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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)**

### **ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 30 JUNE 2019**

The board of directors (the “Board”) of China Environmental Resources Group Limited (the “Company”) announces the annual audited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 30 June 2019 together with comparative figures for the year ended 30 June 2018.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME**

*For the year ended 30 June 2019*

	<i>Notes</i>	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
<b>Revenue</b>	3	<b>119,387</b>	212,276
Cost of sales		<u><b>(101,003)</b></u>	<u>(192,973)</u>
<b>Gross profit</b>		<b>18,384</b>	19,303
Other income	5	<b>1,896</b>	2,302
Administrative and operating expenses		<b>(61,184)</b>	(60,624)
Net loss on fair value changes on investments at fair value through profit or loss		<b>(7,247)</b>	(164)
Fair value gain on investment properties		<b>2,299</b>	7,954
Gain/(loss) on disposals of subsidiaries		<b>149</b>	(11)
Gain on deregistration of subsidiaries		—	2,558
Loss arising from changes in fair value less costs to sell of biological assets		<b>(72,769)</b>	(174,687)
Loss on settlement of promissory note		—	(1,144)
Provision for impairment loss of intangible assets		<b>(17,185)</b>	—
Provision for impairment loss of trade receivables		<u><b>(2,725)</b></u>	<u>—</u>
<b>Loss from operations</b>		<b>(138,382)</b>	(204,513)
Finance costs	6	<u><b>(749)</b></u>	<u>(548)</u>
<b>Loss before tax</b>		<b>(139,131)</b>	(205,061)
Income tax credit	7	<u><b>17,991</b></u>	<u>44,475</u>
<b>Loss for the year</b>	8	<b>(121,140)</b>	(160,586)
<b>Other comprehensive (loss)/income after tax:</b>			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translation of foreign operations		<b>(15,886)</b>	17,791
Release of translation reserve upon deregistration of a foreign subsidiary		<u>—</u>	<u>39</u>
<b>Other comprehensive (loss)/income for the year, net of tax</b>		<u><b>(15,886)</b></u>	<u>17,830</u>
<b>Total comprehensive loss for the year</b>		<u><u><b>(137,026)</b></u></u>	<u><u>(142,756)</u></u>

	<i>Notes</i>	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
<b>Loss for the year attributable to:</b>			
Owners of the Company		<b>(122,322)</b>	(159,784)
Non-controlling interests		<b>1,182</b>	(802)
		<u><b>(121,140)</b></u>	<u>(160,586)</u>
<b>Total comprehensive loss for the year attributable to:</b>			
Owners of the Company		<b>(137,774)</b>	(142,235)
Non-controlling interests		<b>748</b>	(521)
		<u><b>(137,026)</b></u>	<u>(142,756)</u>
<b>Loss per share</b>			
	<i>9</i>		
Basic (HK cents per share)		<u><b>(6)</b></u>	<u>(9)</u>
Diluted (HK cents per share)		<u><b>(6)</b></u>	<u>(9)</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30 June 2019*

	<i>Notes</i>	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		9,890	14,082
Investment properties		277,041	277,866
Biological assets	<i>11</i>	262,989	348,933
Intangible assets		98,952	125,760
Goodwill		1,087	1,087
Loans receivable		6,274	—
		<b>656,233</b>	767,728
<b>Current assets</b>			
Inventories		23,165	40,152
Trade and other receivables	<i>12</i>	65,240	60,183
Loans receivable		18,692	25,646
Investments at fair value through profit or loss	<i>13</i>	4,883	1,098
Refundable secured deposit		12,000	12,000
Cash and cash equivalents		5,551	13,027
		<b>129,531</b>	152,106
<b>Current liabilities</b>			
Trade and other payables		24,463	22,290
Contract liabilities		2,202	726
Bank loans		22,000	—
Current tax liabilities		2,203	1,202
		<b>50,868</b>	24,218
<b>Net current assets</b>		<b>78,663</b>	127,888
<b>Total assets less current liabilities</b>		<b>734,896</b>	895,616
<b>Non-current liabilities</b>			
Deferred tax liabilities		88,967	112,661
		<b>88,967</b>	112,661
<b>NET ASSETS</b>		<b>645,929</b>	782,955

	<i>Notes</i>	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
<b>Capital and reserves</b>			
Share capital	<i>14</i>	<b>40,731</b>	40,731
Reserves		<b>592,037</b>	729,811
		<hr/>	<hr/>
Equity attributable to owners of the Company		<b>632,768</b>	770,542
Non-controlling interests		<b>13,161</b>	12,413
		<hr/>	<hr/>
<b>TOTAL EQUITY</b>		<b>645,929</b>	782,955
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## NOTES

### 1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of biological assets which are carried at their fair values less costs to sell; and investment properties and investments at fair value through profit or loss which are carried at their fair values. The consolidated financial statements are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand except when otherwise indicated.

### 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) that are relevant to its operations and effective for its accounting year beginning on 1 July 2018. HKFRSs comprise Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards, and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s consolidated financial statements and amounts reported for the current year and prior years except as stated below.

#### HKFRS 15 “Revenue from Contracts with Customers”

HKFRS 15 has been applied retrospectively and resulted in changes in the consolidated amounts reported in the consolidated financial statements as follows:

	As at 30 June 2018 <i>HK\$’000</i>	As at 1 July 2017 <i>HK\$’000</i>
Decrease in trade and other payables	(726)	(622)
Increase in contract liabilities	<u>726</u>	<u>622</u>

The following new and revised HKFRSs that have been published are relevant to the Group's operations but have not been early adopted.

<b>New/revised HKFRSs</b>		<b>Effective date</b>
HKFRS 16	Leases	Accounting periods ("AP") beginning on or after 1 January 2019
HK (IFRIC) 23	Uncertainty over Income Tax Treatments	AP beginning on or after 1 January 2019

#### **HKFRS 16 Leases**

Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. As at the reporting date, the Group has non-cancellable operating lease commitments of approximately HK\$7,109,000. Upon adoption of HKFRS 16, certain amounts included therein may need to be recognised as new right-of-use assets and lease liabilities. Further analysis, however, will be required to determine the amount of new right-of-use assets and lease liabilities to be recognised, including, but not limited to, any amounts relating to leases of low-value assets and short term leases, other practical expedients and reliefs chosen, and new leases entered into before the date of adoption.

The Group is in the process of assessing the potential impact of the above new/revised HKFRSs upon initial application but is not yet in a position to state whether the above new/revised HKFRSs will have a significant impact on the Group's financial performance and position.

### **3. REVENUE**

	<b>2019</b>	2018
	<b>HK\$'000</b>	<b>HK\$'000</b>
Trading of recycled metals	<b>46,001</b>	184,570
Trading of motor vehicles and related accessories	<b>66,547</b>	21,683
Commission income	—	359
Sales of golden flower tea products	<b>27</b>	—
	<hr/>	<hr/>
Revenue from contracts with customers	<b>112,575</b>	206,612
Rental income	<b>3,891</b>	3,751
Loan interest income	<b>2,893</b>	1,913
Dividend income	<b>28</b>	—
	<hr/>	<hr/>
Total revenue	<b>119,387</b>	212,276
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Disaggregation of revenue from contracts with customers for year ended 30 June 2019:

	Trading of recycled metals <i>HK\$'000</i>	Trading of motor vehicles and related accessories <i>HK\$'000</i>	Sales of golden flower tea products <i>HK\$'000</i>
<b>Geographical markets</b>			
The People's Republic of China (the "PRC")	11,457	315	27
Hong Kong	34,544	65,370	—
Macau	—	862	—
	<u>46,001</u>	<u>66,547</u>	<u>27</u>

Disaggregation of revenue from contracts with customers for year ended 30 June 2018:

	Trading of recycled metals <i>HK\$'000</i>	Trading of motor vehicles and related accessories <i>HK\$'000</i>	Commission income <i>HK\$'000</i>
<b>Geographical markets</b>			
The PRC	72,572	—	—
Hong Kong	111,998	21,532	—
United Kingdom	—	—	359
Macau	—	151	—
	<u>184,570</u>	<u>21,683</u>	<u>359</u>

All revenue from contracts with customers are recognised at a point in time.

#### Sales of goods

The Group sells recycled metals, motor vehicles and related accessories to the customers. Sales are recognised when control of the products has transferred, being when the products are delivered to a customer, there is no unfulfilled obligation that could affect the customer's acceptance of the products and the customer has obtained legal titles to the products.

Sales to customers are normally made with credit terms of 30 to 90 days. For new customers, deposits or cash on delivery may be required. Deposits received are recognised as contract liabilities.

A receivable is recognised when the products are delivered to the customers as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.



#### 4. SEGMENT INFORMATION

The Group has seven reportable segments for the year ended 30 June 2019 as follows:

- (i) Trading of recycled metals
- (ii) Trading of motor vehicles and related accessories
- (iii) Property investment
- (iv) Provision of financial services
- (v) Sales of golden flower tea products
- (vi) Securities trading and investment
- (vii) Sales of plantation materials and products

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies.

Segment profits or losses do not include gain on deregistration of subsidiaries, interest income from refundable secured deposit, finance costs and income tax credit. Segment assets do not include goodwill and refundable secured deposit. Segment liabilities do not include deferred tax liabilities and bank loans.

Information about reportable segment revenue, profit or loss, assets and liabilities:

	Trading of recycled metals <i>HK\$'000</i>	Trading of motor vehicles and related accessories <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Provision of financial services <i>HK\$'000</i>	Sales of golden flower tea products <i>HK\$'000</i>	Securities trading and investment <i>HK\$'000</i>	Sales of plantation materials and products <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Year ended 30 June 2019</b>								
Revenue from external customers	46,001	66,547	3,891	2,893	27	28	—	119,387
Segment (loss)/profit comprising:	(13,001)	(293)	(305)	2,873	(25,350)	(7,350)	(77,717)	(121,143)
Loss arising from changes in fair value less costs to sell of biological assets	—	—	—	—	—	—	(72,769)	(72,769)
Fair value gain on investment properties	—	—	2,299	—	—	—	—	2,299
Depreciation and amortisation	(2,302)	(755)	—	—	(789)	—	(4,831)	(8,677)
Proceeds from disposal of listed securities	—	—	—	—	—	10,604	—	10,604
Costs of disposal of listed securities	—	—	—	—	—	(12,157)	—	(12,157)
Net unrealised losses on listed securities	—	—	—	—	—	(5,694)	—	(5,694)
Provision for impairment loss of intangible assets	—	—	—	—	(17,185)	—	—	(17,185)
Provision for impairment loss of trade receivables	(2,725)	—	—	—	—	—	—	(2,725)
<b>At 30 June 2019</b>								
Segment assets	13,302	76,241	278,361	25,051	7,041	4,989	355,879	760,864
Segment liabilities	182	6,975	3,686	611	10	467	4,250	16,181
<b>Year ended 30 June 2018</b>								
Revenue from external customers	184,570	22,042	3,751	1,913	—	—	—	212,276
Segment profit/(loss) comprising:	1,937	(5,742)	7,230	1,897	(133)	(172)	(183,373)	(178,356)
Loss arising from changes in fair value less costs to sell of biological assets	—	—	—	—	—	—	(174,687)	(174,687)
Fair value gain on investment properties	—	—	7,954	—	—	—	—	7,954
Depreciation and amortisation	(1,462)	(654)	—	—	(66)	—	(5,059)	(7,241)
Proceeds from disposal of listed securities	—	—	—	—	—	2	—	2
Costs of disposal of listed securities	—	—	—	—	—	(2)	—	(2)
Net unrealised losses on listed securities	—	—	—	—	—	(164)	—	(164)
<b>At 30 June 2018</b>								
Segment assets	28,507	74,503	279,608	25,774	24,080	10,422	450,664	893,558
Segment liabilities	313	2,985	3,129	565	—	467	4,274	11,733

Reconciliations of reportable segment revenue, profit or loss, assets and liabilities:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
<b>Revenue:</b>		
Total revenue of reportable segments	<u>119,387</u>	<u>212,276</u>
<b>Loss:</b>		
Total loss of reportable segments	(121,143)	(178,356)
Other profit or loss:		
Finance costs	(749)	(548)
Gain on deregistration of subsidiaries	—	2,558
Income tax credit	17,991	44,475
Interest income from refundable secured deposit	—	2,000
Corporate and unallocated loss	<u>(17,239)</u>	<u>(30,715)</u>
Consolidated loss for the year	<u>(121,140)</u>	<u>(160,586)</u>
<b>Assets:</b>		
Total assets of reportable segments	760,864	893,558
Goodwill	1,087	1,087
Refundable secured deposit	12,000	12,000
Corporate and unallocated assets	<u>11,813</u>	<u>13,189</u>
Consolidated total assets	<u>785,764</u>	<u>919,834</u>
<b>Liabilities:</b>		
Total liabilities of reportable segments	16,181	11,733
Deferred tax liabilities	88,967	112,661
Bank loans	22,000	—
Corporate and unallocated liabilities	<u>12,687</u>	<u>12,485</u>
Consolidated total liabilities	<u>139,835</u>	<u>136,879</u>

Geographical information:

	Revenue		Non-current assets	
	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
The PRC	11,798	72,572	438,982	552,559
Hong Kong	106,727	139,194	217,251	215,169
United Kingdom	—	359	—	—
Macau	862	151	—	—
	<u>119,387</u>	<u>212,276</u>	<u>656,233</u>	<u>767,728</u>

In presenting the geographical information, revenue is based on the locations of the customers.

Revenue from major customers:

	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
<b>Trading of recycled metals</b>		
Customer A	N/A*	72,572
Customer B	N/A*	29,717
<b>Trading of motor vehicles and related accessories</b>		
Customer C	<u>42,051</u>	<u>N/A*</u>

Revenue from the above customers individually contributed more than 10% of the total revenue of the Group.

\* Customers did not contribute more than 10% of the total revenue of the Group for the years ended 30 June 2019 or 2018.

## 5. OTHER INCOME

	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Interest income from refundable secured deposit	—	2,000
Sponsor income	543	—
Forfeiture of deposits received for sales of motor vehicle	273	—
Sub-letting income	240	—
Others	<u>840</u>	<u>302</u>
	<u>1,896</u>	<u>2,302</u>

## 6. FINANCE COSTS

	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Interest on promissory note	—	443
Interest on bank loans and overdrafts	<u>749</u>	<u>105</u>
	<u>749</u>	<u>548</u>

## 7. INCOME TAX CREDIT

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Current tax — Hong Kong Profits Tax		
Provision for the year	1,417	510
Over-provision in prior years	(8)	(49)
Deferred tax	<u>(19,400)</u>	<u>(44,936)</u>
Income tax credit	<u><u>(17,991)</u></u>	<u><u>(44,475)</u></u>

Hong Kong Profits Tax has been provided at a rate of 16.5% (2018: 16.5%) on the estimated assessable profits for the year ended 30 June 2019.

Tax charge on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

### Reconciliation between income tax credit and accounting loss at applicable tax rate

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Loss before tax	<u>(139,131)</u>	<u>(205,061)</u>
Tax calculated at applicable tax rate of 25% (2018: 25%)	(34,783)	(51,265)
Effect of different tax rates of the subsidiaries	4,899	1,927
Tax effect of expenses that are not deductible	8,127	6,504
Tax effect of income that are not taxable	(604)	(2,420)
Tax effect of temporary differences not recognised	642	(713)
Tax reduction	(165)	(197)
Over-provision in prior years	(8)	(49)
Tax effect of tax losses not recognised	<u>3,901</u>	<u>1,738</u>
Income tax credit	<u><u>(17,991)</u></u>	<u><u>(44,475)</u></u>

## 8. LOSS FOR THE YEAR

This is stated at after charging/(crediting) the following:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Amortisation of intangible assets	5,620	5,125
Auditor's remuneration	970	950
Cost of inventories sold	101,003	192,973
Depreciation	3,805	3,276
Loss/(gain) on disposals of property, plant and equipment	508	(7)
Operating lease charges on land and buildings	7,272	6,120
Staff costs (including directors' remuneration):		
— salaries, bonuses and allowances	19,366	15,044
— retirement benefit scheme contributions	611	419
— equity-settled share-based payments	—	8,920
	<u>19,977</u>	<u>24,383</u>

## 9. LOSS PER SHARE

### Basic loss per share

The calculation of basic loss per share attributable to owners of the Company is based on the loss for the year attributable to owners of the Company of approximately HK\$122,322,000 (2018: HK\$159,784,000) and the weighted average number of ordinary shares of 2,036,538,114 (2018: 1,777,106,333) in issue during the year.

### Diluted loss per share

The effects of all potential ordinary shares are anti-dilutive for the years ended 30 June 2019 and 2018.

## 10. DIVIDENDS

The directors do not recommend or declare the payment of any dividend in respect of the years ended 30 June 2019 and 2018.

## 11. BIOLOGICAL ASSETS

	<b>Standing timbers HK\$'000</b>
At 1 July 2017	506,022
Change in fair value less costs to sell	(174,687)
Exchange differences	<u>17,598</u>
At 30 June 2018 and 1 July 2018	348,933
Change in fair value less costs to sell	(72,769)
Exchange differences	<u>(13,175)</u>
At 30 June 2019	<u><u>262,989</u></u>

The Group's biological assets represent standing timbers on plantation land of approximately 30,000 Chinese Mu with a lease term of 30 years, expiring in 2038. The standing timbers comprise mostly poplar trees (accounting over 99% of the total standing timbers), mixed with a very small portion of other species of deciduous trees such as elm and willow. During the years ended 30 June 2019 and 2018, the Group did not harvest or sell any standing timbers.

The Group's standing timbers as at 30 June 2019 were independently valued by Roma Appraisals Limited ("Roma") which comprises a group of independent professional valuers with experience and expertise in relation to biological assets valuation. Their team consists of professional valuers and agricultural experts who work together in a wide array of biological assets to ensure the reliability and fairness of their valuation results. Accordingly, the directors are of the view that Roma is independent and competent to determine the fair value of the Group's biological assets.

Roma has adopted a market approach for the valuation of standing timbers. The method uses the present market value in terms of price per unit cubic meter of round logs and the total merchantable volume of timbers on the plantation land as at 30 June 2019 as a basis for calculating the fair value less costs to sell of the biological assets. Roma has adopted the measured merchantable volume of standing timbers as indicated by the forest manager of the Group and also verified the market price per cubic meter of logs by referencing to the market price lists, after taking into account of local timber manufacturing factories as well. The principal assumptions adopted are as follows:

1. no material changes in the existing political, legal, technological, fiscal, economic conditions, climate and any other natural condition; and
2. the movements of the price of the timber, the setup fee and maintenance fee for tree plantation will move in line with the price index of forestry product in the PRC.

## Nature risk

The Group's revenue depends significantly on the ability to harvest wood at adequate levels. The ability to harvest on the plantation land and the growth of the trees on the plantation land may be affected by unfavorable local weather conditions and natural disasters. Weather conditions such as earthquakes, rainfall, underground water, fire, disease, insect infestation and pests are examples of such events. The occurrence of severe weather conditions or natural disasters may diminish the supply of trees available for harvesting on the plantation land, or otherwise impede the Group's logging operations or the growth of the trees on the plantation land, which in turn may have a material adverse effect on the Group's ability to produce the products in sufficient quantities and a timely manner.

## 12. TRADE AND OTHER RECEIVABLES

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Trade receivables	43,075	21,424
Less: provision for impairment loss	<u>(2,725)</u>	<u>—</u>
	40,350	21,424
Prepayments, deposits and other receivables	<u>24,890</u>	<u>38,759</u>
	<u><u>65,240</u></u>	<u><u>60,183</u></u>

The Group's trading terms with customers are mainly on credit. The credit terms generally range from 30 to 90 (2018: 30 to 180) days. Each customer has a maximum credit limit. For new customers, payment in advance is normally required. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors.

The ageing analysis of trade receivables, based on the invoice date, and net of allowance, is as follows:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
0–90 days	19,293	20,289
91–180 days	16,560	220
181–360 days	3,664	765
Over 360 days	<u>833</u>	<u>150</u>
	<u><u>40,350</u></u>	<u><u>21,424</u></u>



The movement in provision for impairment of trade receivables is as follows:

	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Balance at beginning of year	—	—
Impairment loss recognised	<u>2,725</u>	<u>—</u>
Balance at end of year	<u><u>2,725</u></u>	<u><u>—</u></u>

Impaired trade receivables were mainly due from customers with long outstanding balances and the management of the Group considered the recoverability is remote as the related customers were in financial difficulties or have prolonged delay in repayment. The Group did not hold any material collateral over those balances.

The Group applies the simplified approach under HKFRS 9 to provide for expected credit losses using the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses also incorporate forward looking information.

	<b>Current</b>	<b>1-90 days past due</b>	<b>91-180 days past due</b>	<b>181-360 days past due</b>	<b>Over 360 days past due</b>	<b>Total</b>
<b>At 30 June 2019</b>						
Weighted average expected loss rate	0%	0%	0%	56%	0%	
Receivable amount ( <i>HK\$'000</i> )	18,637	17,149	2,459	4,830	—	43,075
Loss allowance ( <i>HK\$'000</i> )		—	—	(2,725)	—	(2,725)
<b>At 30 June 2018</b>						
Weighted average expected loss rate	0%	0%	0%	0%	0%	
Receivable amount ( <i>HK\$'000</i> )	12,303	8,071	491	559	—	21,424
Loss allowance ( <i>HK\$'000</i> )		—	—	—	—	—

Receivables that were past due but not impaired relate to a number of independent customers who have no recent history of default and have kept good track records with the Group. The Group does not hold any collateral over these balances. Based on past experience, the management believes that no impairment allowance is necessary in respect of these balances as there are no significant change in their respective credit quality and the balances are still considered fully recoverable.

### 13. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Equity securities listed in Hong Kong, at fair value	<u>4,883</u>	<u>1,098</u>

The fair value of the listed equity securities was determined based on the quoted market bid prices of the corresponding listed equity securities.

### 14. SHARE CAPITAL

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Authorised: 15,000,000,000 ordinary shares of HK\$0.02 each	<u>300,000</u>	<u>300,000</u>
Issued and fully paid: 2,036,538,114 (2018: 2,036,538,114) ordinary shares of HK\$0.02 each	<u>40,731</u>	<u>40,731</u>

A summary of the movements in issued share capital of the Company is as follows:

	Number of shares	Amount <i>HK\$'000</i>
At 1 July 2017	1,697,138,114	33,943
Placement of new shares ( <i>note</i> )	<u>339,400,000</u>	<u>6,788</u>
At 30 June 2018, 1 July 2018 and 30 June 2019	<u>2,036,538,114</u>	<u>40,731</u>

*Note:*

On 12 March 2018, the Company entered into a placing agreement with a placing agent in respect of the placement of 339,400,000 ordinary shares of HK\$0.02 each to independent investors at a price of HK\$0.255 per share. The placement was completed on 6 April 2018 and the premium on the issue of shares amounting to approximately HK\$77,345,000, after net of share issue expenses of approximately HK\$2,414,000, was credited to the Company's share premium account.

## **BUSINESS AND OPERATION REVIEW**

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

### **Investment Properties**

The Group holds two investment properties located at the PRC and Hong Kong respectively.

#### **In the PRC**

The Company holds 80% interest of the PRC's investment property which is an industrial development with land lot numbers of 1914130300339 and 1914130300340, located at Longchuanzhou, Renzhou Village, Shatian, Dongguan City, Guangdong Province. The industrial development comprises two parcels of land with a site area of about 72,335.99 sq.m (or about 778,624.6 sq.ft.) and various buildings and ancillary structures erected thereon. The Property has a total gross floor area ("GFA") of approximately 28,814.66 sq.m (or about 310,161.00 sq.ft). The land use rights of the property have been granted for various terms expiring on 15 February 2044 and expiring on 10 May 2044 for industrial use. No business activity is engaged at the industrial development.

The Group considers that the Belt and Road Initiative promoted by the Central Government of the PRC and the Guangdong-Hong Kong-Macao Greater Bay Area development will support economic development of the Dongguan City as an international trade hub in Southern China.

Planning to the best usage or redevelopment of the industrial properties had been delayed because of publication of a new town zoning plan by the Dongguan government authority. Under the new zoning plan a new highway was being mapped and part of the land of the industrial properties would be used as or affected by an exit and its connected roads from the highway for Shatian Town. The Group had petitioned to the Dongguan City government authorities requesting amendments to the plan to save the industrial properties from being affected. The Dongguan City government authorities have not yet concluded our petition and the Group will closely monitor the development and work on the best possible solution in the circumstances.

## **In Hong Kong**

The Group holds 100% interest of Hong Kong investment property which comprises 95 car parking spaces with Inland Lot No. 1301 where 72 car parking spaces are located at 2nd Floor to 4th Floor of Harbour View Garden and 23 car parking spaces are located at 3rd Floor, Tower III, Harbour View Garden, No. 2 Catchick Street, Hong Kong.

The car parking spaces are held under Government Lease for a term of 999 years commencing on 24 June 1892 and are leased out for parking fee income.

The car parking spaces continued to provide a stable revenue and cash flow to the Group. In view of latest rapid change of economic condition, refurbishment of the car parking spaces to enhance the property value and/or operate the car parking spaces by the Group itself was postponed. For the year ended 30 June 2019, rental income recorded was approximately HK\$3,891,000 (2018: approximately HK\$3,751,000).

## **Biological Assets**

By way of a forestry management and undertaking agreement, the Group through its wholly-owned subsidiary acquired timber cutting right over a plantation land of approximately 30,000 mu (Chinese Mu) in Shihezi City, Xinjiang (the “Plantation Land”) for a period of 30 years commencing on 1 July 2008.

In the process of valuing the biological assets planted at the Plantation Land, Roma Appraisals Limited (“Roma”) adopted the Market-Based Approach to estimate the fair value of the biological assets. The fair value of the biological assets was computed using the formula:

The fair value of biological assets = (Total volume of standing timbers x Recovery rate) x Market price of timber — Cutting cost + Scrap sale income

According to 農業資產估值報告 prepared by InsideOut Due Diligence Inc., random samplings have been performed in order to estimate the total volume of standing timbers on the Plantation Land based on “中華人民共和國國家標準原木材積表 GB/T 4814-2013”. During each sampling process, there were 20 sampling areas with an area of about 0.5 Mu per each sampling area were selected. The following inputs have been adopted in this valuation based on the opinions as stated in 農業資產估值報告 prepared by InsideOut Due Diligence Inc.:

- Total volume of standing timbers = 447,439 m<sup>3</sup>
- Recovery rate = 80%
- Cutting cost = 5% of revenue
- Scrap sale income = 5% of revenue

With reference to observable market price of timber of similar species in the PRC, the adopted market price was RMB646 per cubic meter.

To determine how the different values of an independent variable would impact a particular dependent variable under a given set of assumptions, Roma carried out sensitivity analysis on the fair value of the biological assets in respect of the recovery rate and adopted market price. The results of the sensitivity analysis are as follows:

<b>Absolute Change in Recovery Rate</b>	<b>Applied Recovery Rate</b>	<b>Fair Value of the Biological Asset (RMB)</b>
+10%	90%	259,990,000
+5%	85%	245,546,000
+0%	80%	231,102,000
-5%	75%	216,658,000
-10%	70%	202,214,000

<b>% change in Adopted Market Price</b>	<b>Adopted Market Price (RMB/m<sup>3</sup>)</b>	<b>Fair Value of the Biological Asset (RMB)</b>
+10%	710	254,212,000
+5%	678	242,657,000
+0%	646	231,102,000
-5%	613	219,547,000
-10%	581	207,992,000

The directors are of the view that the fair value of the biological assets is under a significant impact from changes in market price per m<sup>3</sup> of logs. If the market price per m<sup>3</sup> of logs increases/decreases, the fair value of the biological assets would be higher/lower proportionately, given that other inputs and assumptions used in the valuation techniques remained unchanged.

For the financial year ended 30 June 2019, growth and volume of the biological assets were affected by shortage of water resources, soil degradation and broken ecosystem, the Group has not appointed operator for forest plantation maintenance since July 2018 and without these basic conditions being addressed and for cost control purpose. The Group recorded a decrease to approximately HK\$262,989,000 (2018: approximately HK\$348,933,000) in the fair value of the poplar trees of biological assets. The Group considers that the decrease is non-cash in nature and will not have material adverse effect on the financial position of the Group.

During the financial year ended 30 June 2019, the Group recognised aggregate losses arising from the major non-current assets of approximately HK\$95,574,000 (2018: approximately HK\$179,812,000). This represents the combined effect of the amortisation of intangible assets, provision for impairment loss of intangible assets and the loss arising from changes in fair value less costs to sell of biological assets.

### **Plantation Sales Business**

For the year ended 30 June 2019, there was no revenue generated from plantation sales business (2018: Nil).

The Group has timber cutting right on trees grow on the Plantation Land with which the Group is working prudently to find the best possible use of it.

In the Group's last interim report, we reported that the Group retained InsideOut Due Diligence Inc. in associate with Mr. Wu Liangru ("Mr. Wu") who is an Associate Research Fellow of the Chinese Academy of Forestry to conduct a second professional study on the Plantation Land after Malcolm & Associates Appraisal Limited concluded at their feasibility study report that there was no economic and commercial justification to implement the irrigation construction in the Plantation Land.

InsideOut Due Diligence Inc. in associate with Mr. Wu produced their report in April 2019. In the report, they concluded that although the Plantation Land contained a certain volume of timber with corresponding value, having considered various risks and uncertain factors, commercial operation of felling trees and replantation carried an extremely high risk which might result in the Group's investment fund not reaching the expected return and even incur losses. They further advised the management of the Group should cautiously consider the actual economic return after thoroughly studying all risks and uncertain factors before making any investment decision. The risks and uncertain factors reported are summarised as below:

***i) Water resources, natural disasters and droughts***

Extreme weathers became more common in Xinjiang.

***ii) Policy risks***

- a. Procedures in applying licence of forest harvest were very complicated in Xinjiang. The authority for issuing the licence was Xinjiang Production and Construction Corps ("XPCC"). Since XPCC was being restricted by annual quota of 637,000 m<sup>3</sup> (and further sub-divided by artificial plantation of 46,000 m<sup>3</sup> for commercial and 589,000 m<sup>3</sup> for non-commercial and natural plantation of 2,000 m<sup>3</sup>) by the General Office of the State Council, the Group might face risk of not being given its desired harvest number or even not being given at all.
- b. XPCC had imposed very strict control on water usage irrespective of the water was from rivers, lakes or underground water.
- c. Environmental control and enforcement became more strict and being seriously attended to in Xinjiang.
- d. Extremism associated with Muslim Uighurs had been a political and social subject and should be taken into account in planning.
- e. Changes in policy, either at national level on Xinjiang or by Xinjiang local government, might cause negative impact on planning or operation.

***iii) Technical risk***

The project would involve technology in different fields.

***iv) Human resources risk***

- a. Local recruitment might not be able to fill posts requiring specific knowledge.
- b. Technician costs for construction and upgrade the plantation land in Shihezi City had driven up and it was estimated that in 2020 technician costs might eat up 35% of the timber costs.

**v) *Transportation***

Transportation costs depends on location of buyer of the timber.

**vi) *Soil risk***

Soil degradation and salinization had to be addressed to. Shortage of water and insects which were required for ecosystem were factors causing soil infertility and making the land unsuitable for planting. The project was facing a very huge uncertainty and adverse factor in that it would require a disproportionately large amount of investment to create a suitable ecological environment and fertile soil to nurse the forest.

**vii) *Market risk***

Whilst polar had become an indispensable raw material, its price was volatile and difficult to predict because its supply had been highly competitive. In addition, the actual operation costs and investment were much higher than that originally estimated.

**viii) *Financial risk***

Due to the capital investment of the project would be significant and of a continuous long term nature, the source of fund and its interest element should be seriously and cautiously taken into account.

After receiving and careful study of the report of InsideOut Due Diligence Inc., the Group had written to Regiment 142 of XPCC, which is the contracting party of the foresting management and undertaking agreement, asking for the annual harvest quota that we can be granted over a period of 10 years. We are of the view that without knowing the volume of timber we can legally harvest over a period of 10 years at the minimal, we are unable to do any realistic costs and return estimate alongside with other risks and uncertain factors advised. We are still waiting for the reply.

**Metal Recycle Business**

In addition to being adversely affected by the implementation of a Producer Responsibility Scheme on Waste Electrical and Electronic Equipment, slow-down of local infrastructure projects and construction sites affected our source of waste material. According to the publication by the Census and Statistics Department in June 2019, the gross value of construction works performed at private sector sites in the first quarter of 2019 was down by 16.6% in real terms over a year earlier and that at public sector site was, even worse, decreased by 28.3%. This has led to an increase in costs of sourcing wasted materials.



Furthermore, the tightened enforcement, regulations and policies for importation of recycled material especially into the PRC and Vietnam continued to affect our business and development of metal recycle business.

The Group is looking into opportunities of exporting recycled metal materials to other South East Asia countries to alleviate reliance on importation to the PRC market.

In addition, the Group has also been continuously exploring investment opportunities in locations outside Hong Kong to handle their domestic waste material.

For the year ended 30 June 2019, the Group recorded revenue from recycled metal materials of approximately of HK\$46,001,000 (2018: approximately HK\$184,570,000).

### **Motor and Motor Accessories Business**

During the year, the Group maintained business on sale of super car “BAC Mono”, classical motorcycle “Norton”, advanced vibes absorber “Ohlins” and leading prestige tyres “Pirelli”. In addition, the Group became the PRC and Hong Kong distributor of high-tech brake solutions “SBS” and the PRC and Hong Kong and Macau dealer of high-performance air filters “Sprint Filter”. The Group has also begun sale of used car.

In view of the current uncertain local and international political situations and the beginning of a decline in the PRC and the Hong Kong economy, the trend towards luxury consumption has become cautious, and the decline in consumer sentiment has led to continued and persisted weakness in the retail market. In view of this, the Group will slow down the business on sale of “BAC Mono” and motorcycle “Norton”.

The Group will put more efforts and resources in the wholesale business of accessories. The wholesale business of accessories, especially “Pirelli” tyres is relatively stable as compared with sale of motor. The management is reviewing the costs effectiveness of various leased premises used for shop, showroom and warehouse purposes and shall make reasonable adjustment if necessary.

For the year ended 30 June 2019, revenue from motor and motor accessories business was approximately HK\$66,547,000 (2018: approximately HK\$22,042,000).

### **Money Lending Business**

The Group operates money lending business through a wholly-owned subsidiary, 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.

Benefited from the tightened policy of regulated financial institutes in relation to financial service provision, money lender plays an important role to provide financing to the market and the Group will balance its internal resources to different business segments and will continue to operate the money lending business with internally generated cash flow.

During the Year, the Group recorded loan interest income of approximately HK\$2,893,000 (2018: approximately HK\$1,913,000) from granting loans to both corporate and individual clients, representing a relatively stable development of the money lending segment. The outstanding principal amount of loan receivables as at 30 June 2019 was approximately HK\$23,092,000 (2018: approximately HK\$24,843,000). During the Year, the Group did not record any doubtful or bad debt in its money lending activities.

### **Securities Trading and Investment Business**

During the year ended 30 June 2019, the market was still extremely volatile and the stock market has not yet recovered its momentum. The Group expect that the stock market in Hong Kong remains volatile and will adopt a cautious approach in making investment decision in securities dealing.

The volatility of the securities market had adverse effect to the performance of the Group and as at 30 June 2019, the size of the securities investment portfolio amounted to approximately HK\$4,883,000 (2018: approximately HK\$1,098,000).

For the year ended 30 June 2019, the Group recorded a net loss on fair value changes on investments at fair value through profit or loss of approximately HK\$7,247,000 (2018: approximately HK\$164,000).

Details of the Group's investments at fair value through profit or loss are set out in the sub-section headed "Significant Investments".

### **Green Technology**

There was no revenue on the green technology for the year (2018: Nil).

### **Golden Flower Tea Products**

In May 2018, the Group had secured an exclusive right from 廣東南多萬金農業發展有限公司 (the "廣東南多萬金") for the distribution and sale of products associated with its golden flower plantation for a period of 30.6 years.

The first batch of products has been launched in the market through online sales platform 京東 (www.jd.com) as a pilot point and the Group has engaged 廣東騰南網絡信息科技有限公司 (a subsidiary of Shenzhen Tencent Computer System Company Limited) to launch the promotion programs. In addition, the Group sponsored various events in both the PRC and Hong Kong to enhance the exposure of golden flower tea products.

Although people became more focus on physical health, the market acceptance of new health products was difficult and the products penetration to the market was unexpectedly low.

For the year ended 30 June 2019, the Group recorded a revenue from the sale of golden flower tea of approximately HK\$27,000 (2018: Nil).

## **Prospects**

Hong Kong is facing the biggest social and political crisis ever since the time she was at war. It started when the extradition bill was introduced in April with the first clash between police and protesters on 12 June 2019 and, ever since, clashes had become more frequent and more violent with injuries become common during each encounter and scores of people arrested. The central government has, after staying quiet initially, condemned the Hong Kong protests and rightly taken a hardening approach with warning of “stop the storm and restore order”. The demonstrations, protests, confrontations and clashes have drawn international attention with the USA Congress pressing an interference to introduce “the Hong Kong Human Right and Democracy Act 2019”. Hong Kong’s political uncertainty has been escalating since June and, sadly, so far there is no light at the end of the tunnel.

This crisis has a tremendous negative impact on the Hong Kong economy. The economic environment has markedly deteriorated. Fitch Ratings and Moody had downgraded the outlook for the Hong Kong’s sovereign rating from stable to negative with Fitch Ratings also downgraded Hong Kong’s long-term foreign currency issuer default rating to “AA” from “AA+”. The crisis hits Hongkongers on all walks of life and all industries across the board. Disrupted activity and downbeat sentiment are seen causing GDP to grow at the slowest pace since 2009 and we expect the slowest pace reported for the second quarter will be further deteriorated when economy data for the third quarter of this year announced. Hong Kong is in the blink, if it is not actually happened, of recession.

Amid a perfect storm of the ongoing China-USA trade war which has been dragged on for over a year and see no sign of settlement in the near future, an obvious downturn of economy in and deteriorating prospects for China, raising anti-Chinese sentiments in many countries and Hong Kong’s recent social and political crisis, Hong Kong’s outlook was slashed.

With this in mind, the management of the Group has continued reviewing all its existing business closely and strived to improve all business operations and maximise their profitability to better the financial position of the Group.

The Group has entered into a lease agreement for a premises at Kathmandu in Nepal to operate a hotel with food and beverages outlets. Nepal is a developing country and the leading hiking destination for hiking lovers around the world. She has recovered from

the 2015 earthquake and her economy, especially her tourism industry, has an impressive growth. Some of our directors have extensive experience in hotel operations and we are optimistic of this new stream of business will bring a stable return to the Group.

In the worse of time there is the best of time. The Group will also devote more efforts and resources to business diversification and locate sustainable investments when opportunities arise to boarded its source of income and to enhance value of the shares of the Company.

## **FINANCIAL REVIEW**

For the year ended 30 June 2019, turnover of the Group decreased by 43.8% to approximately HK\$119,387,000 (2018: approximately HK\$212,276,000) and gross profit of the Group decreased by 4.8% to approximately HK\$18,384,000 (2018: approximately HK\$19,303,000). Loss for the year ended 30 June 2019 decreased to approximately HK\$121,140,000 as compared to loss of approximately HK\$160,586,000 of last corresponding year. The decrease in both turnover and gross profit for the year was mainly due to the decrease in revenue of recycled material trading business of the Group. The loss for the year was mainly due to the increase in administrative and operating expenses, loss arising from the change in fair value less costs to sell of biological assets, provision for impairment loss of intangible assets and trade receivables. The Group considers that the change in fair value is non-cash in nature and will not have material adverse effect on the financial position of the Group.

For the year ended 30 June 2019, basic and diluted loss per share were HK6 cents (2018: HK9 cents). Loss from changes in fair value of biological assets was approximately HK\$72,769,000 (2018: approximately HK\$174,687,000). Fair value gain on investment properties was approximately HK\$2,299,000 (2018: approximately HK\$7,954,000).

For the year ended 30 June 2019, the finance costs were approximately HK\$749,000 (2018: approximately HK\$548,000).

Administrative expenses from operations for the year ended 30 June 2019 increased to approximately HK\$61,184,000 (2018: approximately HK\$60,624,000). It included major items such as amortisation of intangible assets of approximately HK\$5,620,000, salaries and directors' emoluments of approximately HK\$19,977,000 and operating lease charges on land and buildings of approximately HK\$7,272,000. Income tax credit was recorded at approximately HK\$17,991,000 (2018: approximately HK\$44,475,000 credit). Exchange loss on translating foreign operations was recorded at approximately HK\$15,886,000 (2018: gain approximately HK\$17,791,000).

## Liquidity and Financial Resources

As at 30 June 2019, the total assets of the Group were approximately HK\$785,764,000 (2018: approximately HK\$919,834,000), including cash and bank balances of approximately HK\$5,551,000 (2018: approximately HK\$13,027,000).

The Group's total borrowings as at 30 June 2019 were approximately HK\$22,000,000 (2018: Nil). The Group's gearing ratio (which was expressed as a percentage of total borrowings over total equity) was 3.4% as at 30 June 2019 (2018: Nil).

As at 30 June 2019, the Group's net assets amounted to approximately HK\$645,929,000 (2018: approximately HK\$782,955,000).

The directors of the Company are of the view that the Group has sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due in the foreseeable future.

## Capital Raising and Expenditure

As at 30 June 2019, details of movements in the issued share capital of the Company is stated in note 14.

## Significant Investments

As at 30 June 2019, the Group held approximately HK\$4,883,000 investments at fair value through profit or loss. Details of the significant investments are as follows:

Stock Name	Note	Stock Code	Place of incorporation	Net unrealised losses on listed securities HK\$'000	Market value HK\$'000	Approximate percentage of investments at fair value through profit or loss %	Approximate percentage to the net assets of the Group %
CHINA FORTUNE FINANCIAL GROUP LTD	1	290	Cayman Islands	(667)	759	15.6	0.11
DINGYI GROUP INVESTMENT LTD	2	508	Bermuda	(544)	592	12.1	0.09
WAI CHUN GROUP HOLDINGS LTD	3	1013	Bermuda	224	2,245	46.0	0.34
HANG SANG (SIU PO) INTERNATIONAL HOLDING CO. LTD	4	3626	Cayman Islands	(481)	617	12.6	0.09
CHINESE STRATEGIC HOLDINGS LIMITED	5	8089	Bermuda	(4,226)	670	13.7	0.10
				<u>(5,694)</u>	<u>4,883</u>	<u>100</u>	<u>0.73</u>

## Notes

1. China Fortune Financial Group Limited is a Hong Kong-based investment holding company principally engaged in financial businesses. The Company operates through five segments. The Brokerage and Margin Financing segment is engaged in securities businesses and margin financing in Hong Kong. The Proprietary Trading segment is engaged in the proprietary trading of securities. The Corporate Finance segment is engaged in the provision of corporate finance services in Hong Kong. The Money Lending and Factoring segment is engaged in the provision of money lending and factoring services in Hong Kong. The Consultancy and Insurance segment is engaged in the provision of consultancy services and insurance brokerage services in Hong Kong. No dividend was received for the year ended 30 June 2019. According to its latest published financial statements, it had a net asset value of approximately HK\$407,726,000 as at 31 March 2019.
2. Dingyi Group Investment Limited is an investment holding company principally engaged in the business of loan financing. Together with its subsidiaries, the Company operates business through its five segments. The Loan Financing Business segment is involved in the loan financing through its surplus funds. The Properties Development Business segment is involved in the construction and sale of properties. The Food and Beverages Business segment is involved in the operation of a restaurant in Beijing, China. The Securities Trading Business segment is involved in the investment of securities trading business. And the Other Business segment. In addition, the Company is also involved in the trading of wine. No dividend was received for the year ended 30 June 2019. According to its latest published financial statements, it had a net asset value of approximately HK\$1,531,378,000 as at 31 March 2019.
3. Wai Chun Group Holdings Limited is an investment holding company mainly engaged in the sale of mobile phones and electronic components. Along with subsidiaries, the Company operates its business through three segments. The General Trading segment is engaged in the distribution of mobile phones and electronic components. The Service Income segment is involved in the design, consultation and manufacturing of information system softwares and provides related management training services. The Sales and Integrated Services segment is engaged in the sale of computer and communication systems and provides related integration services. In addition, the Company also provides telecommunications infrastructure solution services. No dividend was received for the year ended 30 June 2019. According to its latest published financial statements, it had net liabilities of approximately HK\$170,068,000 as at 31 March 2019.
4. Hang Sang (Siu Po) International Holding Company Limited is an investment holding company. The Company is principally engaged in the manufacturing and sale of apparel labels and packaging printing products. The Company's products include hangtags, size tapes, labels, such as woven labels, heat transfer labels and printed labels, header cards, stickers, price tickets, plastic packaging bags and packaging boxes. Its subsidiaries include Hang Sang (Siu Po) Holding Limited, Hang Sang (Siu Po) Press Company Limited and A W Printing & Packaging Limited. Dividend income of approximately HK\$28,000 was received during the year. According to its latest published financial statements, it had a net asset value of approximately HK\$94,780,000 as at 31 December 2018.
5. Chinese Strategic Holdings Limited is a Hong Kong-based investment holding company principally engaged in the financing business. The Company operates through three business segments. The Properties Investments segment is engaged in the investment in properties for rental income. The Securities Trading segment is engaged in the trading of securities and dividend income from investments held for trading. The Loan Financing segment is engaged in the provision of financing services. No dividend was received for the year ended 30 June 2019. According to its latest published financial statements, it had a net asset value of approximately HK\$226,252,000 as at 30 June 2019.

## **BUSINESS ACQUISITION AND DISPOSAL**

On 20 June 2019, the Group had completed the disposal of entire equity interests in Bright Race Limited, an indirect wholly-owned subsidiary of the Company, for a total consideration of HK\$12,900,000. Save as disclosed above, the Group had neither any material acquisition nor disposal during the year.

## **EMPLOYMENT AND REMUNERATION POLICY**

As at 30 June 2019, the Group had 53 employees (2018: 49 employees) in both Hong Kong and the PRC. The Group implements remuneration policy, bonus and share options scheme to ensure that pay scales of its employees are rewarded on a performance-related basis within the general framework of the Group's remuneration.

## **CHARGES ON THE GROUP ASSETS**

As at 30 June 2019, the car parking spaces with aggregate carrying amount of HK\$200,000,000 were pledged to a bank to secure bank loans granted to the Company. A deed of assignment of rental income from the car parking spaces was executed in the favour of the bank (2018: HK\$200,000,000).

## **DIVIDEND**

The directors of the Company do not recommend or declare the payment of any dividend in respect of the year ended 30 June 2019 (2018: Nil).

## **ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS**

The annual general meeting will be held on 11 November 2019. For the purpose of determining the entitlement of the shareholders of the Company to attend and vote at the annual general meeting, the register of members of the Company will be closed from 6 November 2019 to 11 November 2019 (both days inclusive), during which period no transfer of share(s) will be effected. In order to be eligible to attend and vote at the annual general meeting, all transfers documents, accompanied by the relevant share certificates, must be lodged with Union Registrars Limited, the branch share registrar and transfer office of the Company in Hong Kong, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for registration not later than 4:30 p.m. on 5 November 2019.

## **EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES**

Most of the transactions, income and expenditure of the Group are denominated in Great British Pound ("£"), Renminbi ("RMB"), United States dollar ("USD") and Hong Kong dollar ("HK\$") and no hedging or other arrangements to reduce the currency risk have been implemented.

## **CONTINGENT LIABILITIES**

As at 30 June 2019, the directors of the Company are not aware of any material contingent liabilities.

## **COMPLIANCE WITH CORPORATE GOVERNANCE CODE**

The Company has complied with the code provisions as set out in the Corporate Governance Code (the “CG Code”) contained in Appendix 14 to the Rule Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) for the year ended 30 June 2019, except the followings:

Code provision A.2.1 of the CG Code provides that the roles of chairman of the board and chief executive should be separate and should not be performed by the same individual. This code provision also stipulate, inter alia, the role and responsibility of the chairman of the board and the chief executive.

Mr. Yeung Chi Hang was appointed as chairman of the Board and the chief executive officer of the Company on 27 January 2015. Thereafter, Mr. Yeung Chi Hang has assumed both roles. The directors were of the view that the vesting of the roles of chairman of the Board and chief executive officer in the same person can provide the Group with strong and consistent leadership and allow for more effective planning and execution of long-term business strategies, as well as ensuring effective oversight of management. The directors were also of the view that the present structure was considered to be appropriate under the circumstances of the Company. The Board would keep review of its current board structure from time to time.

Code provision E.1.2 of the CG Code stipulates that the chairman of the board should attend the annual general meeting. Mr. Yeung Chi Hang was unable to attend the annual general meeting of the Company held on 12 November 2018 due to business trips. Mr. Wong Po Keung, an executive director, was elected and acted as chairman of the said annual general meeting.

## **DIRECTORS’ SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transaction by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules as the Company’s Code of Conduct regarding director’s securities transactions. Having made specific enquiry, all directors of the Company confirmed that they have complied with the required standard set out in the Model Code throughout the year ended 30 June 2019.



## **AUDIT COMMITTEE**

The Board has established an audit committee (the “Audit Committee”) with the term of references in accordance with the Listing Rules. The Audit Committee currently comprises three independent non-executive directors, namely, Mr. Ong Chi King (Chairman), Mr. Wong Kwai Sang and Mr. Heung Chee Hang, Eric. Mr. Ong Chi King has appropriate accounting and related financial management expertise as required under Rule 3.10 of the Listing Rules.

The Audit Committee has reviewed and discussed with the external auditor the auditing and financial reporting matters including the annual consolidated results of the Group for the year ended 30 June 2019.

## **SCOPE OF WORK OF AUDITOR**

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 30 June 2019 as set out in the preliminary announcement have been agreed by the Group’s auditors, ZHONGHUI ANDA CPA Limited, to the amounts set out in the Group’s audited consolidated financial statements for the year ended 30 June 2019. The work performed by ZHONGHUI ANDA CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by ZHONGHUI ANDA CPA Limited on the preliminary announcement.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES**

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities on the Stock Exchange.

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

Hong Kong, 27 September 2019

*As at the date of this announcement, the Board comprises five executive directors, namely, Mr. Yeung Chi Hang, Mr. Leung Kwong Choi, Mr. Wong Po Keung, Mr. Chung Siu Wah and Mr. Chik To Pan; and three independent non-executive directors namely Mr. Wong Kwai Sang, Mr. Ong Chi King and Mr. Heung Chee Hang, Eric.*