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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)

MEMORANDUM OF UNDERSTANDING IN RELATION TO PROPOSED SUBSCRIPTION OF CONVERTIBLE BONDS

This announcement is made by the Company pursuant to Rule 13.09 of the Listing Rules and Inside Information Provisions under Part XIVA of the SFO.

The Board is pleased to announce that on 18 January 2017 (after trading hours), the Company and the Issuer entered into the MOU in relation to the Proposed Subscription. The Proposed Subscription, if materializes, may constitute notifiable transaction for the Company under the Listing Rules.

The MOU is not legally binding with regard to the Proposed Subscription, it may or may not proceed. Shareholders and investors are advised to exercise caution when dealing in the Shares.

This announcement is made by the Company pursuant to Rule 13.09 of the Listing Rules and Inside Information Provisions under Part XIVA of the SFO.

The Board is pleased to announce that on 18 January 2017 (after trading hours), the Company and the Issuer (collectively, the “**Parties**”) entered into the MOU relating to the proposed subscription for convertible bonds (the “**Convertible Bonds**”) issued by the Issuer in such principle amount as may be agreed by the Parties under which the Company shall be entitled to subscribe for 20% share capital of the Issuer at the time of conversion (the “**Proposed Subscription**”).

Subject to the Company’s satisfaction of the due diligence inspection as prescribed in the MOU, the Company may subscribe the Convertible Bonds in such amount and on such terms as may be agreed by the Parties.

Insofar as is practicable, the Parties agree to proceed with the Proposed Subscription in accordance with the following timetable:

- (i) within three (3) months after the signing of the MOU (“**Inspection Period**”), the Company will commence, carry on and complete the due diligence inspection;

- (ii) within seven (7) days after the end of Inspection Period, the Company will notify the Issuer in writing as to whether it will proceed with the Proposed Subscription or any part thereof. For the avoidance of doubt, the Company shall not be required to assign any reason for the decision not to enter into the Proposed Subscription (“**Notice**”); and
- (iii) within thirty (30) days after the Company notifying the Issuer in writing that the Company has decided to proceed with the Proposed Subscription (“**Long Stop Date**”), the Parties should endeavor to negotiate and agree in good faith on the term and conditions of the formal agreements for the Proposed Subscription (“**Definitive Agreements**”).

The Company has the exclusive rights to negotiate with the Issuer on the Proposed Subscription from the date of the MOU to the Long Stop Date or such longer period as the Parties may mutually agree in writing (the “**Exclusivity Period**”).

The MOU is non-legally binding save for the provisions relating to, among others, the Exclusivity Period, confidentiality and the governing laws of the MOU.

To the best knowledge, information and belief of the Directors after having made all reasonable enquiries, each of the Issuer and its ultimate beneficial owners is an Independent Third Party.

The Issuer is carrying on the business of manufacturing specialist sport cars.

The MOU shall be terminated upon the occurrence of the earliest to occur of any of the following events:

- (i) the Parties mutually agree in writing to terminate the MOU;
- (ii) the Company fails to provide the Notice;
- (iii) the Company informs the Issuer at any time in writing of its intention not to proceed with the Proposed Subscription;
- (iv) the Company attempts to re-negotiate the commercial terms for the Proposed Subscription detailed in the term sheet previously shared between the Parties;
- (v) the absence of the Definitive Agreements made on or before the Long Stop Date; or
- (vi) the execution of the Definitive Agreements.

The MOU is not legally binding with regard to the Proposed Subscription. The terms and principle amount for the Proposed Subscription will be subject to further negotiation between the Parties, it may or may not proceed. **Shareholders and investors are advised to exercise caution when dealing in the Shares.**

DEFINITIONS

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

“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)”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	director(s) of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	third party(ies) independent of the Company and its connected persons
“Issuer”	a company incorporated in England, the United Kingdom with limited liability
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MOU”	the memorandum of understanding dated 18 January 2017 entered into between the Issuer and the Company in relation to the proposed subscription for convertible bonds issued by the Issuer
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.02 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“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, 18 January 2017

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.