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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)

CONTINUING CONNECTED TRANSACTION — RENEWAL OF TENANCY AGREEMENT

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Reference is made to the announcement of the Company dated 6 July 2016 in relation to the Existing Tenancy Agreement entered into between Harvest Top, a wholly-owned subsidiary of the Company, as tenant and High Brand, as landlord.

The Existing Tenancy Agreement dated 6 July 2016 will expire on 31 July 2018. To renew such agreement, on 20 July 2018, Harvest Top has entered into the Tenancy Agreement with High Brand for a term of two years commencing from 1 August 2018 and ending on 31 July 2020.

LISTING RULES IMPLICATIONS

As at the date of this announcement, 50% of the issued share capital of High Brand is indirectly owned by Mrs. Yeung, being the mother of Mr. Yeung, and is therefore an associate of Mr. Yeung. Mr. Yeung is an executive Director, the Chairman and chief executive officer of the Company. Therefore, Mrs. Yeung, being an associate of Mr. Yeung, is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the entering into of the Tenancy Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As all of the applicable percentage ratios are less than 25% on an annual basis and each of the annual cap is less than HK\$10,000,000, the transactions contemplated under the Tenancy Agreement will be subject to reporting, announcement and annual review requirements but exempt from circular and shareholders' approval requirements under Chapter 14A.76(2)(b) of the Listing Rules.

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The principal terms of the Tenancy Agreement are set out below:

Parties:	High Brand as landlord and Harvest Top as tenant
Property being leased:	Unit 2811, 28th Floor, West Tower, Shun Tak Centre, No. 168 – 200 Connaught Road Central, Hong Kong
Term:	1 August 2018 to 31 July 2020 (both days inclusive)
Monthly rental:	HK\$176,295 per month exclusive of rates, government rent, management fees, air-condition charge, water charge, electricity charge, gas charge and all other outgoings. The rental is payable in advance on the first day of each month.
Deposit:	HK\$601,007 (representing three months' rent and management fee and one quarter of government rates) and is payable upon signing of the Tenancy Agreement

Proposed Annual Caps of the Tenancy Agreement

Based on the monthly rental payable under the Tenancy Agreement, the proposed annual caps for each of the three years ending 30 June 2021 under the Tenancy Agreement is set out below:

	For the year ending 30 June 2019	For the year ending 30 June 2020	For the year ending 30 June 2021
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Proposed annual cap amount	1,939,245	2,115,540	176,295

REASONS AND BENEFITS FOR ENTERING INTO THE TENANCY AGREEMENT

The Property is currently used by the Group as office premises. The Directors are of the view that the lease of the Property under the Tenancy Agreement will help the Group to maintain stability in operations and it may minimize the administrative time and cost for finding and relocating to a new premises.

The terms of the Tenancy Agreement were negotiated on an arm's length negotiations with reference to (i) historical monthly rental (being HK\$173,740) paid pursuant to the Existing Tenancy Agreement; and (ii) the prevailing market rent for comparable premises in the vicinity. The monthly rental rate of the Property per square feet is comparable to the market rental rate of a neighboring unit located on the same floor in West Tower of Shun Tak Centre.

The Directors (including the independent non-executive Directors) are of the view that:

- (i) the terms of the Tenancy Agreement are on normal commercial terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole;
- (ii) the proposed annual caps are fair and reasonable; and
- (iii) the continuing connected transactions contemplated under the Tenancy Agreement are and will be conducted in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

Mr. Yeung has abstained from voting at the board meeting of the Company held to approve the Tenancy Agreement and the annual cap amounts in view of the deemed interests in the transaction by virtue of Mrs. Yeung (who has 50% indirect equity interest in High Brand), being the mother of Mr. Yeung. Save for Mr. Yeung, none of the Directors have a material interest in the Tenancy Agreement and were required to abstain from voting on the relevant Board resolution in respect of the Tenancy Agreement.

Information of the Group and Harvest Top

The principal activity of the Company is investment holding. The Group is currently engaged in metal recycle business, motor trading, car parking spaces rental, distribution and sale of tea products, 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.

The principal activity of Harvest Top is property investment.

Information of High Brand

The principal business activity of High Brand is property investment.

LISTING RULES IMPLICATIONS

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DEFINITION

In this announcement, unless the context otherwise requires, the following terms shall have the following meaning:

“associate(s)”	has the meaning as ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	China Environmental Resources Group Limited (Stock Code: 1130), a company incorporated in the Cayman Islands with limited liability and 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
“connected person(s)”	the meaning ascribed thereto under the Listing Rules
“Director(s)”	director(s) of the Company
“Existing Tenancy Agreement”	the tenancy agreement dated 6 July 2016 entered into between Harvest Top as tenant and High Brand as landlord in relation to the leasing of the Property
“Group”	the Company and its subsidiaries

“Harvest Top”	Harvest Top Development Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
“High Brand”	High Brand Limited (鴻升有限公司), a company incorporated in Hong Kong, and is indirectly owned as to 50% by Mrs. Yeung
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Yeung”	Mr. Yeung Chi Hang, an executive Director, the Chairman and chief executive officer of the Company
“Mrs. Yeung”	Ms. Ma Shu Chin (alias Ms. Ma Shuk Kam), mother of Mr. Yeung
“PRC”	the People’s Republic of China
“Property”	Unit 2811, 28th Floor, West Tower, Shun Tak Centre, No.168 — 200 Connaught Road Central, Hong Kong
“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)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tenancy Agreement”	the tenancy agreement dated 20 July 2018 entered into between Harvest Top as tenant and High Brand as landlord in respect of the renewal of tenancy for the Property
“%”	per cent.

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

Hong Kong, 20 July 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.