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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 31 DECEMBER 2021

FINANCIAL RESULTS

The board of directors (the “Board”) of China Environmental Resources Group Limited (the “Company”) announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 31 December 2021 together with the comparative figures for the corresponding period in 2020. The interim financial statements have not been audited, but have been reviewed by the audit committee and auditor of the Company.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 31 December 2021

	Notes	Six months ended	
		2021	2020
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	5	39,460	34,151
Cost of sales		<u>(29,599)</u>	<u>(24,743)</u>
Gross profit		9,861	9,408
Other income		4,217	3,496
Administrative and operating expenses		(19,091)	(20,457)
Fair value loss on investment properties		(3,267)	(1,031)
Gain/(loss) arising from changes in fair value less costs to sell of biological assets		3,756	(334)
Net gain/(loss) on fair value changes in investments at fair value through profit or loss		207	(106)
Provision for impairment loss of intangible assets		—	(2,900)
Reversal of provision/(provision) for impairment loss of receivables		300	(119)
Loss from operations		(4,017)	(12,043)
Finance costs	6	<u>(1,779)</u>	<u>(1,056)</u>
Loss before tax		(5,796)	(13,099)
Income tax (expense)/credit	7	<u>(618)</u>	<u>186</u>
Loss for the period		(6,414)	(12,913)
Other comprehensive income after tax:			
<i>Item that may be reclassified to profit or loss:</i>			
Exchange differences on translation of foreign operations		<u>6,867</u>	<u>26,762</u>
Other comprehensive income for the period, net of tax		<u>6,867</u>	<u>26,762</u>
Total comprehensive income for the period		<u>453</u>	<u>13,849</u>

	Six months ended	
	31 December	
	2021	2020
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Loss for the period attributable to:		
Owners of the Company	(7,809)	(13,626)
Non-controlling interests	<u>1,395</u>	<u>713</u>
	<u>(6,414)</u>	<u>(12,913)</u>
Total comprehensive (loss)/income for the period attributable to:		
Owners of the Company	(1,131)	12,395
Non-controlling interests	<u>1,584</u>	<u>1,454</u>
	<u>453</u>	<u>13,849</u>
Loss per share		
	<i>8</i>	
Basic (HK cents per share)	<u>(0.38)</u>	<u>(0.67)</u>
Diluted (HK cents per share)	<u>(0.38)</u>	<u>(0.67)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

		As at 31 December 2021 <i>HK\$'000</i> (Unaudited)	As at 30 June 2021 <i>HK\$'000</i> (Audited)
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment	<i>10</i>	7,848	7,740
Right-of-use assets		39,304	21,716
Investment properties		265,762	267,534
Biological assets		273,399	264,209
Intangible assets		89,074	89,893
Goodwill		1,087	1,087
Investments at fair value through profit or loss		17,661	17,203
Loans receivable	<i>12</i>	84	—
		694,219	669,382
Current assets			
Inventories		28,154	25,264
Trade and other receivables	<i>11</i>	58,873	60,728
Loans receivable	<i>12</i>	12,766	12,142
Investments at fair value through profit or loss		3,877	1,129
Refundable secured deposit	<i>13</i>	11,000	12,000
Bank and cash balances		3,763	19,005
		118,433	130,268
Current liabilities			
Trade and other payables	<i>14</i>	29,864	32,987
Contract liabilities		8,435	6,700
Lease liabilities		4,896	10,948
Borrowings		69,734	71,787
Current tax liabilities		468	2,867
		113,397	125,289
Net current assets		5,036	4,979
Total assets less current liabilities		699,255	674,361

	As at 31 December 2021	As at 30 June 2021
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Non-current liabilities		
Lease liabilities	47,766	26,600
Other non-current payables	1,174	—
Deferred tax liabilities	90,161	88,060
	<u>139,101</u>	<u>114,660</u>
NET ASSETS	<u>560,154</u>	<u>559,701</u>
Capital and reserves		
Share capital	40,731	40,731
Reserves	507,233	508,364
	<u>547,964</u>	<u>549,095</u>
Equity attributable to owners of the Company	547,964	549,095
Non-controlling interests	12,190	10,606
	<u>560,154</u>	<u>559,701</u>
TOTAL EQUITY	<u>560,154</u>	<u>559,701</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 31 December 2021

	Attributable to owners of the Company									
	Share capital	Share premium account	Statutory reserve	Capital reserve	Share-based compensation reserve	Foreign currency translation reserve	Accumulated losses	Total	Non-controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 July 2020 (audited)	40,731	1,210,501	5,407	76	12,630	27,632	(731,819)	565,158	12,574	577,732
Total comprehensive income/(loss) for the period (unaudited)	—	—	—	—	—	26,021	(13,626)	12,395	1,454	13,849
At 31 December 2020 (unaudited)	<u>40,731</u>	<u>1,210,501</u>	<u>5,407</u>	<u>76</u>	<u>12,630</u>	<u>53,653</u>	<u>(745,445)</u>	<u>577,553</u>	<u>14,028</u>	<u>591,581</u>
At 1 July 2021 (audited)	40,731	1,210,501	5,407	76	12,630	57,676	(777,926)	549,095	10,606	559,701
Total comprehensive income/(loss) for the period (unaudited)	—	—	—	—	—	6,678	(7,809)	(1,131)	1,584	453
At 31 December 2021 (unaudited)	<u>40,731</u>	<u>1,210,501</u>	<u>5,407</u>	<u>76</u>	<u>12,630</u>	<u>64,354</u>	<u>(785,735)</u>	<u>547,964</u>	<u>12,190</u>	<u>560,154</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 December 2021

	Six months ended 31 December	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES	(10,541)	5,005
CASH FLOWS FROM INVESTING ACTIVITIES		
Refund of deposit paid in relation to acquisition of a subsidiary	1,000	—
Proceeds from disposals of property, plant and equipment	38	—
Purchases of property, plant and equipment	(166)	(598)
Net cash generated from/(used in) investing activities	872	(598)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of lease liabilities and interests	(3,659)	(921)
Repayment of borrowings	(2,053)	—
Net cash used in financing activities	(5,712)	(921)
Net (decrease)/increase in cash and cash equivalents	(15,381)	3,486
Effect of foreign exchange rate changes	139	372
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	19,005	(728)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	3,763	3,130
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	3,763	7,851
Bank overdrafts	—	(4,721)
	3,763	3,130

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2021

1. GENERAL INFORMATION

China Environmental Resources Group Limited (the “Company”) is a limited liability company incorporated in the Cayman Islands. The address of its registered office is Ugland House, South Church Street, P.O. Box 309, George Town, Grand Cayman, Cayman Islands, British West Indies. The address of its principal place of business is Unit 2608, 26/F, Greenfield Tower, Concordia Plaza, No.1 Science Museum Road, Tsim Sha Tsui East, Kowloon, Hong Kong. The Company’s shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and Singapore Exchange Limited.

The principal activities of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 31 December 2021 are trading of recycle metals, trading of motor vehicles and related accessories, car parking spaces rentals, provision of financial services, sales of golden flower tea products, securities trading and investment and sales and distribution of plantation products, environmental system and plantation materials.

The unaudited condensed consolidated interim financial statements are presented in Hong Kong dollars (“HK\$”) which is the Group’s presentation currency and the functional currency of the Company and its principal operating subsidiaries.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current period, 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 period beginning on 1 July 2021. 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 condensed consolidated financial statements and amounts reported for the current and prior periods.

3. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the HKICPA and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The condensed consolidated financial statements should be read in conjunction with the 2021 annual financial statements. The accounting policies and methods of computation used in the preparation of the condensed consolidated financial statements are consistent with those used in the annual financial statements for the year ended 30 June 2021.

The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective. The application of these new and revised HKFRSs will not have material impact on the condensed consolidated financial statements of the Group.

4. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

(a) Disclosures of level in fair value hierarchy at 31 December 2021:

Description	Fair value measurements using:			Total HK\$'000 (Unaudited)
	Level 1 HK\$'000 (Unaudited)	Level 2 HK\$'000 (Unaudited)	Level 3 HK\$'000 (Unaudited)	
Recurring fair value measurements:				
Biological assets	—	273,399	—	273,399
Investments at fair value through profit or loss				
— Equity securities listed in Hong Kong	3,877	—	—	3,877
— Keyman insurance contract	—	—	17,661	17,661
Investment properties in Hong Kong	—	191,900	—	191,900
Investment properties in the People's Republic of China (the "PRC")	—	73,862	—	73,862
Total recurring fair value measurements	3,877	539,161	17,661	560,699

Disclosures of level in fair value hierarchy at 30 June 2021:

Description	Fair value measurements using:			Total <i>HK\$'000</i> (Audited)
	Level 1 <i>HK\$'000</i> (Audited)	Level 2 <i>HK\$'000</i> (Audited)	Level 3 <i>HK\$'000</i> (Audited)	
Recurring fair value measurements:				
Biological assets	—	264,209	—	264,209
Investments at fair value through profit or loss				
— Equity securities listed in Hong Kong	1,129	—	—	1,129
— Keyman insurance contract	—	—	17,203	17,203
Investment properties in Hong Kong	—	191,900	—	191,900
Investment properties in the PRC	—	75,634	—	75,634
Total recurring fair value measurements	1,129	531,743	17,203	550,075

(b) Reconciliation of assets measured at fair value based on level 3:

	As at 31 December 2021 <i>HK\$'000</i> (Unaudited)	As at 30 June 2021 <i>HK\$'000</i> (Audited)
Investments at fair value through profit or loss — Keyman insurance contract		
At beginning of period/year	17,203	—
Purchases	—	21,369
Total fair value gain/(loss) recognised in profit or loss ^(#)	458	(4,166)
At end of period/year	17,661	17,203
^(#) Include gains or losses for assets held at end of reporting period	458	(4,166)

- (c) Disclosures of valuation process used by the Group and valuation techniques and inputs used in fair value measurements:

The Group's management is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes. The management reports directly to the Board of Directors for these fair value measurements. Discussions of valuation processes and results are held between the management and the Board of Directors at least twice a year.

The following table gives information about how the fair values of the Group's biological assets and investment properties carried at fair value are determined.

Level 2 fair value measurements

Description	Valuation technique	Key input	Fair value	Fair value
			as at 31 December 2021 <i>HK\$'000</i> (Unaudited)	as at 30 June 2021 <i>HK\$'000</i> (Audited)
Biological assets	Market approach	Market price of poplar trees per cubic meter	273,399	264,209
Investment properties in Hong Kong	Direct comparison approach	Market price of car parking space	191,900	191,900
Investment properties in the PRC	Market approach and replacement cost approach	Land: market price per square meter; Buildings: replacement cost per square meter	73,862	75,634

Level 3 fair value measurements

The fair value of the keyman insurance contract purchased for a key management personnel of the Group is determined based on the cash surrender value in accordance with the keyman insurance contract which is not an observable input. Management estimates the fair value based on the latest policy statement of the keyman insurance contract provided by the insurance company.

The unobservable input is the cash surrender value quoted by the insurance company according to the keyman insurance contract. When the cash surrender value is higher, the fair value of the keyman insurance contract will be higher.

During the year ended 30 June 2021 and six months ended 31 December 2021, there were no changes in the valuation techniques used.

5. REVENUE AND SEGMENT INFORMATION

The Group's revenue mainly represents sales of recycled metals and motor vehicles and related accessories, loan interest income and rental income from car parking spaces.

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 finance costs and income tax expense/credit. Segment assets do not include goodwill and refundable secured deposit. Segment liabilities do not include deferred tax liabilities and borrowings.

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

	Trading of recycled metals <i>HK\$'000</i> (Unaudited)	Trading of motor vehicles and related accessories <i>HK\$'000</i> (Unaudited)	Property investment <i>HK\$'000</i> (Unaudited)	Provision of financial services <i>HK\$'000</i> (Unaudited)	Sales of golden flower tea products <i>HK\$'000</i> (Unaudited)	Securities trading and investment <i>HK\$'000</i> (Unaudited)	Sales of plantation materials and products <i>HK\$'000</i> (Unaudited)	Others <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
For the six months ended 31 December 2021									
Revenue from external customers	9,092	27,365	2,080	923	—	—	—	—	39,460
Segment (loss)/profit comprising:	(1,404)	3,620	(1,584)	444	(68)	(269)	1,189	1,202	3,130
Gain arising from changes in fair value less costs to sell of biological assets	—	—	—	—	—	—	3,756	—	3,756
Fair value loss on investment properties	—	—	(3,267)	—	—	—	—	—	(3,267)
Depreciation and amortisation	(1,757)	(301)	(1)	—	(34)	—	(2,543)	(1,112)	(5,748)
Net gain/(loss) on fair value changes in investments at fair value through profit or loss	—	458	—	—	—	(251)	—	—	207
At 31 December 2021									
Segment assets (unaudited)	6,915	93,973	266,290	14,627	2,705	3,933	361,259	43,751	793,453
Segment liabilities (unaudited)	3,255	16,271	6,474	731	174	467	2,032	48,820	78,224
	Trading of recycled metals <i>HK\$'000</i> (Unaudited)	Trading of motor vehicles and related accessories <i>HK\$'000</i> (Unaudited)	Property investment <i>HK\$'000</i> (Unaudited)	Provision of financial services <i>HK\$'000</i> (Unaudited)	Sales of golden flower tea products <i>HK\$'000</i> (Unaudited)	Securities trading and investment <i>HK\$'000</i> (Unaudited)	Sales of plantation materials and products <i>HK\$'000</i> (Unaudited)	Others <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
For the six months ended 31 December 2020									
Revenue from external customers	5,802	25,109	2,001	1,239	—	—	—	—	34,151
Segment (loss)/profit comprising:	(1,091)	3,113	(1,995)	1,313	(3,047)	(122)	(2,810)	(2,026)	(6,665)
Loss arising from changes in fair value less costs to sell of biological assets	—	—	—	—	—	—	(334)	—	(334)
Fair value loss on investment properties	—	—	(1,031)	—	—	—	—	—	(1,031)
Depreciation and amortisation	(1,358)	(310)	(174)	—	(103)	—	(2,440)	(1,503)	(5,888)
Net unrealised losses on listed securities	—	—	—	—	—	(106)	—	—	(106)
Provision for impairment loss of receivables	—	—	—	(119)	—	—	—	—	(119)
At 30 June 2021									
Segment assets (audited)	7,834	108,171	268,297	14,326	2,755	1,183	352,842	23,973	779,381
Segment liabilities (audited)	3,626	18,340	7,040	1,759	170	467	1,992	33,292	66,686

Reconciliations of reportable segment profit or loss:

	Six months ended 31 December	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Total profit/(loss) of reportable segments	3,130	(6,665)
Other profit or loss:		
— Finance costs	(1,779)	(1,056)
— Income tax (expense)/credit	(618)	186
Corporate and unallocated items	(7,147)	(5,378)
Consolidated loss for the period	<u>(6,414)</u>	<u>(12,913)</u>

Disaggregation of revenue from contracts with customers

	Six months ended 31 December 2021		
	Trading of recycled metals <i>HK\$'000</i> (Unaudited)	Trading of motor vehicles and related accessories <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Geographical markets			
The PRC	—	6,254	6,254
Hong Kong	9,092	20,623	29,715
Macau	—	488	488
	<u>9,092</u>	<u>27,365</u>	<u>36,457</u>
	Six months ended 31 December 2020		
	Trading of recycled metals <i>HK\$'000</i> (Unaudited)	Trading of motor vehicles and related accessories <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Geographical markets			
The PRC	—	1,342	1,342
Hong Kong	5,802	23,384	29,186
Macau and others	—	383	383
	<u>5,802</u>	<u>25,109</u>	<u>30,911</u>

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

6. FINANCE COSTS

	Six months ended 31 December	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Leases interests	901	541
Interest on bank loans and overdrafts	878	515
	<u>1,779</u>	<u>1,056</u>

7. INCOME TAX EXPENSE/(CREDIT)

	Six months ended 31 December	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Current tax — Hong Kong Profits Tax		
— Provision for the period	248	499
— Over-provision in prior years	(30)	—
	<u>218</u>	<u>499</u>
Current tax — PRC Enterprise Income Tax	97	—
Deferred tax	303	(685)
	<u>618</u>	<u>(186)</u>

Under the two-tiered Profits Tax regime, the first HK\$2 million of profits of the qualifying group entity established in Hong Kong will be taxed at 8.25%, and profits above that amount will be subject to the tax rate of 16.5%. The profits of the group entities not qualifying for the two-tiered Profit Tax rate regime will continue to be taxed at a rate of 16.5% (six months ended 31 December 2020: same).

Profits of the group entities established in the PRC will be taxed at the PRC Enterprise Income Tax rate of 25% (six months ended 31 December 2020: 25%).

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.

8. 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 period attributable to owners of the Company of approximately HK\$7,809,000 (six months ended 31 December 2020: HK\$13,626,000) and the weighted average number of ordinary shares of 2,036,538,114 (six months ended 31 December 2020: 2,036,538,114) in issue during the period.

Diluted loss per share

The effects of all potential ordinary shares are anti-dilutive for the six months ended 31 December 2021 and 2020.

9. INTERIM DIVIDENDS

The directors have resolved not to declare an interim dividend for the six months ended 31 December 2021 (six months ended 31 December 2020: Nil).

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 31 December 2021, the Group acquired property, plant and equipment of approximately HK\$1,166,000 (six months ended 31 December 2020: HK\$598,000).

11. TRADE AND OTHER RECEIVABLES

	As at 31 December 2021 <i>HK\$'000</i> (Unaudited)	As at 30 June 2021 <i>HK\$'000</i> (Audited)
Trade receivables	35,447	39,806
Less: provision for impairment loss of trade receivables	<u>(8,062)</u>	<u>(8,062)</u>
	<u>27,385</u>	<u>31,744</u>
Prepayments, deposits and other receivables	32,188	29,984
Less: provision for impairment loss of prepayments, deposits and other receivables	<u>(700)</u>	<u>(1,000)</u>
	<u>31,488</u>	<u>28,984</u>
Total	<u><u>58,873</u></u>	<u><u>60,728</u></u>

The Group's trading terms with customers are mainly on credit. The credit terms generally range from 30 to 90 (30 June 2021: 30 to 90) 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 aging analysis of trade receivables, based on the invoice date, and net of allowance, is as follows:

	As at 31 December 2021 <i>HK\$'000</i> (Unaudited)	As at 30 June 2021 <i>HK\$'000</i> (Audited)
0–90 days	9,757	17,262
91–180 days	9,089	11,229
181–360 days	4,818	1,835
Over 360 days	3,721	1,418
	<u>27,385</u>	<u>31,744</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 movement in provision for impairment of prepayments, deposits and other receivables is as follows:

	As at 31 December 2021 <i>HK\$'000</i> (Unaudited)	As at 30 June 2021 <i>HK\$'000</i> (Audited)
Balance at beginning of period/year	1,000	1,000
Reversal of impairment loss	(300)	—
Balance at end of period/year	<u>700</u>	<u>1,000</u>

12. LOANS RECEIVABLE

	As at 31 December 2021 <i>HK\$'000</i> (Unaudited)	As at 30 June 2021 <i>HK\$'000</i> (Audited)
Loans receivable	16,883	16,294
Less: provision for impairment loss of loans receivable	<u>(4,033)</u>	<u>(4,152)</u>
	<u>12,850</u>	<u>12,142</u>
Loan receivable, secured	1,000	1,000
Loans receivable, unsecured	8,816	8,837
Loan interests receivable, secured	1	1
Loan interests receivable, unsecured	<u>3,033</u>	<u>2,304</u>
	<u>12,850</u>	<u>12,142</u>
Analysed as:		
Current assets	12,766	12,142
Non-current assets	<u>84</u>	<u>—</u>
	<u>12,850</u>	<u>12,142</u>

The loans granted are interest bearing at 2%–30% (30 June 2021: 2%–30%) per annum. The loan period is generally 12 to 24 (30 June 2021: 3 to 12) months. Loans receivable of approximately HK\$1,000,000 (30 June 2021: HK\$1,000,000) are secured by watches (30 June 2021: watches). The directors of the Company monitored the collectibility of the loans receivable closely with reference to their respective current creditworthiness and repayment records.

The aging analysis of these loans and interests receivable, based on loan commencement or renewal date set out in the relevant contracts, and net of allowance, is as follows:

	As at 31 December 2021 <i>HK\$'000</i> (Unaudited)	As at 30 June 2021 <i>HK\$'000</i> (Audited)
0–90 days	11,913	—
91–180 days	181	—
181–360 days	756	12,142
	<u>12,850</u>	<u>12,142</u>

The movement in provision for impairment of loans receivable is as follows:

	As at 31 December 2021 <i>HK\$'000</i> (Unaudited)	As at 30 June 2021 <i>HK\$'000</i> (Audited)
Balance at beginning of period/year	4,152	—
Impairment loss recognised	—	4,152
Amounts written off	(119)	—
	<u>4,033</u>	<u>4,152</u>

13. REFUNDABLE SECURED DEPOSIT

The Group entered into a sale and purchase agreement and a supplemental agreement on 27 November 2013 and 16 December 2013, respectively, with an independent third party in relation to the acquisition of 100% equity interest of a target company and its subsidiaries which are mainly engaged in hotel operations in the PRC (the “Proposed Acquisition”). On 23 December 2013, an amount of HK\$150,000,000 was paid by the Group as refundable deposit. The refundable deposit was charged over the entire issued share capital of a Hong Kong subsidiary of the target company and was classified as secured deposit for acquisition of subsidiaries as at 30 June 2014.

According to the Company’s announcement dated 28 October 2014, the Group and the vendor entered into a termination agreement to terminate the Proposed Acquisition because certain conditions precedent of the Proposed Acquisition were not satisfied. Pursuant to the termination agreement, the Group and the vendor agreed that the refundable deposit shall be refunded to the Group by three installments including HK\$60,000,000; HK\$45,000,000; and HK\$45,000,000, repayable on 10 November 2014, 27 January 2015 and 27 April 2015, respectively. The first installment of HK\$60,000,000 was received by the Company on 7 November 2014.

According to the Company's announcement dated 18 June 2015, the Group and the vendor entered into a supplemental termination agreement to amend certain terms of the termination agreement relating to the refund of the remaining refundable deposit. Pursuant to the supplemental termination agreement, the Group and the vendor have agreed that the remaining refundable deposit shall be refunded to the Group by two installments including HK\$20,000,000 and HK\$70,000,000, together with interest as calculated at 5% per annum, repayable on 18 June 2015 and 19 November 2015, respectively. The second installment of HK\$20,000,000 together with interest was received by the Group on 18 June 2015. During the year ended 30 June 2018, the Group received deposit refund of HK\$58,000,000 together with interest income of HK\$2,000,000. The deposit of HK\$12,000,000 was overdue as at 30 June 2021. On 23 August 2021, the Group and the vendor entered into an agreement for the settlement of the remaining refundable deposit of HK\$12,000,000. Pursuant to the agreement, the vendor shall pay HK\$1,000,000 and HK\$11,000,000 with interest as calculated at 1% per annum within 14 days and 24 months, respectively, from the date of agreement signed. During the six months ended 31 December 2021, deposit of HK\$1,000,000 was refunded to the Group.

The directors of the Company are of the opinion that no provision for impairment loss is necessary in respect of this balance as the Group obtains collateral from the vendor of which the estimated value is sufficient to cover the outstanding amount in case of default.

14. TRADE AND OTHER PAYABLES

	As at 31 December 2021 <i>HK\$'000</i> (Unaudited)	As at 30 June 2021 <i>HK\$'000</i> (Audited)
Trade payables	7,250	9,571
Other payables and accruals	<u>22,614</u>	<u>23,416</u>
	<u>29,864</u>	<u>32,987</u>

The aging analysis of trade payables, based on the date of receipt of goods, is as follows:

	As at 31 December 2021 <i>HK\$'000</i> (Unaudited)	As at 30 June 2021 <i>HK\$'000</i> (Audited)
0–90 days	7,023	9,053
91–180 days	1	267
181–360 days	—	23
Over 360 days	<u>226</u>	<u>228</u>
	<u>7,250</u>	<u>9,571</u>

15. RELATED PARTY TRANSACTIONS

- (a) In addition to the transactions and balances disclosed elsewhere in the condensed consolidated interim financial statements, during the period, the Group entered into the following material related party transactions.

	Six months ended 31 December	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Rental paid (<i>note (i)</i>)	—	176
Sales to a related company (<i>note (ii)</i>)	<u>1</u>	<u>15</u>

Notes:

- (i) Rental were paid to a company in which the mother of Mr. Yeung Chi Hang, an executive director and the Chairman and Chief Executive Officer of the Company, has 50% indirect equity interest.
- (ii) Goods were sold to a company of which the director is the spouse of a director of the Company's subsidiary.
- (b) **Key management personnel remuneration**

	Six months ended 31 December	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Directors' remuneration	<u>2,408</u>	<u>2,421</u>

16. APPROVAL OF INTERIM FINANCIAL STATEMENTS

The interim financial statements were approved and authorised for issue by the Board of Directors on 28 February 2022.

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 31 December 2021 (2020: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

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 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") and overseas. The Group is developing a hotel business in Nepal. 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\$273,399,000 as at 31 December 2021 (30 June 2021: approximately HK\$264,209,000). We are still waiting for the reply of Regiment 142 of Xinjiang Production and Construction Corps of our request for annual harvest quota that could be granted to us over a period of 10 years without which we are unable to do any 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, Dongguan City was valued at approximately HK\$73,862,000 as at 31 December 2021 (30 June 2021: approximately HK\$75,634,000). 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 2021 (30 June 2021: approximately HK\$191,900,000).

Metal Recycle Business

China has relaxed importation restrictions on non-ferrous metal last year. This change aims at allowing importation of high quality metal scraps to assist and pave way for low carbon economy for a larger goal of reaching carbon neutrality by 2060. This has led to an increase in more metal recycle and collection business activities in Hong Kong. There are more new metal recycle and collection companies being established. It brings more competition in metal scraps collection, rise in collection price and narrow profit margin.

According to the Census and Statistics Department's publication in December 2021, the gross value of construction works ("GVCW") performed at private sector sites totalled HK\$15.4 billion in the third quarter of 2021, up by 7.4% in nominal terms over a year earlier. In real terms, it increased by 9.4%. The GVCW performed at public sector sites increased by 4.3% in nominal terms over a year earlier to HK\$18.7 billion in the third quarter of 2021. In real terms, it increased by 1.7%. While there has been an increase, the figure was based on the much downsloped figure of the year 2020. With a hope of recovery of production activities in Southeast Asia countries, we anticipate demand for recycled metal scraps can be maintained.

However, there are various negative factors arising from the COVID-19 pandemic that are still affecting the business. On the China market, there have been locations being locked down occasionally and stricter hygienic process for foreign products importation. For China and Southeast Asia countries, logistics are being affected by unstable sea freight price, container space booking and ports' congestion. All these factors discourage exporters to maintain high inventory and are adopting a conservative stance on pricing.

For the six months ended 31 December 2021, the Group recorded revenue from metal recycle business of approximately of HK\$9,092,000 (2020: approximately HK\$5,802,000).

Motor and motor accessories business

The group has two segments, sale of car/motorcycle and sale of motor accessories.

On the sale of car and motorcycle, we still focus on disposal of the inventories. Without waiting for high end consumption market to recover, we are adopting a much flexible pricing approach to test the level of acceptance of our inventories.

On the sale of motor accessories, we are able to maintain a steadily growth. During the year ended 31 December 2021, 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, could be maintained and improved generally. However, there are negative effects from the COVID-19 pandemic. Production output of “Pirelli” has been disrupted because of occasional closed down of factories. Also, 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. In the last quarter of the reporting period, we noticed the performance of this segment was walking towards the slow down direction not because of decline in customers’ consumption but insufficient popular models to satisfy demand.

For the six months ended 31 December 2021, revenue from motor and motor accessories business was approximately HK\$27,365,000 (2020: approximately HK\$25,109,000).

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 2021, benefited from combatting illegal parking by police and the change of tenant who was more attentive to car parking management, rental income increased to approximately HK\$2,080,000 (2020: approximately HK\$2,001,000).

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 2021, the Group recorded loan interest income of approximately HK\$923,000 (2020: approximately HK\$1,239,000) 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 31 December 2021 was approximately HK\$9,816,000 (30 June 2021: approximately HK\$9,837,000). The Group did not recognize any impairment loss for the six months ended 31 December 2021 (2020: Nil).

Securities Trading and Investment Business

During the six months ended 31 December 2021, 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 2021, 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\$251,000 (2020: approximately HK\$106,000).

As at 31 December 2021, the Group held approximately HK\$3,877,000 investments at fair value through profit or loss of the invested stocks (30 June 2021: approximately HK\$1,129,000). Details of the investments are as follows:

Stock Name	Note	Stock Code	Place of incorporation	Net unrealized gain/(losses) on listed securities HK\$'000	Market value HK\$'000	Approximate percentage of equity investments at fair value through profit and loss %	Approximate percentage to the net assets of the Group %
CHINA FORTUNE FINANCIAL GROUP LTD	1	290	Cayman Islands	(69)	253	6.5	0.05
YUAN HENG GAS HOLDINGS LIMITED	2	332	Bermuda	(120)	2,880	74.3	0.51
DINGYI GROUP INVESTMENT LTD	3	508	Bermuda	10	142	3.7	0.03
WAI CHUN GROUP HOLDINGS LTD	4	1013	Bermuda	(72)	296	7.6	0.05
HANG SANG (SIU PO) INTERNATIONAL HOLDING CO. LTD	5	3626	Cayman Islands	—	306	7.9	0.05
				<u>(251)</u>	<u>3,877</u>	<u>100</u>	<u>0.69</u>

Notes:

- China Fortune Financial Group Limited is a Hong Kong-based investment holding company principally engaged in financial businesses. The company operates through six segments. The corporate finance segment engages in the provision of corporate finance services. The brokerage and margin financing segment engages in securities business and margin financing business. The money lending and factoring segment engages in the provision of money lending and factoring services. The asset management segment engages in the provision of asset management and advisory services to professional investors. The consultancy and insurance brokerage segment engages in the provision of consultancy services and insurance brokerage services. The proprietary trading segment engages in the proprietary trading of securities. No dividend was received for the six months ended 31 December 2021. According to its latest published financial statements, it had a net asset value of approximately HK\$292,981,000 as at 30 September 2021.

2. Yuan Heng Gas Holdings Limited is an investment holding company principally engaged in the oil and gas products transactions. The company operates its business through three segments. The oil and gas transactions segment engages in the trading of oil and gas contracts. The production and sales of liquefied natural gas (LNG) segment engages in the wholesale of liquefied natural gas. The piped gas segment engages in the sale of piped gas and construction of gas pipeline infrastructure. The company also engages in the sale of vehicle gas at refueling stations and liquefied natural gas transportation operation. No dividend was received for the six months ended 31 December 2021. According to its latest published financial statements, it had a net assets value of approximately RMB1,492,099,000 as at 30 September 2021.
3. 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 three 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 securities trading business segment is involved in the investment of securities trading business. No dividend was received for the six months ended 31 December 2021. According to its latest published financial statements, it had a net asset value of approximately HK\$1,434,514,000 as at 30 September 2021.
4. 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 six months ended 31 December 2021. According to its latest published financial statements, it had a net liability value of approximately HK\$117,394,000 as at 30 September 2021.
5. 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. No dividend was received for the six months ended 31 December 2021. According to its latest published financial statements, it had a net asset value of approximately HK\$71,553,000 as at 30 June 2021.

Green Technology

There was no revenue on the green technology for the six months ended 31 December 2021 (2020: Nil).

Golden Flower Tea Products

For the six months ended 31 December 2021, no revenue from the sale of golden flower tea products was generated (2020: Nil).

Plantation Sales Business

The Group has timber cutting right on trees grown on the Plantation Land 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 knowing the number of harvest quotas available and thoroughly study all risks and uncertain factors before making any investment decision. For the six months ended 31 December 2021, there was no revenue generated from plantation sales business (2020: Nil).

PROSPECTS

Ever since the 2019 Interim Report, the COVID-19 pandemic has been one of the important topics in our Interim and Annual Reports. In so far, no nation has been able to escape from being affected by the COVID-19 pandemic. The only difference is at which wave of the pandemic she is suffering. As at 18 February 2022, confirmed reported cases worldwide was 422 million cases with an average of approximately 1.9 million cases are being added daily and the death toll was 5.87 million. In 6 months time, the confirmed cases number went almost double. We are of the view that the actual cases should be of a much higher figures because many of the current mutated Omicron variant infected patients treated themselves at home without reporting their cases to the relevant authorities of their nation. Fortunately, while it appears to largely escape the immunity created by vaccines and is spreading much faster than Delta variant, Omicron variant is causing less severe disease and causing much less fatality rate with vaccinated population. However, it has created a much difficult situation for countries or territories which adopt containment of viruses for zero COVID policy.

Hong Kong has been smashed by a wave of Omicron. It had as at 19 February recorded more than 22,000 cases so far this year, surpassing the COVID-19 totals for 2020 and 2021 combined. Under the “dynamic zero” strategy, Hongkongers enjoyed long stretches of time largely unencumbered by the pandemic, as long as they didn’t need to travel. Between those stretches, when four waves of COVID hit the city, the government introduced restrictions which often complicated and harsh, sometimes illogical, and changed frequently. But they worked — until Omicron arrived and the system crumbled. Comparing the current situation of Hong Kong with the known paths of nations suffered or are suffering with hits of Omicron, it is sad to note that the peak has yet to arrive. Official from the Hospital Authority said the health system was at a “crisis situation“

and a Hong Kong clinical virologist said the hospitals were “sandcastles in a tsunami“. The mainland government is offering assistance to Hong Kong to contain Omicron. Hong Kong shall survive but, until the storm goes, there shall happen countless sad events. Moreover, Hong Kong’s economy shall definitely be slides deeply in the first quarter of 2022 and goes back to recession.

For the hotel business plan at Kathmandu, Nepal, the Group was able to strike an acceptable deal with the landlord and one of our directors has arrived Kathmandu to plan a restart of the business. Nepal miraculously survives through the hit of Omicron when it came in late December 2021. Recent daily new COVID-19 cases have dropped from its highest of over 10,000 daily cases in January 2022 to a recent level of around 350. The Nepal government has reopened its boarder almost worldwide to visitors who have been vaccinated. Detailed plan of the hotel business will be formulated. Hopefully, the tourists industry of Nepal will resurrect in the second half of this year and our hotel is able to be fully operated by then.

Travel restrictions of China, Hong Kong and Taiwan continue to affect our plan of expanding the motor accessories sales business into China. With the wave of Omicron hardly hitting Hong Kong and being detected in China and Taiwan and the supplier of “Pirelli” tyres encounters production and logistics problems, we prefer to adopt a wait and decide later approach.

The Group will continue maintaining cost control measures and making efforts to reduce operating costs and overheads in order to face the possible worst crisis situation Hong Kong is now fighting.

FINANCIAL REVIEW

For the six months ended 31 December 2021, revenue of the Group increased by 15.5% to approximately HK\$39,460,000 (2020: approximately HK\$34,151,000) and gross profit of the Group increased by 4.8% to approximately HK\$9,861,000 (2020: approximately HK\$9,408,000). Loss for the six months ended 31 December 2021 decreased to approximately HK\$6,414,000 as compared to loss of approximately HK\$12,913,000 of last corresponding period. The increase in both of revenue and gross profit was mainly due to the increase in sale of motor vehicles and related accessories and metal recycle business. The decrease in loss for the period was mainly due to (i) increase in both revenue and gross profit as mentioned above; (ii) increase in other income to approximately HK\$4.2 million mainly due to wavier of rental payments because of COVID-19; (iii) decrease in administrative and operating expenses to approximately HK\$19.1 million mainly due to decrease in staff cost and expenses related to short-term leases; (iv) increase in gain arising from changes in fair value less costs to sell of biological assets to approximately HK\$3.8 million; (v) increase in net gain on fair value changes in investments at fair value through profit or loss to approximately HK\$0.2 million; and (vi) no provision for impairment loss of intangible assets during the six months ended 31 December 2021.

For the six months ended 31 December 2021, basic and diluted loss per share were HK cents 0.38 (2020: HK cents 0.67). Gain arising from changes in fair value less costs to sell of biological assets was approximately HK\$3,756,000 (2020: loss approximately HK\$334,000). Fair value loss on investment properties was approximately HK\$3,267,000 (2020: approximately HK\$1,031,000).

For the six months ended 31 December 2021, the finance costs were approximately HK\$1,779,000 (2020: approximately HK\$1,056,000).

Administrative expenses from operations for the six months ended 31 December 2021 decreased to approximately HK\$19,091,000 (2020: approximately HK\$20,457,000). It included major items such as amortisation of intangible assets of approximately HK\$2,577,000, salaries and directors' emoluments of approximately HK\$6,706,000 and short-term lease expenses of approximately HK\$324,000. Income tax expense was recorded at approximately HK\$618,000 (2020: income tax credit approximately HK\$186,000).

Exchange gain on translating foreign operations was recorded at approximately HK\$6,867,000 (2020: approximately HK\$26,762,000).

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2021, the total assets of the Group were approximately HK\$812,652,000 (30 June 2021: approximately HK\$799,650,000), including cash and bank balances of approximately HK\$3,763,000 (30 June 2021: approximately HK\$19,005,000).

The Group's total borrowings as at 31 December 2021 were approximately HK\$69,734,000 (30 June 2021: HK\$71,787,000). The Group's gearing ratio (which was expressed as a percentage of total borrowings over total equity) was 12.4% as at 31 December 2021 (30 June 2021: 12.8%).

As at 31 December 2021, the Group's net assets amounted to approximately HK\$560,154,000 (30 June 2021: approximately HK\$559,701,000).

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 COMMITMENT

As at 31 December 2021, there was no material capital commitment.

CAPITAL RAISING AND EXPENDITURE

During the six months ended 31 December 2021, the Group did not have any capital raising activity (2020: Nil).

SHARE CAPITAL

As at 31 December 2021, the total number of issued shares capital of the Company comprised 2,036,538,114 ordinary shares of HK\$0.02 each (30 June 2021: 2,036,538,114 ordinary shares of HK\$0.02 each).

MAJOR ACQUISITION AND DISPOSAL

Save as disclosed above, during the six months ended 31 December 2021, there was no material acquisition or disposal of subsidiaries or associated corporation of the Company (2020: Nil).

EMPLOYMENT AND REMUNERATION POLICY

As at 31 December 2021, the Group had 35 (30 June 2021: 39) employees. The Group implements remuneration policy, bonus and share option 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 31 December 2021, the bank loans of approximately HK\$69,234,000 were secured by (i) the car parking spaces with aggregate carrying amount of approximately HK\$191,900,000; (ii) a deed of assignment of rental income from the car parking spaces; (iii) the keyman insurance contract classified under the investments at fair value through profit or loss with aggregate carrying amount of approximately HK\$17,661,000; and (iv) personal guarantee from a director of the Company.

As at 30 June 2021, the bank loans of approximately HK\$70,787,000 were secured by (i) the car parking spaces with aggregate carrying amount of approximately HK\$191,900,000; (ii) a deed of assignment of rental income from the car parking spaces; (iii) the keyman insurance contract classified under the investments at fair value through profit or loss with aggregate carrying amount of approximately HK\$17,203,000; and (iv) personal guarantee from a director of the Company.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATE

The Group conducted most of its business in Great British Pound, Euro, Renminbi, United States Dollar, Nepalese Rupee and Hong Kong Dollars for the six months ended 31 December 2021. The Group has transactional currency exposures. Such exposures arise from the business operations in the PRC denominated in RMB. As at 31 December 2021, the Group had a minimal exposure to foreign currency risk as most of its business transactions were principally denominated in the respective functional currencies used by the respective group entities.

The Group does not have a foreign currency hedging policy in respect of its foreign currency assets and liabilities. The Group will closely monitor its foreign currency exposure and will consider using hedging instruments in respect of significant foreign currency exposure as and when appropriate.

CONTINGENT LIABILITIES

As at 31 December 2021, the directors of the Company are not aware of any material contingent liabilities. (30 June 2021: Nil).

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 31 December 2021, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities on the Stock Exchange.

CORPORATE GOVERNANCE

The Company has complied with the code provisions as set out in the Corporate Governance Code (the "CG Code") contained in the Appendix 14 of the Listing Rules for the six months ended 31 December 2021, except the followings: Code provision A.2.1 of the CG Code provides that the role 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.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as the code of conduct regarding securities transactions by directors of the Company. Having made specific enquiry, all directors of the Company confirmed that they have complied with the required standards set out in the Model Code for the six months ended 31 December 2021.

AUDIT COMMITTEE

The Company has an audit committee which was established in compliance with Rule 3.21 of the Listing Rules for the purpose of reviewing and providing supervision over the Group's financial reporting process, internal controls and risk management systems. It has formulated its written terms of reference in accordance with the Listing Rules. The audit committee of the Company has reviewed the unaudited interim financial results for the six months ended 31 December 2021. The audit committee of the Company currently comprises three independent non-executive directors of the Company, namely Mr. Ong Chi King (Chairman), Mr. Wong Kwai Sang and Mr. Heung Chee Hang, Eric.

The condensed consolidated financial information is unaudited, but has been reviewed by ZHONGHUI ANDA CPA Limited, in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA, whose independent review report is included in the interim report to be sent to shareholders.

By Order of the Board
China Environmental Resources Group Limited
YEUNG CHI HANG
Chairman and Chief Executive Officer

Hong Kong, 28 February 2022

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.