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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker, a licensed dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in China Environmental Resources Group Limited (the “Company”), you should at once hand this circular with the enclosed form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or transferee.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, 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 circular.

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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)**

## (1) MAJOR TRANSACTION IN RELATION TO DISPOSAL OF ENTIRE EQUITY INTEREST OF A SUBSIDIARY AND THE ASSIGNMENT OF THE SALE LOAN; AND (2) NOTICE OF EXTRAORDINARY GENERAL MEETING

**Financial adviser to the Company**



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A letter from the Board is set out on pages 4 to 15 of this circular.

A notice convening the EGM to be held at Orchid Room, 2/F, The Royal Garden, 69 Mody Road, Tsim Sha Tsui East, Kowloon, Hong Kong on Thursday, 8 June 2023 at 11:00 a.m. is set out on pages EGM-1 to EGM-3 of this circular. A form of proxy for use by the Shareholders at the EGM or any adjournment thereof (as the case may be) is enclosed with this circular.

Whether or not you intend to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Hong Kong branch share registrar and transfer office of the Company, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy shall not preclude you from attending and voting in person at the EGM or any adjournment thereof (as the case may be) should you so wish, and in such case, the form of proxy previously submitted shall be deemed to be revoked.

In the interest of all Shareholders' health and safety and in order to prevent and control the spread of COVID-19 pandemic, the Company reminds all Shareholders that physical attendance in person at the EGM is not necessary for the purpose of exercising voting rights. Shareholders may appoint the chairman of the meeting as their proxy to vote on the resolution at the EGM instead of attending the EGM in person, by completing and returning the proxy form attached to this circular.

17 May 2023

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:*

“Announcement”	the announcement of the Company dated 31 March 2023 in relation to the Disposal
“associate(s)”	has the meaning as ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day”	means 9:00 a.m. to 5:00 p.m. on any day (other than a Saturday, Sunday or statutory holiday in Hong Kong) on which banks in Hong Kong are open for normal banking business
“BVI”	the British Virgin Islands
“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
“Completion”	means completion of the sale and purchase of the Sale Share and the assignment of the Sale Loan in accordance with the terms and conditions of the SPA
“Completion Date”	means any day within six (6) months after the date of passing of the necessary resolutions by the Shareholders in the EGM approving the SPA and the transactions contemplated thereunder and on a date mutually agreed upon in advance by the parties to the SPA in writing
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Sale Share and the assignment of the Sale Loan pursuant to the terms and conditions of the SPA
“Disposal Company”	First Rank Corporation, a company incorporated in the BVI with limited liability and as at the Latest Practicable Date, a direct wholly-owned subsidiary of the Company
“Disposal Group”	the Disposal Company and its subsidiaries including the HK Subsidiary and the PRC Subsidiary
“EGM”	an extraordinary general meeting of the Company to be convened for the purpose of considering, and if thought fit, approving the SPA and the transactions contemplated thereunder

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## DEFINITIONS

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“Encumbrance(s)”	any mortgage, charge, pledge, lien, rental assignment, priority or security interest, whatsoever over or in any property, assets or rights whatsoever nature and includes any agreement for any of the same held by or conferred upon any person other than the owner of the subject matter
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HK Subsidiary”	Warner Investments Limited, a company incorporated in Hong Kong with limited liability
“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)
“Industrial Property”	an industrial development comprising two parcels of land located at Group of Longchuanzhou, Renzhou Village, Shatian Town, Dongguan City, Guangdong Province, the PRC (中國廣東省東莞市沙田鎮稔洲村龍船洲小組) with a total site area of about 72,335.99 sq. m. (or approximately 778,627.50 sq. ft.) and various buildings and ancillary structures erected thereon with a total gross floor area of approximately 28,814.66 sq. m. (or approximately 310,161.00 sq. ft.)
“Latest Practicable Date”	9 May 2023, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information included in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan Consideration”	an amount equal to the Sale Loan, and in case the Sale Loan exceeds the Transaction Consideration, an amount equivalent to the Transaction Consideration less HK\$8.00, being the cash consideration for the Sale Loan
“PRC”	the People’s Republic of China, excluding, for the purposes of the SPA, Hong Kong, Macao Special Administrative Region and the territory of Taiwan
“PRC Subsidiary”	東莞大新科技有限公司 (Dongguan Daxin Technology Co., Ltd.*), a wholly foreign-owned enterprise registered and established in the PRC

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## DEFINITIONS

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“Purchaser”	Mr. WONG Shing Chau, a merchant and an Independent Third Party
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Loan”	means the total amount of the Shareholder’s Loan
“Sale Share”	being one (1) issued ordinary share in the Disposal Company, representing the entire issued share capital of the Disposal Company
“Share Consideration”	the cash consideration for the Sale Share, being the difference between the Transaction Consideration and the Loan Consideration and in case the Sale Loan exceeds the Transaction Consideration, HK\$8.00
“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)
“Shareholder’s Loan”	the shareholder’s loan, including principal and interest, owed by the Disposal Company to the Company as at Completion on the Completion Date (such loan balance as at the Latest Practicable Date was approximately HK\$59.2 million)
“SPA”	the sale and purchase agreement dated 31 March 2023 entered into among the Company, the Purchaser and the Disposal Company in relation to the Disposal
“sq. ft.”	square feet
“sq. m.”	square metre(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transaction Consideration”	the cash consideration for the Disposal, being an aggregate of HK\$59.0 million
“%”	per cent.

\* *For identification purposes only*

For the purpose of illustration only, conversions of RMB into HK\$ in this circular are based on the exchange rate of RMB1.00 to HK\$1.13. Such conversions should not be construed as representations that any amounts have been, could have been, or may be, exchanged at this or any other rates.



**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)**

*Executive Directors:*

Mr. Yeung Chi Hang  
*(Chairman and chief executive officer)*  
Mr. Leung Kwong Choi  
Mr. Wong Po Keung  
Mr. Chung Siu Wah  
Mr. Chik To Pan

*Independent Non-executive Directors:*

Mr. Wong Kwai Sang  
Mr. Ong Chi King  
Mr. Heung Chee Hang, Eric

*Registered office:*

Ugland House  
P.O. Box 309  
Grand Cayman, KY1-1104  
Cayman Islands

*Head office and principal place of  
business in Hong Kong:*

Room 2608, 26/F  
Greenfield Tower  
Concordia Plaza  
No. 1 Science Museum Road  
Tsim Sha Tsui East  
Kowloon

17 May 2023

*To the Shareholders*

Dear Sir or Madam,

**(1) MAJOR TRANSACTION IN RELATION TO  
DISPOSAL OF ENTIRE EQUITY INTEREST OF A SUBSIDIARY  
AND THE ASSIGNMENT OF THE SALE LOAN;  
AND  
(2) NOTICE OF EXTRAORDINARY GENERAL MEETING**

**INTRODUCTION**

References are made to the announcements of the Company dated 31 March 2023, 28 April 2023 and 2 May 2023, respectively.

On 31 March 2023 (after trading hours), the Company, the Purchaser and the Disposal Company entered into the SPA, pursuant to which, the Company (as vendor) has conditionally agreed to sell the Sale Share and assign the Sale Loan to the Purchaser, and the Purchaser has conditionally agreed to acquire the Sale Share and take up the assignment

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## LETTER FROM THE BOARD

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of the Sale Loan, which amounted to approximately HK\$59.2 million as at the Latest Practicable Date, at the Transaction Consideration of HK\$59.0 million, comprising (i) the Loan Consideration which represents an amount equal to the Sale Loan on a dollar for dollar basis provided that if the Sale Loan exceeds the Transaction Consideration of HK\$59.0 million, the Loan Consideration shall be an amount equivalent to the Transaction Consideration less HK\$8.00; and (ii) the Share Consideration which represents an amount equal to the Transaction Consideration less the Loan Consideration, subject to the terms and conditions of the SPA. The Sale Share represents the entire issued share capital of the Disposal Company and the Sale Loan represents the Shareholder's Loan. The major asset of the Disposal Group is the 80% interest in the Industrial Property. As at the Latest Practicable Date, the Disposal Company is a direct wholly-owned subsidiary of the Company.

Upon Completion, the Company will cease to hold any interest in the Disposal Company. Accordingly, the Disposal Company will cease to be a subsidiary of the Company upon Completion and the financial results of the Disposal Group will no longer be consolidated into the financial statements of the Group.

The purpose of this circular is to provide you with, among other things, (i) further details of the SPA and the Disposal; (ii) the valuation report of the Industrial Property; (iii) other information required to be disclosed under the Listing Rules; and (iv) the notice of the EGM.

### **THE SPA**

The principal terms of the SPA are set out below:

#### **Date**

31 March 2023 (after trading hours)

#### **Parties**

- (i) the Company (as vendor);
- (ii) the Purchaser (as purchaser); and
- (iii) the Disposal Company

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, the Purchaser is a merchant and an Independent Third Party.

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## LETTER FROM THE BOARD

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### Assets to be disposed

The Company has conditionally agreed to sell the Sale Share and assign the Sale Loan to the Purchaser, and the Purchaser has conditionally agreed to acquire the Sale Share and take up the assignment of the Sale Loan. The Sale Share represents the entire issued share capital of the Disposal Company and the Sale Loan represents the Shareholder's Loan. The Sale Loan amounted to approximately HK\$59.2 million as at the Latest Practicable Date. The major asset of the Disposal Group is the 80% interest in the Industrial Property.

### Transaction Consideration

The Transaction Consideration in an aggregate amount of HK\$59.0 million, comprising (i) the Loan Consideration which represents an amount equal to the Sale Loan on a dollar for dollar basis provided that if the Sale Loan exceeds the Transaction Consideration of HK\$59.0 million, the Loan Consideration shall be an amount equivalent to the Transaction Consideration less HK\$8.00; and (ii) the Share Consideration which represents an amount equal to the Transaction Consideration less the Loan Consideration, is payable by the Purchaser by cashier order drawn on the licensed bank(s) in Hong Kong or solicitors' cheque(s) in HK\$ in the following manner:

- (i) as to HK\$5,900,000 is payable upon signing of the SPA;
- (ii) as to HK\$5,900,000 is payable within seven (7) days after the date on which the SPA and the transactions contemplated thereunder have been approved by the Shareholders at the EGM; and
- (iii) the remaining balance in the amount of HK\$47,200,000 is payable upon Completion.

As at the Latest Practicable Date, the first instalment of the Transaction Consideration in the amount of HK\$5,900,000 has been settled.

The Transaction Consideration was arrived at based on normal commercial terms after arm's length negotiations between the Company and the Purchaser and was determined with reference to, among others, (i) the unaudited consolidated net liabilities of the Disposal Group attributable to the Company of approximately HK\$8.2 million as at 31 December 2022; (ii) the Shareholder's Loan of approximately HK\$59.2 million as at 31 December 2022; (iii) the valuation of 80% interest in the Industrial Property attributable to the Company with an appraised market value of RMB49.76 million (equivalent to approximately HK\$56.23 million) as at 28 February 2023 (the "**Valuation Date**") as prepared by an independent valuer, namely Ravia Global Appraisal Advisory Limited ("**Ravia**"); and (iv) the reasons for and benefits of the Disposal described in the section headed "REASONS FOR AND BENEFITS OF THE DISPOSAL AND USE OF PROCEEDS" below.

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## LETTER FROM THE BOARD

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Ravia has been engaged by the Company for the valuation of the Industrial Property (the “**Valuation**”) after the Board has assessed their relevant experience in valuing properties in similar nature and locality as well as the necessary qualifications as required under Rule 5.08 of the Listing Rules. The Board has reviewed and discussed with Ravia on the valuation report of the Industrial Property (the “**Property Valuation Report**”, the full text of which is set out in Appendix II to this circular) together with the valuation methodology adopted and the underlying assumptions. In particular, the Board was informed by Ravia that, due to the specific purpose and unique nature of the buildings and structures of the Industrial Property (which was constructed by the owner, designed and built according to their specific and unique purpose and requirements for their occupation, e.g. specific requirements of floor plate size, floor loading, ceiling height, open spaces for accommodation of machinery and production line and materials storage as well as the requirements of dormitory and canteen for the specific number of workers, etc.) and the transactions of such kind of industrial developments usually bond with the business whereas the transactions of only real estate interest are rare, no relevant market sale or rental evidence is readily available for reference and therefore cost approach with reference to the depreciated replacement cost was adopted to assess the market value of the Industrial Property. Depreciated replacement cost is defined as “the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimization”. Ravia has assessed the replacement cost of the structures and buildings of the Industrial Property as at the Valuation Date with adjustments of physical deterioration and all relevant forms of obsolescence and optimization; and assessed the market value of the land portion of the Industrial Property with transaction evidence of land parcels with comparable characteristics in the relevant market.

Based on the selection criteria of land transactions including the proximity of transaction time (within one year before the Valuation Date and up to the Latest Practicable Date), location (situated at Shatian Town) and similar usage (for industrial use), Ravia had identified an exhaustive list of three comparable land transactions on the best-effort basis. Due adjustments have been considered to reflect the differences between the subject land parcels and comparable land parcels on factors such as location, remaining tenure, time, etc.. As advised by Ravia, the Board was given to understand that the unit rate of RMB737 per sq.m. adopted for valuing the land portion of the Industrial Property, being an amount higher than the average site unit rate after tenure adjustment and within the range of the adjusted site unit rates adopted among the three land comparables, was arrived at based on, among others, (i) the average unit price among the three comparable lands; and (ii) the adjustments with reference to factors including (but not limited to) the 21 remaining years of usage and the better location of the Industrial Property as compared to the three land comparables with 50 years of usage. In respect of the average depreciated replacement unit cost of approximately RMB309 per sq. m. adopted for valuing the total depreciated replacement cost of the buildings, the Board was informed by Ravia that due adjustment of physical deterioration has been made based on (i) the wear and tear depreciation of the buildings which were built in 1996 (i.e. approximately 27 years preceding the Valuation Date); and (ii) the assumption of straight-line depreciation with useful life of 30 years and scrap value of 5%. The market value of the Industrial Property is arrived at the summation of the values of the depreciated replacement cost of the buildings and structures and the

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## LETTER FROM THE BOARD

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market value of the land portion. In accordance with The HKIS Valuation Standards (2020 Edition) published by The Hong Kong Institute of Surveyors (“HKIS”), the application of the depreciated replacement cost method is under the basis and the assumption that (i) the depreciated replacement cost of the Industrial Property is subject to adequate potential profitability of the concerned business (i.e. on the assumption that the property owner/entity is able to finance the amount of the depreciated replacement cost as derived); and (ii) the reported market value only applies to the whole of the complex or development as a unique interest and no piecemeal transaction is assumed. For the purpose of the Valuation, Ravia has not considered any redevelopment potential which might affect the market value of the Industrial Property.

After reviewing the Property Valuation Report and having considered (i) the experience and necessary professional qualifications of Ravia which complied with the requirements under Rule 5.08 of the Listing Rules; (ii) that the Property Valuation Report was prepared in accordance with, among others, The HKIS Valuation Standards (2020 Edition) published by HKIS; and (iii) the valuation methodology adopted and the underlying assumptions and basis, including but not limited to the list of comparable land transactions identified and considered together with the basis of determining the unit rate of RMB737 per sq.m. for valuing the land portion of the Industrial Property as well as the average depreciated replacement unit cost of approximately RMB309 per sq.m for valuing the total depreciated replacement cost of the structure and buildings thereon as discussed above, the Board considers that the valuation of the Industrial Property together with its bases and assumptions adopted by Ravia are fair and reasonable.

As the Transaction Consideration represents a premium of approximately 15.7% over the sum (in an amount of approximately HK\$51.0 million) of the unaudited consolidated net liabilities of the Disposal Group attributable to the Company of approximately HK\$8.2 million and the Shareholder’s Loan of approximately HK\$59.2 million as at 31 December 2022, the Directors consider that the Transaction Consideration is fair and reasonable.

### **Conditions Precedent**

The Completion is conditional upon:

- (a) the Company having shown and proved that it has good title to the Sale Share and the Sale Loan free from all Encumbrances to the reasonable satisfaction of the Purchaser;
- (b) the Company having shown and proved that the HK Subsidiary is the sole shareholder of the PRC Subsidiary and has a good title to (i) the entire registered capital of the PRC Subsidiary; and (ii) all amounts, including principal and interest, owing by the PRC Subsidiary to the HK Subsidiary, if any, free from all Encumbrances;
- (c) the Company having shown and proved that the PRC Subsidiary has a good title to the Industrial Property free from all Encumbrances; and

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## LETTER FROM THE BOARD

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- (d) the passing of the necessary resolutions by the Shareholders in the EGM approving the SPA and the transactions contemplated thereunder.

None of the parties to the SPA is entitled to waive the condition (d) above. The Purchaser may waive (in whole or in part) any of the conditions referred to in (a) and (c) above, such waiver shall be effective only if it is made in writing and notified to the solicitors of the Company.

As at the Latest Practicable Date, none of the above conditions have been waived or fulfilled.

### **Completion**

Upon fulfilment (or waiver where applicable) of all the conditions set out in the section headed “Conditions Precedent” above, the Completion will take place on the Completion Date. If prior to the Completion Date, any of the warranties set out in the SPA are found to be untrue, misleading or incorrect in any material respect, the Company shall make its best efforts to duly and completely rectify or remedy the same to the reasonable satisfaction of the Purchaser within a reasonable period before the Completion Date and the Purchaser shall be entitled to give notice in writing to the Company to postpone the Completion Date to 7 Business Days until and after all such untrue, misleading or incorrect warranties are rectified or remedied to its reasonable satisfaction.

Upon Completion, the Company will cease to hold any interest in the Disposal Company. Accordingly, the Disposal Company will cease to be a subsidiary of the Company upon Completion and the financial results of the Disposal Group will no longer be consolidated into the financial statements of the Group.

If the Completion does not proceed on the Completion Date because the Company has failed or is unable to discharge any of its obligations set out in the SPA, the Purchaser may: (a) by written notice to the Company defer Completion to a Business Day not more than seven (7) days after the Completion Date; or (b) proceed to Completion so far as practicable but without prejudice to the Purchaser’s rights to the extent that the Company shall not have complied with its obligations thereunder; or (c) rescind the SPA upon giving written notice with immediate effect to the Company without liability on the part of the Purchaser. Upon rescission of the SPA by the Purchaser pursuant to (c) above, all moneys paid by the Purchaser to the Company under the SPA shall be returned to the Purchaser forthwith who shall also be entitled to recover from the Company damages (if any) which the Purchaser may sustain by reason of such failure on the part of the Company.

If the Completion does not proceed on the Completion Date because the Purchaser has failed or is unable to discharge any of his obligations set out in the SPA, the Company may determine the SPA by giving written notice of termination to the Purchaser or the solicitors of the Purchaser. The Company shall be entitled to forfeit any sums paid, as disclosed under (i) and (ii) in the section headed “Transaction Consideration” above, absolutely as agreed liquidated damages but not as penalty without prejudice to any other rights and remedies of the Company.

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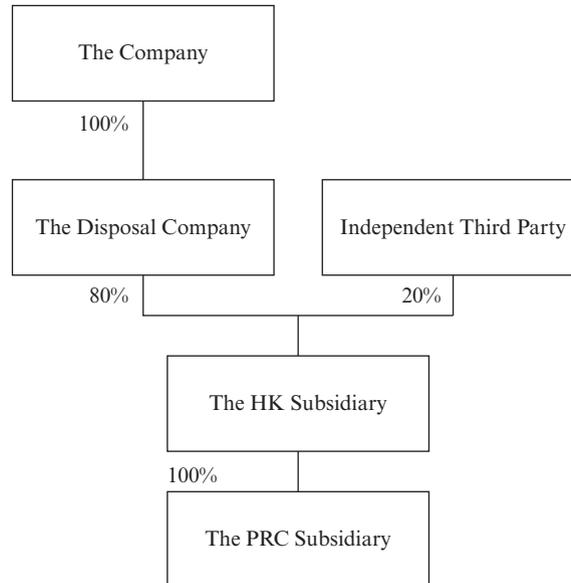
## LETTER FROM THE BOARD

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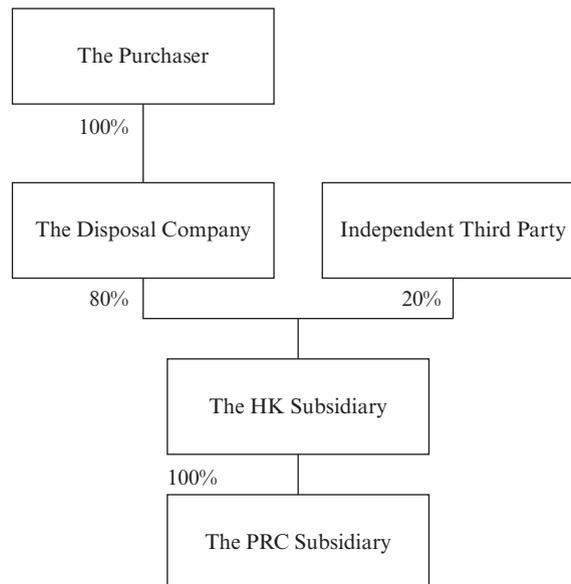
### INFORMATION ON THE DISPOSAL GROUP

Set out below is the shareholding structure of the Disposal Group (i) immediately prior to Completion; and (ii) immediately after Completion:

#### Shareholding structure of the Disposal Group immediately prior to Completion



#### Shareholding structure of the Disposal Group immediately after Completion



As at the Latest Practicable Date, the Disposal Company is directly wholly-owned by the Company. Upon Completion, the Company will cease to hold any interest in the Disposal Company.

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## LETTER FROM THE BOARD

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The Disposal Company is a company incorporated in the BVI with limited liability and is an investment holding company.

The HK Subsidiary is a company incorporated in Hong Kong with limited liability and is owned as to 80% by the Disposal Company and 20% by an Independent Third Party. Its principal business activity is investment holding and it holds the entire equity interest in the PRC Subsidiary.

The PRC Subsidiary is a wholly foreign-owned enterprise registered and established in the PRC. Currently, the PRC Subsidiary is not engaged in any business activity and its major asset is the Industrial Property which comprises two parcels of land with a total site area of about 72,335.99 sq. m. (or approximately 778,627.50 sq. ft.) and various buildings and ancillary structures erected thereon with a total gross floor area of approximately 28,814.66 sq. m. (or approximately 310,161.00 sq. ft.) located at Group of Longchuanzhou, Renzhou Village, Shatian Town, Dongguan City, Guangdong Province, the PRC, which is in a vacant possession as at the Latest Practicable Date.

### FINANCIAL INFORMATION OF THE DISPOSAL GROUP

Set out below are the unaudited consolidated financial information of the Disposal Group as prepared in accordance with the Hong Kong Financial Reporting Standards for the years ended 30 June 2021 and 30 June 2022 and the six months ended 31 December 2022:

	<b>For the six months ended 31 December 2022 (unaudited) HK\$'000</b>	<b>For the year ended 30 June 2022                      2021 HK\$'000                      HK\$'000</b>	
Turnover	—	—	—
Loss before taxation	968	646	671
Loss after taxation	968	646	671

According to the financial information of the Disposal Group for the six months ended 31 December 2022, the major assets of the Disposal Group primarily comprised investment properties of approximately HK\$70.3 million and the major liabilities of the Disposal Group comprised (i) accruals and other payables of approximately HK\$9.9 million; and (ii) the amount due to the Company of approximately HK\$59.2 million. Accordingly, the unaudited consolidated net assets of the Disposal Group amounted to approximately HK\$1.3 million as at 31 December 2022. After deducting the non-controlling interests of the Disposal Group of approximately HK\$9.5 million, the unaudited consolidated net liabilities of the Disposal Group attributable to the Company amounted to approximately HK\$8.2 million as at 31 December 2022.

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## LETTER FROM THE BOARD

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### REASONS FOR AND BENEFITS OF THE DISPOSAL AND USE OF PROCEEDS

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 Group has been continuing to explore new business opportunities for corporate development and dedicates to develop sustainable current business.

As stated in the interim report of the Company for the six months ended 31 December 2022, the Industrial Property was affected by a new town zoning plan in which part of the land would be used as or affected by an exit and its connected roads from a new highway to Shatian Town. Negotiations with the relevant government authorities (the “**Negotiations**”) were still undergoing. Plans for best use of the land and buildings can only be devised when final results are known.

Given that the Negotiations have been proceeding since 2018 and no agreement has been reached up to and including the Latest Practicable Date, the Board considers that there is no guarantee on the timeframe for obtaining the results of the lengthy Negotiations and it is unforeseeable as to whether such results will be favourable to the future development of the Industrial Property. Accordingly, the Board is of the view that the Disposal provides the Group a great opportunity to realise its long-term investment in the Disposal Group so as to reallocate the Group’s financial resources for optimizing the operational efficiency and to enhance the return to the Group. Based on the above and having considered that the Transaction Consideration is at a premium price to the sum of the unaudited consolidated net liabilities of the Disposal Group attributable to the Company and the Shareholder’s Loan, the Directors consider that the terms of the SPA are on normal commercial terms, fair and reasonable and the Disposal is in the interests of the Company and the Shareholders as a whole.

The Company intends to use the net proceeds from the Disposal of approximately HK\$57.9 million of which (i) as to approximately HK\$17.0 million for repayment of indebtedness of the Company including the outstanding bank borrowings in respect of the revolving loans and interests in an aggregate amount of approximately HK\$9.3 million payable within the next 18 months and the installment loan of approximately HK\$7.7 million which will fall due within the next 18 months; (ii) as to approximately HK\$32.5 million for general working capital of the Group; and (iii) as to approximately HK\$8.4 million as the minimal reserve available for potential business and investment opportunities which may arise from time to time. The Group is open to any potential business/investment opportunities that provide satisfactory returns to the Group. As at the Latest Practicable Date, no investment target or business opportunity has been identified by the Group.

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## LETTER FROM THE BOARD

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### FINANCIAL EFFECTS OF THE DISPOSAL

As at the Latest Practicable Date, the Disposal Company is a direct wholly-owned subsidiary of the Company. Upon Completion, the Company will cease to hold any interest in the Disposal Company. Accordingly, the Disposal Company will cease to be a subsidiary of the Company upon Completion and the financial results of the Disposal Group will no longer be consolidated into the financial statements of the Group.

#### Assets and liabilities

Based on the Transaction Consideration of HK\$59.0 million and the unaudited net liability value of the Disposal Group as at 31 December 2022, it is estimated that upon Completion, the total assets of the Group will be decreased by approximately HK\$11.4 million. The total liabilities of Group will be decreased by approximately HK\$8.8 million. It is estimated that the net assets of the Group will have a decrease of approximately HK\$2.6 million.

#### Earnings

For illustrative purpose, assuming the Completion has taken place on 31 December 2022, it is estimated that the Company would realise an unaudited gain on the Disposal of approximately HK\$6.9 million (instead of approximately HK\$19.0 million as disclosed in the Announcement), being the difference between the Transaction Consideration of HK\$59.0 million and the adjusted unaudited consolidated net assets of the Disposal Group attributable to the Company of approximately HK\$51.0 million as at 31 December 2022, taking into account the assignment of the Sale Loan and excluding the non-controlling interests of the Disposal Group, after deducting the expenses attributable to the Disposal of approximately HK\$1.1 million. Notwithstanding that the estimated unaudited gain on the Disposal was amended from approximately HK\$19.0 million as disclosed in the Announcement to approximately HK\$6.9 million, the Board considers the financial effect of the Disposal in terms of earnings is positive in nature and is fair and reasonable.

However, the Shareholders should note that the above estimation has not taken into account the potential tax impact upon Completion and the actual financial effect as a result of the Disposal to be recorded by the Group is subject to final audit to be performed by the auditors of the Company.

### LISTING RULES IMPLICATIONS

As the highest of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Disposal exceeds 25% but is less than 75%, the Disposal constitutes a major transaction for the Company under Chapter 14 of the Listing Rules, and is therefore subject to reporting, announcement and shareholders' approval requirements pursuant to Chapter 14 of the Listing Rules.

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## LETTER FROM THE BOARD

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**Completion is conditional upon the satisfaction (or waiver, as the case may be) of the conditions set out in the paragraph headed “Conditions Precedent” in this circular, including the approval of the SPA and the transactions contemplated thereunder by the Shareholders at the EGM. Accordingly, the Disposal may or may not proceed. Shareholders and the potential investors of the Company are therefore advised to exercise caution when dealing in the Shares.**

### GENERAL

The EGM will be held at Orchid Room, 2/F, The Royal Garden, 69 Mody Road, Tsim Sha Tsui East, Kowloon, Hong Kong on Thursday, 8 June 2023 at 11:00 a.m., the notice of which is set out on pages EGM-1 to EGM-3 of this circular.

For the purpose of ascertaining the entitlement to attend and vote at the EGM, the register of members of the Company will be closed from Monday, 5 June 2023 to Thursday, 8 June 2023 (both dates inclusive) during which period no transfer of Share(s) will be registered. In order to be eligible for attending and voting at the EGM, all transfer document(s), accompanied by the relevant share certificate(s) must be lodged with the Hong Kong branch share registrar and transfer office of the Company, Union Registrars Limited, at Suites 3301–04, 33/F., Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong for registration no later than 4:00 p.m. on Friday, 2 June 2023.

A form of proxy for use at the EGM is enclosed. Whether or not you intend to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Hong Kong branch share registrar and transfer office of the Company, Union Registrars Limited at Suites 3301–04, 33/F., Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy shall not preclude you from attending and voting in person at the EGM or any adjournment thereof (as the case may be) should you so wish and, in such case, the instrument appointing a proxy shall be deemed to be revoked.

To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, no Shareholder has any material interest in the SPA and the transactions contemplated thereunder. Therefore, no Shareholder is required to abstain from voting on the relevant resolution to be proposed at the EGM to approve the SPA and the transactions contemplated thereunder.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of Shareholders at a general meeting must be taken by poll except for purely procedural or administrative matters. Accordingly, the proposed resolution will be put to vote by way of poll at the EGM.

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## LETTER FROM THE BOARD

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### RECOMMENDATION

The Directors consider that the terms of the SPA and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend that the Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the SPA and the transactions contemplated thereunder.

### ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

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

## 1. THREE-YEAR FINANCIAL INFORMATION

The financial information of the Group for each of the three financial years ended 30 June 2020, 2021, 2022 and the unaudited condensed consolidated financial statements of the Group for the six months ended 31 December 2022 were disclosed in the following documents which have been published on both the website of the Stock Exchange (<http://www.hkex.com.hk>) and the website of the Company ([www.cergroup.com.hk](http://www.cergroup.com.hk)). Please refer to the hyperlinks as stated below:

- The annual report of the Company for the year ended 30 June 2020 (pages 58 to 143): <http://www.hkexnews.hk/listedco/listconews/SEHK/2020/1029/2020102900777.pdf>
- The annual report of the Company for the year ended 30 June 2021 (pages 60 to 143): <http://www.hkexnews.hk/listedco/listconews/SEHK/2021/1020/2021102000546.pdf>
- The annual report of the Company for the year ended 30 June 2022 (pages 58 to 139): <http://www.hkexnews.hk/listedco/listconews/SEHK/2023/0227/2023022700335.pdf>
- The interim report of the Company for the six months ended 31 December 2022 (pages 6 to 29): <http://www.hkexnews.hk/listedco/listconews/SEHK/2023/0330/2023033002116.pdf>

## 2. INDEBTEDNESS STATEMENT

At the close of business on 31 March 2023, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Group had outstanding (i) bank borrowings of approximately HK\$73.8 million which were secured by car parking spaces, a deed of assignment of rental income from the car parking spaces, a keyman insurance contract classified under the investments at fair value through profit or loss and personal guarantee from a director of the Company and (ii) other borrowings of HK\$1.6 million from a director of the Company, which were unsecured and unguaranteed.

In addition, the Group recognised right-of-use assets and corresponding lease liabilities in respect of all leases unless they qualify for low value or short-term leases. The lease liabilities represent obligation to make lease payment for right of using underlying assets. As at 31 March 2023, the Group had unsecured and unguaranteed lease liabilities of approximately HK\$46.9 million.

As at 31 March 2023, the Group had no contingent liabilities.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, the Group did not have, at the close of business on 31 March 2023, any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchases commitments, guarantees or contingent liabilities. Foreign currency amounts have been translated into HK\$ at the rates of exchange prevailing at the close of business on 31 March 2023. The Directors are not aware of any material changes in the Group's indebtedness and contingent liabilities since the close of business on 31 March 2023.

### **3. WORKING CAPITAL**

The Directors are of the opinion that, after taking into account the internal resources and the credit facilities available to the Group as well as the proceeds from the Disposal, the Group has sufficient working capital for its present requirements and for at least 12 months from the date of this circular in the absence of unforeseen circumstances.

### **4. MATERIAL ADVERSE CHANGE**

On 24 February 2023, the Company announced a profit warning for its interim results for the six months ended 31 December 2022. As disclosed in the Company's interim report for the six months ended 31 December 2022 dated 28 February 2023, the Group recorded an unaudited loss of approximately HK\$2.2 million for the six months ended 31 December 2022 as compared to the unaudited loss of approximately HK\$6.4 million recorded for the six months ended 31 December 2021. The decrease in loss was mainly attributable to the combined effects of the followings during the six months ended 31 December 2022: (i) increase in turnover to approximately HK\$42.8 million mainly due to the increase in sales of motor vehicles and related accessories; (ii) increase in other income to approximately HK\$11.2 million mainly due to written-off non-recourse liabilities and gain on disposal of property, plant and equipment; and (iii) decrease in fair value loss on investment properties to approximately HK\$0.8 million.

Save as disclosed above, the Directors confirm that they were not aware of any material adverse change in the financial position or trading position of the Group since 30 June 2022, being the date to which the latest published audited financial statements of the Group were made up, up to and including the Latest Practicable Date.

### **5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP**

The Group is currently engaged in metal recycle business, motor and motor accessories business, car parking spaces rental, money lending business, hotel business, securities trading and investment business and distribution of plantation products, environmental system and plantation materials. 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 People's Republic of China (the "PRC") and overseas. The Group has been continuing to explore new business opportunities for corporate development and dedicates to develop sustainable current business.

Fair value of the biological asset at Shihezi City, Xinjiang in which the Group through its wholly-owned subsidiary acquired timber cutting right over a plantation land of 30,000 mu was valued at approximately HK\$259,760,000 as at 31 December 2022 (30 June 2022: approximately HK\$267,079,000). During most of the time for the six months ended 31 December 2022, Shihezi City was at a lockdown condition. It was not until after the announcement of the new policy for COVID-19 on 7 December 2022 by the central government, the city became gradually reopened. We are still in the process of gathering all relevant data and information to do a realistic costs and return estimate alongside with other risks and uncertain factors advised.

Fair value of the industrial land and buildings at Longchuanzhou, Renzhou Village, Shatian Town, Dongguan City was valued at approximately HK\$70,330,000 as at 31 December 2022 (30 June 2022: approximately HK\$73,678,000). The properties are being affected by a new town zoning plan in which part of the land would be used as or affected by an exit and its connected roads from a new highway to Shatian Town. Negotiations with the relevant government authorities are still undergoing. Plans for best use of the land and buildings can only be devised when final results are known. The car parking space located at Kennedy Town, Hong Kong continued to contribute a stable source of income for the Group. Its value was maintained at approximately HK\$191,900,000 as at 31 December 2022 (30 June 2022: approximately HK\$191,900,000).

### **Metal Recycle Business**

Scrap metal is becoming more valuable because it is now being placed as an essential energy saving decarbonisation tool worldwide. Scrap metal is changing its status, its image, its price and even its name. The quantity of trade restrictions emerging on scrap is an indicator of its growing value. Various countries have announced export restrictions, perceiving the importance of keeping at home more recycled raw materials for steel and metal production. Complex supply-demand dynamics are fostering price volatility. According to Standard and Poor global market intelligence, Turkish import of premium melting scrap fluctuated between US\$665/mt and US\$320/mt in the four months following the start of the Ukraine war. However, the range is still well above the US\$207/mt in March 2020 following the COVID-19 markets slump, as decarbonisation gathers pace.

In Hong Kong, the main source of metal scrap is from construction sites. According to the Census and Statistics Department's publication in December 2022, the gross value of construction works in the third quarter of 2022 was in real terms increased in private sector by 3.4 percentage with a decrease by 5.3% at public sector. However, any increase or decrease was based on the much downslope figure of the year 2021. Scrap source in Hong Kong is becoming more and more difficult, not to mention competition has been increased.

Further, there are negative factors arising from the COVID-19 pandemic that are still affecting the business. On the China market, there had been locations being locked out occasionally and stricter hygienic progress for foreign importation. For China and

Southeast Asia countries, logistics are being disrupted by unstable sea freight price, container space booking and ports' operation. All these factors discourage exporters to maintain heavy inventory and adopting a conservative stance on pricing.

For the six months ended 31 December 2022, the Group recorded revenue from metal recycle business of approximately HK\$8,667,000 (2021: approximately HK\$9,092,000).

### **Motor and motor accessories business**

The Group has two segments of business, namely sale of car and motorcycle and sale of motor accessories. On the sale of car and motorcycle segment, we still focus on the disposal of inventories. In view of the downturn of the consumption market, especially the high-end market, we are adopting a much more flexible pricing approach to test the level of acceptance.

On the sale of car, manufacturer of BAC Mono has gradually resumed its production in United Kingdom. Some back orders of the super car had completed their delivery. This led to a short term rebound on car sale performance. However, we do not expect long term growth in this area as the domestic economy has yet to regain its momentum and spending on high end supercar is not optimistic in the near future.

On the sale of motor accessories, we are able to maintain a steadily growth. During the year ended 31 December 2022, local consumption market at Hong Kong and Taiwan had maintained a positive growth momentum. Restrictions on overseas travel had forced consumers to local market spendings. Sale of motor accessories, especially "Pirelli" tyres, had maintained and improved generally. In addition, with the effect of COVID-19 pandemic became less restrictive, importation restriction to the PRC was accordingly relaxed. The Group realizes that demand on high-performance tyres exists in PRC and the Group starts to allocate more resource on the PRC market which led to the increase in sales of motor accessories. However, the unstable worldwide logistics both as to container's space booking and much fluctuation on price have resulted in the supplier being unable to arrange timely shipment and sufficient supply to fulfil our orders.

For the six months ended 31 December 2022, revenue from motor and motor accessories business was approximately HK\$31,136,000 (2021: approximately HK\$27,365,000).

### **Investment Properties**

No business activity was engaged with the industrial buildings located in the PRC. The car parking spaces located in Hong Kong continued to provide a stable revenue and cash flow to the Group. For the six months ended 31 December 2022, rental income increased to approximately HK\$2,225,000 (2021: approximately HK\$2,080,000).

**Money Lending Business**

The Company operates money lending business through a wholly-owned subsidiary of the Group, which is a holder of money lender's license under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong). The Group has adopted money lending policies and procedures for handling and/or monitoring the money lending business in compliance with the Money Lenders Ordinance.

During the six months ended 31 December 2022, the Group recorded loan interest income of approximately HK\$182,000 (2021: approximately HK\$923,000) from granting loans to both corporate and individual clients. The outstanding principal amount of loan receivables as at 31 December 2022 was approximately HK\$10,239,000 (30 June 2022: approximately HK\$9,802,000). The Group did not recognize any impairment loss for the six months ended 31 December 2022 (2021: Nil).

**Securities Trading and Investment Business**

During the six months ended 31 December 2022, the market did not perform well with the city's main benchmarks racking up the worst losses this year. The Group expects that the stock market in Hong Kong remains uncertain and will continue to adopt a cautious approach in making investment decision in securities dealing so as to obtain a balance between risk and return.

For the six months ended 31 December 2022, the Group recorded the net loss on fair value changes on investments at fair value through profit or loss of the invested stocks of approximately HK\$63,000 (2021: approximately HK\$251,000).

**Green Technology**

There was no revenue on the green technology for the six months ended 31 December 2022 (2021: Nil).

**Plantation Sales Business**

The Group has timber cutting right on trees grown on the biological asset at Shihezi City, Xinjiang with which the Group is working prudently to find the best possible use of it. The Group would cautiously consider the actual economic return after gathering all relevant data and information and thoroughly study all risks and uncertain factors before making any investment decision. For the six months ended 31 December 2022, there was no revenue generated from plantation sales business (2021: Nil).

**Hotel Business**

The Group operates a boutique hotel under the name Waldo Hotel at Kathmandu, Nepal. The hotel has 40 rooms, one Chinese restaurant with capacity of serving 100 guests at one time, one Japanese restaurant with capacity of serving 40 guests at one time and a lobby lounge of serving capacity of 20 guests at one time. Soft opening begun at July 2022 with 28 rooms. Then it gradually extended to Japanese restaurant and lobby lounge. Now the 40 rooms, Japanese restaurant and lobby lounge are fully operational. Moreover, the Chinese restaurant is at trial and soft opening stage.

For the six months ended 31 December 2022, the Group recorded revenue from hotel business of approximately HK\$577,000 (2021: Nil).

## PROSPECTS

We wrote in our prospects published on 30 September 2022 that according to World Health Organisation Director General that we had never been in a better position to end the pandemic although we were not there, the end was in sight. Now six months had lapsed since we last reported and we can comfortably say that the end is really in sight. At least, psychological and physical hardships arising from or connecting with the viruses have been greatly reduced.

In December 2022, China ended its zero-COVID policy. Since then, COVID-19 cases in China increased rapidly. Luckily, worries of new variants might emerge as a result of massive infection do not materialised. COVID-19 cases in China may have peaked after climbing the curve since adopting the new policy. Whilst, according to past experience, a few waves would have been occurred before COVID-19 infection really flattened, outlook for China and Hong Kong to combat the pandemic is encouraging and never at a better position since its outbreak three years ago. Both the Chinese and Hong Kong governments are administering efforts in resuming everything to normal.

The Hong Kong economy continued to register a visible year-on-year contraction in the third and fourth quarter of 2022 of which real GDP declined by 4.6% and 4.2% respectively. For 2022 as a whole, real GDP shrank by 3.5%. Looking ahead, the Hong Kong economy is expected to show some recovery in 2023. Likewise, China's economy is predicted to have a growth of approximately 5% as well. These growths are attributable to the abandonment of zero-COVID lockdown policies. We expect that there shall be more programmes and directives to boost the economy after the new top government leadership appointments are being confirmed at the coming first meeting of the 14th National People's Congress.

The Federal Reserve raised the target range for the fed funds rate by 0.25% to 4.5%–4.75% in its February 2023 meeting. The Federal Reserve maintains a very tough stance on inflation and estimates it will raise the key interest rate at 5.00%–5.25% at the end of 2023 to curb inflation. In that sense, we shall not expect a weak US dollars. A strong US dollars is not good for economy recovery for most of the countries. This is one of the negative consideration in that the costs of money is much higher than that of one year ago and an upward trend is anticipated.

After a year of war in Ukraine, all signs point to more misery with no end in sight. Neither side appears primed for an outright military victory, and progress at the negotiating table seems just as unlikely. The global economy continues to be weakened by the war through significant disruptions in trade, food and fuel price shocks, all of which are contributing to high inflation and subsequent tightening in global financing conditions. China's stance on the Ukraine war is drawing close attention by many nations. China's overall trade with Russia increased by 30% and hit a record high level of US\$190 billion in 2022. We hope that China will take a pragmatic approach in the war without sacrificing its economy recovery plan.

The Group will allocate more resources to expand motor accessories, especially high performance tyres, sales business in PRC. Whilst the China and Hong Kong economy are predicted to have approximately 5% growth, that is set up on a weakened base for three consecutive years. Consolidating existing business operation, exercising more controls over operating costs and overheads, cautiously approaching and considering any new business opportunities will continuously be maintained by the Group.

*The following is the text of a valuation report, prepared for the purpose of incorporation in this circular dated 17 May 2023, received from Ravia Global Appraisal Advisory Limited, an independent valuer, in connection with their valuation of the Industrial Property as at 28 February 2023.*



17/F., 83 Wan Chai Road,  
Wan Chai, Hong Kong  
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W: www.raviagroup.com  
E: general@raviagroup.com

17 May 2023

The Board of Directors  
**China Environmental Resources Group Limited**  
Unit 2608, 26/F  
Greenfield Tower, Concordia Plaza  
No. 1 Science Museum Road  
Tsim Sha Tsui East, Kowloon, Hong Kong

Dear Sirs,

**Re: Property valuation of an industrial development located at Group of Longchuanzhou, Renzhou Village, Shatian Town, Dongguan City, Guangdong Province, the People's Republic of China (the "PRC") (一個位於中華人民共和國廣東省東莞市沙田鎮稔洲村龍船洲小組之工業房地產項目)**

In accordance with the instructions of China Environmental Resources Group Limited (the "**Company**"), and together with its subsidiaries hereinafter referred to as the "**Group**") to assess the market value of the captioned property situated in the PRC, we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the property as at 28 February 2023 (the "**Valuation Date**") for the purpose of incorporation in the circular of the Company dated 17 May 2023.

## **1. BASIS OF VALUATION**

Our valuation of property is our opinion of the market value which we would define as intended to mean "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

Market value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

## 2. VALUATION STANDARDS

In valuing the property, we have complied with The HKIS Valuation Standards (2020 Edition) published by The Hong Kong Institute of Surveyors effective from 31 December 2020; and the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

## 3. VALUATION METHODOLOGY

For large scale en-bloc industrial development which is built by the owner for owner occupation in the PRC, the structure and specification are usually designed for the specific requirement to suit the owner's occupation e.g. specific requirements of floor plate size, floor loading, ceiling height, open spaces for accommodation of machinery and production line and materials storage as well as the requirement of dormitory and canteen for a specific number of workers, etc. Further, the transactions of such kind of industrial developments usually bond with the business and the transactions of only real estate interest are rare.

Therefore, due to the specific purpose and unique nature of the buildings and structures of the property, no relevant market sale or rental evidence is readily available for reference and therefore cost approach with reference to the depreciated replacement cost was adopted to assess the market value of the property. Depreciated replacement cost is defined as "the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimization". We have assessed the current replacement cost of the structures and buildings of the property as at the Valuation Date with adjustments of physical deterioration and all relevant forms of obsolescence and optimization; and assessed the market value of the land of the property with relevant transaction evidence of land parcels in the relevant market. The market value of the property is arrived at the summation of the values of the depreciated replacement cost of the buildings and structures and the market value of the land portion. The application of the depreciated replacement cost method is under the basis and the assumption that (i) the depreciated replacement cost of the property is subject to adequate potential profitability of the concerned business (i.e. on the assumption that the property owner/entity is able to finance the amount of the depreciated replacement cost as derived); and (ii) the reported market value only applies to the whole of the complex or development as a unique interest and no piecemeal transaction is assumed. Unless otherwise stated, for the purpose of this valuation we have not considered any redevelopment potential which might affect the market value of the property.

## 4. TITLE INVESTIGATION

We have been provided with copies of title documents and have been confirmed by the Company that no further relevant documents have been produced. However, we have not examined the original documents to verify ownership or to ascertain the existence of any amendment documents, which may not appear on the copies handed to us. In the course of our valuations, we have relied upon the advice provided by the Company's PRC Legal Adviser, Jian Da Law Firm (景達律師事務所), regarding the legality of the concerned property titles.

## **5. VALUATION ASSUMPTIONS**

Our valuation has been made on the assumptions that the owner sells the property in the open market as at the Valuation Date in its existing state without the benefit of deferred term contracts, leasebacks, joint ventures, management agreements or any similar arrangements which would serve to affect the market value of the property. No account has been taken of any option or right of pre-emption concerning or affecting the sale of the property. No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property nor for any expenses or taxation which may be incurred in effecting a sale.

Unless otherwise stated, we have assumed that the property is free from encumbrances, restrictions and outgoings of an onerous nature which could affect the market value; all relevant land premium and other costs of ancillary utility services have been settled in full; the title owners of the property have free and uninterrupted rights to occupy and use the property during the whole of the remaining land lease term; and the existing use of the property is in compliance with the local planning regulations and have been approved by the relevant authorities.

## **6. SOURCE OF INFORMATION**

In the course of our valuation, we have relied to a very considerable extent on the information provided by the Company and have accepted advice given to us on matters such as planning approvals or statutory notices, easements, tenure, property identification, particulars of occupation, site/floor areas, building ages and all other relevant matters which can affect the market value of the property. All documents have been used for reference only. Whenever the information contained in this valuation report is quoted or extracted from documents supplied to us which are originally produced in Chinese and translated into English for disclosure purpose, in case of any inconsistency, the Chinese version shall prevail. The English names translated from Chinese names contained in this report are for identification purpose only.

We have no reason to doubt the truth and accuracy of the information provided to us. We have also been advised that no material facts have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view and have no reason to suspect that any material information has been withheld.

## **7. VALUATION CONSIDERATION**

We have inspected the exterior and, where possible, the interior of the property. No structural survey has been made in respect of the property. However, in the course of our inspections, we did not note any serious defects. We are not, however, able to report that the buildings are free from rot, infestation or any other structural defects. No tests were carried out on any of the building services.

We have not carried out any land investigation or environmental surveys, but we did not notice and have not been advised of any evidence of environmental concerns such as existing or potential contamination or any form of hazard, and therefore we assumed none of such exists. We have not carried out on-site measurement to verify the site/floor areas of the property under consideration and have assumed that the site/floor areas shown on the documents handed to us are correct. Except as otherwise stated, all dimensions, measurements and areas included in the valuation certificate are based on information contained in the documents provided to us by the Company and are therefore approximations.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the property nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoings of an onerous nature which could affect the market value.

## **8. CURRENCY**

Unless otherwise stated, all monetary figures stated in this report are in Renminbi (“RMB”), the lawful currency of the PRC.

## **9. REMARKS**

In accordance with our standard practice, we must state that this report is for the use only of the party to whom it is addressed and no responsibility is accepted to any third party for the whole or any part of its contents and neither the whole, nor any part of this report may be included in any published documents or statement nor published in any way without our prior written approval of the form and context in which it may appear.

Our Valuation Certificate is attached herewith.

Yours faithfully,

For and on behalf of

**RAVIA GLOBAL APPRAISAL ADVISORY LIMITED**

**Dr. Alan Lee**

PhD(BA) MFin BCom(Property)

MHKIS RPS(GP) AAPI CPV

CPV(Business)

*Director*

*Note:*

Dr. Alan Lee is a Registered Professional Surveyor (General Practice), a Member of Hong Kong Institute of Surveyors, and an Associate of Australian Property Institute. He has over 18 years' property valuation experience in Hong Kong, Macau, the PRC, the Asia Pacific Region, and various European and American countries.

## VALUATION CERTIFICATE

## Property held by the Group for owner occupation in the PRC

Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 28 February 2023
An industrial development located at Group of Longchuanzhou, Renzhou Village, Shatian Town, Dongguan City, Guangdong Province, The PRC 位於中國廣東省東莞市沙田鎮稔洲村龍船洲小組之一個工業房地產項目	<p>The property is an industrial development comprising two parcels of land with a total site area of 72,335.99 sq.m. (or approximately 778,627.50 sq.ft.) together with the ten buildings and ancillary structures with a total gross floor area (“GFA”) of 28,814.66 sq.m. (or approximately 310,161.00 sq.ft.) erected thereon which were completed in 1996.</p> <p>The property is situated about 40 minutes driving distance from the Dongguan city center and about 20 minutes driving distance from the Humen railway station. The vicinity of the property mainly comprising various industrial developments.</p> <p>The land use rights of the property have been granted for terms due to expire on 15 February 2044 and 10 May 2044 for industrial use.</p>	As advised by the Company, the property is held for owner occupation and vacant as at the Valuation Date.	<p><b>RMB62,200,000</b> (RENMINBI SIXTY-TWO MILLION TWO HUNDRED THOUSAND)</p> <p>80% interest attributable to the Company: <b>RMB49,760,000</b> (RENMINBI FORTY-NINE MILLION SEVEN HUNDRED SIXTY THOUSAND)</p>

## Notes:

- Pursuant to two State Owned Land Use Rights Certificates (國有土地使用權證) issued by the People’s Government of Dongguan City (東莞市人民政府), the land use rights of two parcels of land situated at Group of Longchuanzhou, Renzhou Village, Shatian Town (沙田鎮稔洲村龍船洲小組) with a total site area of 72,335.99 sq.m. (or approximately 778,627.50 sq.ft.), have been vested in Dongguan Daxin Technology Co., Ltd. (東莞大新科技有限公司), salient information summarized as below:

Certificate Number	Issuance Date	Site Area (sq.m.)	Use	Expiration Date
東府國用(1996)第特311號 Dong Fu Guo Yong (1996) Di Te No. 311	19 April 2006	37,930.96	Industrial	15 February 2044
東府國用(1996)第特312號 Dong Fu Guo Yong (1996) Di Te No. 312	18 April 2006	34,405.03	Industrial	10 May 2044
		<u>72,335.99</u>		

2. Pursuant to ten Real Estate Title Certificates (房地產權證) issued by the People's Government of Guangdong Province (廣東省人民政府) on 16 October 2006, the building ownerships of ten buildings with a total GFA of 28,814.66 sq.m. (or approximately 310,161.00 sq.ft.) which were completed in 1996 have been vested in Dongguan Daxin Technology Co., Ltd., salient information summarized as below:

Certificate Number	GFA (sq.m.)	Use	Storey
粵房地證字第C4931901號 Yue Fang Di Zheng Zi No. C4931901	983.08	Canteen	1
粵房地證字第C4931911號 Yue Fang Di Zheng Zi No. C4931911	2,598.80	Office	2
粵房地證字第C4931912號 Yue Fang Di Zheng Zi No. C4931912	2,715.40	Dormitory	6
粵房地證字第C4931913號 Yue Fang Di Zheng Zi No. C4931913	1,816.50	Dormitory	3
粵房地證字第C4931914號 Yue Fang Di Zheng Zi No. C4931914	1,401.68	Dormitory	3
粵房地證字第C4931915號 Yue Fang Di Zheng Zi No. C4931915	2,715.40	Dormitory	6
粵房地證字第C4931916號 Yue Fang Di Zheng Zi No. C4931916	5,100.00	Factory	1
粵房地證字第C4931917號 Yue Fang Di Zheng Zi No. C4931917	8,400.00	Factory	2
粵房地證字第C4931918號 Yue Fang Di Zheng Zi No. C4931918	368.40	Factory	1
粵房地證字第C4931919號 Yue Fang Di Zheng Zi No. C4931919	2,715.40	Dormitory	6
	28,814.66		

3. Dongguan Daxin Technology Co., Ltd. is an indirect 80% owned subsidiary of the Company.
4. The site inspection was performed by Mr. Zhang Jinren, with over 6-year valuation experience in the PRC, in April 2023.
5. We have been provided with a legal opinion regarding the legality of the concerned property titles prepared by the Company's PRC Legal Adviser, which contains, *inter alia*, the following salient information:
- a. The land use rights and building ownership of the property is legally and validly owned by Dongguan Daxin Technology Co., Ltd. with legitimate rights to lease, transfer or mortgage; and
  - b. The property is not subject to mortgage, seize, or other major encumbrances, and the current usage of the property complies with the permitted usages.

6. The market value of the property as at the Valuation Date is arrived at the summation of the value of (i) the two land parcels by making reference to relevant land transactions on vacant possession basis; and (ii) the value of the buildings and structures erected thereon on depreciated replacement cost basis which refers to “the current cost of replacing an asset less deductions for physical deterioration”.

In assessing the value of the land portion of the property, references have been made to relevant land transactions. Selection criteria of land transactions included proximity of transaction time (within one year before the Valuation Date and up to the Latest Practicable Date), location (situated at Shatian Town), and similar usage (for industrial use). Due adjustments were made to reflect the differences between the subject land parcels and comparable land parcel. Downward adjustment was made to reflect the significant difference in remaining land tenure, i.e. 21 remaining years of the subject land and 50 years of the comparable lands when transacted, as well as adjustments on location and accessibility, we have adopted a unit rate of RMB737 per sq.m. on site area, the concluded market value of the two land parcels with a total site area of about 72,335.99 sq.m. is RMB53,300,000 (rounded; RMB737 × 72,335.99 sq.m.). The referenced land transactions and computations are tabulated below:

	Land Comparable 1	Land Comparable 2	Land Comparable 3
<b>Location</b>	Hean Village, Shatian Town, Dongguan City 東莞市沙田鎮和安村	Hean Village, Shatian Town, Dongguan City 東莞市沙田鎮和安村	Xidadan Village, Shatian Town, Dongguan City 東莞市沙田鎮 西大擔村
Land Number	2023WT014	2022WT019	2022WT014
Transaction Date	7 March 2023	30 June 2022	25 April 2022
Consideration	RMB49,990,000	RMB237,030,000	RMB40,080,000
Transaction type	Public Tender	Public Tender	Public Tender
Permitted Usage	Industrial	Industrial	Industrial
Tenure	50 years	50 years	50 years
Maximum Plot Ratio	2.00	2.00	4.00
Site Area	33,321.81 sq.m.	197,521.56 sq.m.	33,396.37 sq.m.
Transaction site unit price (per sq.m.)	RMB1,500	RMB1,200	RMB1,200
Tenure adjustment rate	-58%	-58%	-58%
Site unit rate after tenure adjustment (per sq.m.)	RMB630	RMB504	RMB504
Other adjustments (on factors such as location, accessibility, etc.)	+ 6%	+ 20%	+ 20%
Adjusted site unit rate adopted (per sq.m.)	RMB720	RMB746	RMB744
Weightings	1/3	1/3	1/3
*(RMB720*1/3) + (RMB746*1/3) + (RMB744*1/3) = <u>RMB737</u>			

In assessing the value of the buildings and structures portion of the property, references have been made to prevailing construction costs in the vicinity to determine the current replacement cost. Average construction costs between RMB1,500 per sq.m. and RMB2,200 per sq.m. have been adopted depending on the types of building with consideration of associated professional, management and financial costs. The total replacement cost of the buildings is arrived at about RMB61,500,000. Due adjustment of physical deterioration to reflect the wear and tear depreciation of the buildings which were built in 1996, an average depreciated replacement unit cost of about RMB309 per sq.m. was adopted by assuming a

straight-line depreciation with useful life of 30 years and scrap value of 5%, and the total depreciated replacement cost of the buildings is rounded at RMB8,900,000 (RMB309 x 28,814.66 sq.m.). The calculation formula is tabulated as below:

Depreciation Rate

$$= (\text{Cost less Scrap value}) * (\text{used years} / \text{total useful life})$$

$$= (1 - 5\%) * (27/30) \text{ years} = 85.5\%$$

Depreciated replacement Cost unit rate = Average Replacement Cost Unit Rate \* Depreciation

$$= (\text{RMB}61,500,000 / 28,814.66 \text{ sq.m.}) * (1 - 85.5\%)$$

$$= \text{RMB}2,134 * 14.5\% = \text{RMB}309$$

The replacement unit cost adopted for the buildings are tabulated as below:

<b>Building Nature</b>	<b>Current replacement unit cost including professional, management and financial costs</b>	<b>Depreciated Replacement Unit Cost</b>
Canteen	RMB1,544/sq.m.	RMB224/sq.m.
Dormitory	RMB2,284/sq.m.	RMB331/sq.m.
Factory	RMB2,067/sq.m.	RMB300/sq.m.
Ancillary Office	RMB2,067/sq.m.	RMB300/sq.m.

The market value of the property as at the Valuation Date is therefore arrived at

Value of the land —	RMB53,300,000
(+) Value of the buildings and structures —	RMB8,900,000
(=) Market Value of the property —	RMB62,200,000

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquires, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. DISCLOSURE OF INTEREST

### (a) Directors' and chief executive's interests in the Company

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules; or (c) were required pursuant to section 352 of the SFO to be entered in the register referred to therein were as follows:

#### *Long position in Shares or underlying Shares*

Name of Director	Capacity	Number of Shares held	Number of equity derivatives held (Note)	Total interests	Approximate percentage (Note)
Mr. Yeung Chi Hang	Beneficial owner	511,236,000	16,942,817	528,178,817	25.94%
Mr. Chung Siu Wah	Beneficial owner	—	16,942,817	16,942,817	0.83%
Mr. Chik To Pan	Beneficial owner	—	16,942,817	16,942,817	0.83%
Mr. Wong Po Keung	Beneficial owner	—	16,942,817	16,942,817	0.83%
Mr. Leung Kwong Choi	Beneficial owner	—	1,500,000	1,500,000	0.07%
Mr. Ong Chi King	Beneficial owner	—	1,000,000	1,000,000	0.05%
Mr. Wong Kwai Sang	Beneficial owner	—	1,000,000	1,000,000	0.05%
Mr. Heung Chee Hang, Eric	Beneficial owner	—	1,000,000	1,000,000	0.05%

*Note:*

The shareholding percentage was calculated based on the 2,036,538,114 Shares in issue as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and the chief executive of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or its associated

corporations (within the meaning of Part XV of the SFO), which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules; or (c) were required pursuant to section 352 of the SFO to be entered in the register referred to therein.

**(b) Substantial Shareholders and other persons' interests in the Company**

As at the Latest Practicable Date, so far as was known to the Directors and the chief executive of the Company in accordance with disclosure by the Shareholders under Part XV of the SFO, the following persons (in each case other than the Directors and the chief executive of the Company) had an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

*Long position in the Shares and underlying Shares*

Name of Shareholder	Capacity	Number of Shares held	Approximate percentage <i>(Note)</i>
Mr. Chu Ying Man	Beneficial owner	135,000,000	6.63%

*Note:*

The shareholding percentage was calculated based on the 2,036,538,114 Shares in issue as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, the Directors and chief executives of the Company were not aware of any person (other than the Directors and chief executives of the Company) who had an interest or short position in the Shares or underlying Shares which was required to be notified to the Company under Divisions 2 and 3 of Part XV of the SFO, or which was recorded in the register required to be kept by the Company under Section 336 of the SFO, or held any interests or short positions in 5% or more of the respective types of capital in issue of the Company.

**3. DIRECTORS' INTERESTS IN ASSETS/CONTRACTS AND OTHER INTERESTS**

As at the Latest Practicable Date, none of the Directors had: (a) any direct or indirect interests in any assets which have been since 30 June 2022 (being the date to which the latest published audited consolidated financial statements of the Group were made up) acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group; and (b) any subsisting material interest in any contract or arrangement which is significant in relation to the business of the Group.

#### 4. DIRECTORS' COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and their respective associates had any interests in a business, which competes or is likely to compete either directly or indirectly with the businesses of the Group or any other conflicts of interests with the Group.

#### 5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into or was proposing to enter into a service contract with any member of the Group which does not expire or is not terminable by such member of the Group within one year without payment of compensation (other than statutory compensation).

#### 6. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

#### 7. MATERIAL CONTRACTS

Save for the SPA, no material contracts (not being contracts entered into in the ordinary course of business of the Group) have been entered into by the Group within two years immediately preceding the Latest Practicable Date.

#### 8. EXPERT AND CONSENT

The following is the qualification of the expert who has given opinion and advice, which is contained in this circular:

<b>Name</b>	<b>Qualification</b>
Ravia Global Appraisal Advisory Limited ("Ravia")	An independent professional valuer

As at the Latest Practicable Date, Ravia had given and had not withdrawn its written consent to the issue of this circular with the inclusion of its letter or report and the reference to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, Ravia did not have any shareholding, directly or indirectly, in any member of the Group or any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, Ravia did not have any direct or indirect interest in any assets which have been, since 30 June 2022 (being the date to which the latest published audited accounts of the Group were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

## **9. GENERAL INFORMATION**

- (a) The registered office of the Company is situated at Uglan House, P.O. Box 309, Grand Cayman, KY1-1104, Cayman Islands. The head office and principal place of business of the Company in Hong Kong is situated at Room 2608, 26/F., Greenfield Tower, Concordia Plaza, No. 1 Science Museum Road, Tsim Sha Tsui East, Kowloon, Hong Kong.
- (b) The company secretary of the Company is Mr. Lo Tai On who has been engaged and appointed by the Company from an external secretarial services provider.
- (c) The Hong Kong branch share registrar and transfer office of the Company is Union Registrars Limited at Suites 3301–04, 33/F., Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong.
- (d) The English texts of this circular, the notice of EGM and the accompanying form of proxy shall prevail over their Chinese texts in case of inconsistencies.

## **10. DOCUMENTS ON DISPLAY**

Copies of the following documents are published on the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)), Singapore Exchange Limited ([www.sgx.com](http://www.sgx.com)) and the website of the Company ([www.cergroup.com.hk](http://www.cergroup.com.hk)) for the period of 14 days commencing from the date of this circular:

- (a) the valuation report of the Industrial Property set out in Appendix II of this circular;
- (b) the written consent from Ravia referred to in the section headed “8. Expert and Consent” in this Appendix; and
- (c) the SPA.



**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)**

**NOTICE OF EXTRAORDINARY GENERAL MEETING**

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (the “EGM”) of China Environmental Resources Group Limited (the “**Company**”) will be held at Orchid Room, 2/F, The Royal Garden, 69 Mody Road, Tsim Sha Tsui East, Kowloon, Hong Kong on Thursday, 8 June 2023 at 11:00 a.m. for the purpose of considering and, if thought fit, passing with or without amendments, the following resolution as ordinary resolution of the Company:

**ORDINARY RESOLUTION**

**“THAT:**

- (a) the sale and purchase agreement dated 31 March 2023 (the “**SPA**”) a copy of which has been produced to the EGM marked “**A**” and signed by the chairman of the EGM for the purposes of identification, entered into among the Company (as vendor), Mr. Wong Shing Chau (as purchaser) and First Rank Corporation (the “**Disposal Company**”) in relation to the conditional disposal of the entire equity interest in the Disposal Company and the transactions contemplated thereunder, as more detailed in the announcement of the Company dated 31 March 2023 and the circular of the Company dated 17 May 2023, be and are hereby approved, confirmed and ratified; and
- (b) any of the directors of the Company (the “**Director(s)**”) be and is hereby authorised to do all such further acts and things, negotiate, approve, agree, sign, initial, ratify and/or execute such further documents, instruments and agreements (whether under common seal or not) and to take all steps and to do all such acts or things deemed by him/her to be incidental to, ancillary to or in connection with the matters contemplated in the SPA and the transactions contemplated thereunder as he/she may in his/her absolute discretion consider necessary,

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## NOTICE OF EGM

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desirable or expedient to give effect to the SPA and the implementation of all transactions contemplated thereunder and to agree with such variation, amendment or waiver as, in the opinion of the Directors, in the interest of the Company and its shareholders as a whole.”

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

Hong Kong, 17 May 2023

*Registered Office:*  
Ugland House  
P.O. Box 309  
Grand Cayman, KY1-1104  
Cayman Islands

*Head Office and Principal Place of  
Business in Hong Kong:*  
Room 2608, 26/F.  
Greenfield Tower  
Concordia Plaza  
No. 1 Science Museum Road  
Tsim Sha Tsui East  
Kowloon

### Notes:

1. Any shareholder entitled to attend and vote at the EGM shall be entitled to appoint another person as his/her proxy to attend and vote instead of him/her. A shareholder who is the holder of two or more shares may appoint more than one proxy to represent him/her and vote on his/her behalf. A proxy need not to be a shareholder of the Company.
2. In order to be valid, a form of proxy together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, must be deposited at the Company's branch share registrar and transfer office in Hong Kong, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong not less than 48 hours before the time appointed for the EGM (or any adjournment thereof).
3. Completion and delivery of a form of proxy shall not preclude a shareholder from attending and voting in person at the EGM and in such case, the instrument appoint a proxy shall be deemed to be revoked.
4. Where there are joint holders of any shares, any one of such joint holder may vote, either in person or by proxy in respect of such shares as if he/she was solely entitled hereto; but if more than one of such joint holders be present at the EGM, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company.

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## NOTICE OF EGM

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5. A form of proxy for use at the EGM is attached herewith.
6. Any voting at the EGM shall be taken by poll.
7. The register of members of the Company will be closed from Monday, 5 June 2023 to Thursday, 8 June 2023 (both dates inclusive) for determining the entitlement of the shareholders of the Company to attend and vote at the EGM. In order to be eligible for attending and voting at the EGM, all transfers of shares of the Company accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar and transfer office of the Company, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for registration no later than 4:00 p.m. on Friday, 2 June 2023.
8. The form of proxy must be in writing under the hand of the appointer or his attorney duly authorized in writing or, if the appointer is a corporation, either under its common seal or under the hand of an officer, attorney or other person duly authorized to sign the same.
9. The Chinese translation of this notice is for reference only and in case of any inconsistency, the English version shall prevail.

*As at the date of this notice, 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.*