the Company set out in the Placing Agreement or any event occurs or any matter arises on or after the date of the Placing Agreement and prior to the Completion Date which if it had occurred or arisen before the date of the Placing Agreement would have rendered any of such representations and warranties untrue or incorrect in any material respect or there has been a material breach by the Company of any other provision of the Placing Agreement; or
- (C) there is any adverse change in the financial position of the Company which is material in the context of the Placing;

then and in any such case, the Placing Agent may terminate the Placing Agreement without liability to the Company by giving notice in writing to the Company provided that such notice is received prior to the Long Stop Date.

Completion of the Placing

Completion will take place on the Completion Date, subject to the fulfillment of the conditions set out in the Placing Agreement. Please refer to the section headed “Conditions of the Placing Agreement” in this announcement for details.

REASONS FOR THE PLACING AND USE OF PROCEEDS

The Group is principally engaged in metal recycle business, motor and motor accessories business, car parking spaces rental, money lending business, securities trading and investment business as well as hotel and related 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 recorded the loss for the year attributable to owners of the Company of approximately HK\$16.7 million and HK\$35.1 million for the years ended 30 June 2022 and 2023 (“FY2023”), respectively, and the net cash outflow from operating activities of approximately HK\$11.1 million for FY2023. As at 30 June 2023, the total borrowings of the Group amounted to approximately HK\$74.1 million, whereas the cash and cash equivalents of the Group amounted to approximately HK\$5.5 million only. The Company intends to reduce the interest burden amidst the high-interest rate cycle by repayment of interest-bearing debts so as to alleviate the financial pressure and improve the financial performance of the Group.

In light of the above and together with the prevailing financial position of the Group, the Board considers that the Placing represents a good opportunity to raise immediate additional funds to strengthen the financial position of the Group, finance its working capital needs and financial obligations, in particular, release the interest burden of the Group. The Placing will enlarge the capital base of the Company within a relatively shorter time frame and at a lower cost compared with other means of fund raising.

Having considered the terms of the Placing Agreement (including the Placing Price and the placing commission), which were determined after arm’s length negotiations between the Company and the Placing Agent, are on normal commercial terms and fair and reasonable, the Directors (including the independent non-executive Directors) consider that the entering into of the Placing Agreement is in the interests of the Company and the Shareholders as a whole.

Assuming that all the Placing Shares are fully placed, the estimated gross proceeds and net proceeds (after deducting the placing commission and other related expenses and professional fees) from the Placing will amount to approximately HK\$16.3 million and HK\$15.8 million, respectively. The net proceeds from the Placing are intended to be applied by the Company as to (i) approximately HK\$5.2 million for settlement and/or repayment of the installment loans payable and other bank loans; (ii) HK\$3.5 million for existing operation of its motor and motor accessories business as well as its metal recycle business; (iii) HK\$3.0 million for settlement of outstanding accounts and other payables; and (iv) approximately HK\$4.1 million for general working capital, of which HK\$2.8 million will be allocated to salaries and the remaining balance will be allocated to other administrative costs and operating expenses of the Group. It is expected that the net proceeds will be fully utilised by 30 June 2024.

FUND RAISING ACTIVITY IN THE PAST TWELVE MONTHS

The Company has not conducted any fundraising activity involving the issue of its equity securities in the past twelve (12) months immediately preceding the date of this announcement.

EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

As at the date of this announcement, the Company has 2,036,538,114 Shares in issue. The following chart sets out the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately upon Completion (assuming there will be no change in the issued share capital of the Company from the date of this announcement up to the Completion Date and all 407,307,622 Placing Shares have been successfully placed):

	As at the date of this announcement		Immediately upon Completion	
	Number of Shares	Approximate %	Number of Shares	Approximate %
Shareholders				
Substantial Shareholder				
Mr. Yeung Chi Hang	511,236,000	25.1	511,236,000	20.9
Public Shareholders				
The Places	—	—	407,307,622	16.7
Other public Shareholders	<u>1,525,302,114</u>	<u>74.9</u>	<u>1,525,302,114</u>	<u>62.4</u>
Total	<u><u>2,036,538,114</u></u>	<u><u>100.0</u></u>	<u><u>2,443,845,736</u></u>	<u><u>100.0</u></u>

The Shareholders and the potential investors of the Company should note that Completion is subject to the fulfillment of the conditions under the Placing Agreement. As the Placing may or may not proceed, the Shareholders and the potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

DEFINITIONS

“AGM 2023”	the annual general meeting of the Company held on 4 December 2023
“associate(s)”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	any day (excluding Saturdays, Sundays, public holidays and days on which a tropical cyclone warning No. 8 or above or a “black rainstorm warning signal” is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which licensed banks generally are open for general banking business in Hong Kong
“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 SGX-ST
“Completion”	completion of the Placing pursuant to the terms and conditions of the Placing Agreement
“Completion Date”	a day as soon as possible following the satisfaction of all the conditions under the Placing Agreement and in any event not later than three (3) Business Days after the satisfaction of the conditions (or such other date as the Company and the Placing Agent may agree in writing) and on which Completion will take place
“Directors”	directors of the Company
“General Mandate”	the general mandate which was granted to the Directors pursuant to an ordinary resolution passed at the AGM 2023 to issue and allot up to 407,307,622 Shares
“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)”	party(ies) who is/are independent of, and not connected with the Directors, chief executive or substantial shareholders of each of the Company, its subsidiaries and their respective associates, in accordance with the Listing Rules

“Listing Committee”	has the meaning ascribed to it in the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	7 March 2024, or such later date as the Company and the Placing Agent shall agree
“Placee(s)”	any professional, institutional or other investor, who and whose ultimate beneficial owner(s) (if applicable) is/are Independent Third Party(ies), procured by the Placing Agent and/or any of its agent(s) to subscribe for any of the Placing Shares
“Placing”	the placing of the Placing Shares by the Placing Agent pursuant to the Placing Agreement upon the terms and subject to the conditions set out in the Placing Agreement
“Placing Agent”	Get Nice Securities Limited, a licensed corporation to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO
“Placing Agreement”	the conditional placing agreement dated 16 February 2024 entered into between the Company and the Placing Agent in relation to the Placing
“Placing Price”	the placing price of HK\$0.04 per Placing Share
“Placing Shares”	up to a total of 407,307,622 new Shares to be placed pursuant to the Placing Agreement
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGX-ST”	the Singapore Exchange Securities Trading Limited
“Share(s)”	ordinary share(s) of HK\$0.02 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Singapore”	the Republic of Singapore

“Stock Exchange” The Stock Exchange of Hong Kong Limited

“%” per cent.

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

Hong Kong, 16 February 2024

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. Heung Chee Hang, Eric and Mr. Lee Chi Ho.