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 2020 AND CHANGE OF AGENT FOR THE SERVICE OF PROCESS IN HONG KONG

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 2020 together with comparative figures for the year ended 30 June 2019.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2020

	Notes	**2020** *HK$'000*	2019 *HK$'000*
Revenue	*3*	**75,406**	119,387
Cost of sales		**(56,620)**	(101,003)
Gross profit		**18,786**	18,384
Other income	*5*	**964**	1,896
Administrative and operating expenses		**(45,001)**	(61,184)
Fair value (loss)/gain on investment properties		**(15,322)**	2,299
Loss arising from changes in fair value less costs to sell of biological assets		**(4,814)**	(72,769)
Net loss on fair value changes on investments at fair value through profit or loss		**(2,914)**	(7,247)
Gain on disposals of subsidiaries		**—**	149
Provision for impairment loss of intangible assets		**—**	(17,185)
Provision for impairment loss of trade and other receivables		**(6,337)**	(2,725)
Loss from operations		**(54,638)**	(138,382)
Finance costs	*6*	**(2,144)**	(749)
Loss before tax		**(56,782)**	(139,131)
Income tax credit	*7*	**1,008**	17,991
Loss for the year	*8*	**(55,774)**	(121,140)
Other comprehensive loss after tax:			
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		**(12,423)**	(15,886)
Other comprehensive loss for the year, net of tax		**(12,423)**	(15,886)
Total comprehensive loss for the year		**(68,197)**	(137,026)

	Notes	**2020**	2019
		HK$'000	*HK$'000*
Loss for the year attributable to:			
Owners of the Company		**(55,558)**	(122,322)
Non-controlling interests		**(216)**	1,182
		(55,774)	(121,140)
Total comprehensive loss for the year attributable to:			
Owners of the Company		**(67,610)**	(137,774)
Non-controlling interests		**(587)**	748
		(68,197)	(137,026)
Loss per share	*9*		
Basic (HK cents per share)		**(3)**	(6)
Diluted (HK cents per share)		**(3)**	(6)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2020

	Notes	2020 HK$'000	2019 HK$'000
Non-current assets			
Property, plant and equipment		**10,203**	9,890
Right-of-use assets		**28,057**	—
Investment properties		**259,002**	277,041
Biological assets	*11*	**248,759**	262,989
Intangible assets		**90,792**	98,952
Goodwill		**1,087**	1,087
Loans receivable		**3,380**	6,274
		641,280	656,233
Current assets			
Inventories		**22,804**	23,165
Trade and other receivables	*12*	**66,859**	65,240
Loans receivable		**14,808**	18,692
Investments at fair value through profit or loss	*13*	**1,696**	4,883
Refundable secured deposit		**12,000**	12,000
Cash and cash equivalents		**2,951**	5,551
		121,118	129,531
Current liabilities			
Trade and other payables	*14*	**31,723**	24,463
Contract liabilities		**4,834**	2,202
Lease liabilities		**4,085**	—
Borrowings		**26,000**	22,000
Bank overdrafts		**3,679**	—
Current tax liabilities		**3,115**	2,203
		73,436	50,868
Net current assets		**47,682**	78,663
Total assets less current liabilities		**688,962**	734,896

	Notes	**2020**	2019
		HK$'000	*HK$'000*
Non-current liabilities			
Deferred tax liabilities		**83,420**	88,967
Lease liabilities		**26,310**	—
Borrowings		**1,500**	—
		111,230	88,967
NET ASSETS		**577,732**	645,929
Capital and reserves	*15*		
Share capital		**40,731**	40,731
Reserves		**524,427**	592,037
Equity attributable to owners of the Company		**565,158**	632,768
Non-controlling interests		**12,574**	13,161
TOTAL EQUITY		**577,732**	645,929

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 2019. 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 16 "Leases"

The Group has adopted HKFRS 16 retrospectively from 1 July 2019, but has not restated comparatives as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the adoption of HKFRS 16 are therefore recognised in the opening statement of financial position on 1 July 2019 as follows:

	HK$'000
At 1 July 2019	
Increase in right-of-use assets	2,973
Increase in lease liabilities	(2,973)

The incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 3.53%.

The reconciliation of operating lease commitment to lease liabilities as at 1 July 2019 is set out below:

	HK$'000
Operating lease commitment at 30 June 2019:	7,109
Less: Commitment relating to leases with a remaining lease term ending on or before 30 June 2020	(4,076)
Discounting	(60)
Lease liabilities at 1 July 2019	2,973

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

3. REVENUE

	2020	2019
	HK$'000	*HK$'000*
Trading of recycled metals	**12,862**	46,001
Trading of motor vehicles and related accessories	**55,737**	66,547
Sales of golden flower tea products	**144**	27
Revenue from contracts with customers	**68,743**	112,575
Rental income	**3,696**	3,891
Loan interest income	**2,939**	2,893
Dividend income	**28**	28
Total revenue	**75,406**	119,387

Disaggregation of revenue from contracts with customers for year ended 30 June 2020:

	Trading of recycled metals *HK$'000*	Trading of motor vehicles and related accessories *HK$'000*	Sales of golden flower tea products *HK$'000*
Geographical markets			
The People's Republic of China (the "PRC")	**—**	**1,769**	**144**
Hong Kong	**12,862**	**53,151**	**—**
Macau	**—**	**817**	**—**
	12,862	**55,737**	**144**

Disaggregation of revenue from contracts with customers for year ended 30 June 2019:

	Trading of recycled metals *HK$'000*	Trading of motor vehicles and related accessories *HK$'000*	Sales of golden flower tea products *HK$'000*
Geographical markets			
The PRC	11,457	315	27
Hong Kong	34,544	65,370	—
Macau	—	862	—
	46,001	66,547	27

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 2020 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 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 borrowings and bank overdrafts.

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

	Trading of recycled metals	Trading of motor vehicles and related accessories	Property investment	Provision of financial services	Sales of golden flower tea products	Securities trading and investment	Sales of plantation materials and products	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 30 June 2020									
Revenue from external customers	**12,862**	**55,737**	**3,696**	**2,939**	**144**	**28**	**—**	**—**	**75,406**
Segment (loss)/profit comprising:	**(10,526)**	**2,723**	**(14,882)**	**2,893**	**(383)**	**(2,895)**	**(9,565)**	**(4,425)**	**(37,060)**
Loss arising from changes in fair value less costs to sell of biological assets	**—**	**—**	**—**	**—**	**—**	**—**	**(4,814)**	**—**	**(4,814)**
Fair value loss on investment properties	**—**	**—**	**(15,322)**	**—**	**—**	**—**	**—**	**—**	**(15,322)**
Depreciation and amortisation	**(1,908)**	**(953)**	**(2,078)**	**—**	**(206)**	**—**	**(4,693)**	**(2,917)**	**(12,755)**
Proceeds from disposal of listed securities	**—**	**—**	**—**	**—**	**—**	**273**	**—**	**—**	**273**
Costs of disposal of listed securities	**—**	**—**	**—**	**—**	**—**	**(670)**	**—**	**—**	**(670)**
Net unrealised losses on listed securities	**—**	**—**	**—**	**—**	**—**	**(2,517)**	**—**	**—**	**(2,517)**
Provision for impairment loss of intangible assets	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Provision for impairment loss of trade receivables	**(6,337)**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(6,337)**
At 30 June 2020									
Segment assets	**5,069**	**78,531**	**260,311**	**18,208**	**6,750**	**1,750**	**333,694**	**36,242**	**740,555**
Segment liabilities	**438**	**13,077**	**4,225**	**623**	**135**	**467**	**4,816**	**33,389**	**57,170**
Year ended 30 June 2019									
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)
At 30 June 2019									
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

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

	2020 *HK$'000*	2019 *HK$'000*
Revenue:		
Total revenue of reportable segments	**75,406**	119,387
Loss:		
Total loss of reportable segments	**(37,060)**	(121,143)
Other profit or loss:		
Finance costs	**(2,144)**	(749)
Income tax credit	**1,008**	17,991
Corporate and unallocated loss	**(17,578)**	(17,239)
Consolidated loss for the year	**(55,774)**	(121,140)
Assets:		
Total assets of reportable segments	**740,555**	760,864
Goodwill	**1,087**	1,087
Refundable secured deposit	**12,000**	12,000
Corporate and unallocated assets	**8,756**	11,813
Consolidated total assets	**762,398**	785,764
Liabilities:		
Total liabilities of reportable segments	**57,170**	16,181
Deferred tax liabilities	**83,420**	88,967
Borrowings and bank overdrafts	**31,179**	22,000
Corporate and unallocated liabilities	**12,897**	12,687
Consolidated total liabilities	**184,666**	139,835

Geographical information:

	Revenue		**Non-current assets**	
	2020 ***HK$'000***	2019 *HK$'000*	**2020** ***HK$'000***	2019 *HK$'000*
The PRC	**1,913**	11,798	**408,560**	438,982
Hong Kong	**72,676**	106,727	**199,666**	217,251
Macau	**817**	862	**—**	—
Nepal	**—**	—	**33,054**	—
	75,406	119,387	**641,280**	656,233

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

Revenue from major customers:

	2020	2019
	HK$'000	*HK$'000*
Trading of motor vehicles and related accessories		
Customer A	**36,341**	42,051

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

5. OTHER INCOME

	2020	2019
	HK$'000	*HK$'000*
Sponsor income	**393**	543
Forfeiture of deposits received for sales of motor vehicle	**—**	273
Sub-letting income	**—**	240
Others	**571**	840
	964	1,896

6. FINANCE COSTS

	2020	2019
	HK$'000	*HK$'000*
Interest on bank loans and overdrafts	**1,151**	749
Leases interests	**993**	—
	2,144	749

7. INCOME TAX CREDIT

	2020	2019
	HK$'000	*HK$'000*
Current tax — Hong Kong Profits Tax		
Provision for the year	**1,401**	1,417
Over-provision in prior years	**(40)**	(8)
Deferred tax	**(2,369)**	(19,400)
Income tax credit	**(1,008)**	(17,991)

Hong Kong Profits Tax has been provided at a rate of 16.5% (2019: 16.5%) on the estimated assessable profits for the year ended 30 June 2020.

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

	2020	2019
	HK$'000	*HK$'000*
Loss before tax	**(56,782)**	(139,131)
Tax calculated at applicable tax rate of 25% (2019: 25%)	**(14,196)**	(34,783)
Effect of different tax rates of the subsidiaries	**3,074**	4,899
Tax effect of expenses that are not deductible	**7,060**	8,127
Tax effect of income that are not taxable	**(17)**	(604)
Tax effect of temporary differences not recognised	**1,106**	642
Tax effect of utilisation of tax losses not previously recognised	**(12)**	—
Tax reduction	**(165)**	(165)
Over-provision in prior years	**(40)**	(8)
Tax effect of tax losses not recognised	**2,182**	3,901
Income tax credit	**(1,008)**	(17,991)

8. LOSS FOR THE YEAR

This is stated at after charging the following:

	2020	2019
	HK$'000	*HK$'000*
Amortisation of intangible assets	**4,866**	5,620
Auditor's remuneration	**980**	970
Depreciation	**9,976**	3,805
Loss on disposals of property, plant and equipment	**794**	508
Expenses related to short-term leases/operating lease charges on land and buildings	**3,052**	7,272
Staff costs (including directors' remuneration):		
— salaries, bonuses and allowances	**15,014**	19,366
— retirement benefit scheme contributions	**404**	611
	15,418	19,977

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$55,558,000 (2019: HK$122,322,000) and the weighted average number of ordinary shares of 2,036,538,114 (2019: 2,036,538,114) 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 2020 and 2019.

10. DIVIDENDS

The directors do not recommend the payment of any dividend in respect of the years ended 30 June 2020 and 2019.

11. BIOLOGICAL ASSETS

	Standing timbers *HK$'000*
At 1 July 2018	348,933
Change in fair value less costs to sell	(72,769)
Exchange differences	(13,175)
At 30 June 2019 and 1 July 2019	262,989
Change in fair value less costs to sell	(4,814)
Exchange differences	(9,416)
At 30 June 2020	248,759

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 2020 and 2019, the Group did not harvest or sell any standing timbers.

The Group's standing timbers as at 30 June 2020 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 2020 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

	2020	2019
	HK$'000	*HK$'000*
Trade receivables	**46,800**	43,075
Less: provision for impairment loss of trade receivables	**(8,062)**	(2,725)
	38,738	40,350
Prepayments, deposits and other receivables	**29,121**	24,890
Less: provision for impairment loss of prepayments, deposits and other receivables	**(1,000)**	—
	28,121	—
Total	**66,859**	65,240

The Group's trading terms with customers are mainly on credit. The credit terms generally range from 30 to 90 (2019: 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 ageing analysis of trade receivables, based on the invoice date, and net of allowance, is as follows:

	2020	2019
	HK$'000	*HK$'000*
0–90 days	**14,609**	19,293
91–180 days	**9,463**	16,560
181–360 days	**14,144**	3,664
Over 360 days	**522**	833
	38,738	40,350

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

	2020	2019
	HK$'000	*HK$'000*
Balance at beginning of year	**2,725**	—
Impairment loss recognised	**5,337**	2,725
Balance at end of year	**8,062**	2,725

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:

	2020	2019
	HK$'000	*HK$'000*
Balance at beginning of year	**—**	—
Impairment loss recognised	**1,000**	—
Balance at end of year	**1,000**	—

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.

	Current	**1-90 days past due**	**91-180 days past due**	**181-360 days past due**	**Over 360 days past due**	**Total**
At 30 June 2020						
Weighted average expected loss rate	**0%**	**0%**	**0%**	**0%**	**94%**	
Receivable amount *(HK$'000)*	**13,918**	**10,153**	**13,980**	**165**	**8,584**	**46,800**
Loss allowance *(HK$'000)*	**—**	**—**	**—**	**—**	**(8,062)**	**(8,062)**
At 30 June 2019						
Weighted average expected loss rate	0%	0%	0%	56%	0%	
Receivable amount *(HK$'000)*	18,637	17,149	2,459	4,830	—	43,075
Loss allowance *(HK$'000)*	—	—	—	(2,725)	—	(2,725)

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

	2020	2019
	HK$'000	*HK$'000*
Equity securities listed in Hong Kong, at fair value	**1,696**	4,883

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

14. TRADE AND OTHER PAYABLES

	2020	2019
	HK$'000	*HK$'000*
Trade payables	**4,480**	2,160
Other payables and accruals	**27,243**	22,303
	31,723	24,463

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

	2020	2019
	HK$'000	*HK$'000*
0–90 days	**4,371**	2,059
181–360 days	**—**	50
Over 360 days	**109**	51
	4,480	2,160

15. SHARE CAPITAL

	2020	2019
	HK$'000	*HK$'000*
Authorised:		
15,000,000,000 ordinary shares of HK$0.02 each	**300,000**	300,000
Issued and fully paid:		
2,036,538,114 (2019: 2,036,538,114) ordinary shares of HK$0.02 each	**40,731**	40,731

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 PRC and overseas. The Group is developing a hotel business in Nepal and an online trading platform in the PRC. 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 3th 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. However, for the year ended 30 June 2020, rental income recorded was approximately HK$3,696,000 (2019: approximately HK$3,891,000).

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 = 439,588 m^3
- 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 RMB645 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:

Absolute Change in Recovery Rate	**Applied Recovery Rate**	**Fair Value of the Biological Asset** ***(RMB)***
+10%	90%	255,109,000
+5%	85%	240,936,000
+0%	80%	226,763,000
-5%	75%	212,591,000
-10%	70%	198,418,000

% change in Adopted Market Price	**Adopted Market Price** ***(RMB/m³)***	**Fair Value of the Biological Asset** ***(RMB)***
+10%	709	249,440,000
+5%	677	238,102,000
+0%	645	226,763,000
-5%	613	215,425,000
-10%	580	204,087,000

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^3 of logs. If the market price per m^3 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 2020 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$248,759,000 (2019: approximately HK$262,989,000) 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 2020, the Group recognised aggregate losses arising from the major non-current assets of approximately HK$25,002,000 (2019: approximately HK$95,574,000). This represents the combined effect of the amortisation of intangible assets, the loss arising from changes in fair value less costs to sell of biological assets and fair value loss on investment properties.

Plantation Sales Business

For the year ended 30 June 2020, there was no revenue generated from plantation sales business (2019: Nil).

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 for a period of 30 years commencing on 1 July 2008 with which the Group is working prudently to find the best possible use of it.

The Group had written to Regiment 142 of Xinjiang Production and Construction Corp ("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 timer 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 keep chasing the feedback from XPCC and 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 2020, the gross value of construction works performed at private sector sites in the first quarter of 2020 was down by 8% in real terms over a year earlier and that at public sector site was, even worse, decreased by 12.1% in real terms. This has led to an increase in costs of sourcing wasted materials due to decrease in supply.

During the global pandemic of COVID-19, some of domestic construction works have suspended or deferred, the supply chain of wasted recycle metal was seriously affected. The global pandemic also affected the demand for treated wasted recycle metal and their price. Metal recycle business is entering into cold winter.

For the year ended 30 June 2020, the Group recorded revenue from recycled metal materials of approximately of HK$12,862,000 (2019: approximately HK$46,001,000).

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 "Öhlins" and leading prestige tyres "Pirelli", high-tech brake solutions "SBS" and high-performance air filters "Sprint Filter". The Group has also begun sale of used car.

In view of the sharp decline in the worldwide economy after the global COVID-19 pandemic and the increased political tension between China and the United States of America, 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 has slowed down the business on sale of motor car and motor bike. In return, the Group has put more efforts and resources in the wholesale business of accessories. The wholesale business of accessories, especially "Pirelli" tyres is relatively stable. Also, the Group has taken cost control measures to enhance the sustainability of this business segment.

For the year ended 30 June 2020, revenue from motor and motor accessories business was approximately HK$55,737,000 (2019: approximately HK$66,547,000).

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$2,939,000 (2019: approximately HK$2,893,000) from loans granted 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 2020 was approximately HK$15,888,000 (2019: approximately HK$23,092,000). 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 2020, the market was still extremely volatile. The Group expected 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 2020, the size of the securities investment portfolio amounted to approximately HK$1,696,000 (2019: approximately HK$4,883,000).

For the year ended 30 June 2020, the Group recorded a net loss on fair value changes on investments at fair value through profit or loss of approximately HK$2,914,000 (2019: approximately HK$7,247,000).

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 (2019: 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 ("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.

Despite the engagement of 廣東騰南網絡信息科技有限公司 (a subsidiary of Shenzhen Tencent Computer System Company Limited) for promotion programmes and promotional sponsorship by the Group in various private events in both the PRC and Hong Kong to advertise the golden flower tea products, their sales at Jingdong online platform at national level and our efforts at other private channels were way far below our expectation. The COVID-19 pandemic had added further detriment to our sales and promotion. Facing with the set back and the uncertainty, the Group has slowed down the business development of the golden flower tea products and will cautiously review this business segment.

For the year ended 30 June 2020, the Group recorded a revenue from the sale of golden flower tea of approximately HK$144,000 (2019: HK$27,000).

Prospects

It is hard to imagine a journey requiring more stamina and courage than we have experienced since we wrote in our interim report.

In our last annual report and interim report, we stated as a starter that Hong Kong was facing the biggest social, political and economic crisis ever since the time she was at war. Now we need to modify the statement to that the world is facing the biggest social and economic crisis of this generation. For Hong Kong, we have to add also the political element as well.

The COVID-19 outbreak has not only brought unprecedented uncertainty and confusion to the financial market worldwide, it also seriously affects social lives of all walks. Ever since the first reported case in January 2020, there are, so far, exceeding 31 million confirmed cases in more than 227 countries and territories with death toll approaching 1 million.

At the first few months we saw a blackout of economy when governments were painfully mobilising resources to save lives. Towards the end of March, we saw governments of developed countries or territories implementing extremely loose monetary policies and offering cash subsidies to households and companies. These decisive policy actions have prevented a deeper global financial crisis from developing. Whilst this phase resembles looks of rapid rebound, we believe this phase bears a close resemblance to kind of economic rebound we typically see when an economy emerges from a natural disaster, as oppose to traditional recession. We believe we are now starting phase 2 of global recovery: the stall out phase. At this phase, businessmen worldwide begin to uncover the challenges that they must overcome with gradual waning of fiscal support from governments to both households and businesses. Two big risks at this phase are the outcome of the U.S. presidential election and whether vaccines for COVID-19 become broadly available earlier than expected. After phase 2 which hopefully through to year end of 2021, there shall be the final phase 3: the new normal. It has yet to find out exactly what will be the likely structural changes to the global economy in a post COVID-19 world. Deglobalization is amongst the likely happens in a lot of recent commentaries. Prints of the new normal will be mapped out at phase 2 which will be, in all likelihood, very bumpy.

Hong Kong was at a weaker starting point before the hit from the ongoing COVID-19 pandemic. Hong Kong was already in recession last year following widespread disorders sparked by socio-political issues which badly damaged the city's image and business. Rating agency Fitch lowered Hong King's sovereign rating from AA to AA- in April 2020. The move was the agency's second downgrade of the city's rating in less than a year.

Hong Kong's economy contracted by 9% in the second quarter compared to a year ago after its recorded contraction of 9.1% in the first quarter. Hong Kong government downgraded its full-year economic forecast expecting a shrink by between 6% and 8% in 2020, compared to its previous projection for a contraction of between 4% and 7%.

Further, Hong Kong is now at the middle of political tension between China and the United States after the happenings of trade war, COVID-19 outbreak and the Hong Kong National Security Law implementation. The United States enacted last year the Hong Kong Human Right and Democracy Act, passed in July the Hong Kong Autonomy Act, revoked in July Hong Kong's special status and imposed sanctions on 11 Hong Kong individual. The tension sees no sign of being pacified but, in the contrary, elevated. Hong Kong, as part of China, has no way to escape from the storm but to brave through it.

Hong Kong nowadays is a financial centre without manufacturing base. Political and social stability are vital to financial services. If the tension or geopolitical climate is further upgraded to economic decoupling between China and United States, we afraid that Hong Kong's role as financial centre will suffer sever impact.

The Group planned originally a hotel business in Kathmandu, Nepal to be launched on second quarter of this year. However, COVID-19 pandemic has gravely affected our plan. Supplies and materials from China could not be transported to Nepal due to locked down at China since February and the whole of Nepal was completely locked down from late March till late July with Kathmandu Valley area being re-locked down from mid-August to mid-September. These locked downs have caused not only delay in plan but raise other side issues (e.g. how tourism industry in Nepal being affected) requiring further considerations and problems to be tackled. We are waiting for the opening of foreign visit to Nepal to address these issues and problems with representative physically present at Kathmandu.

China is one of the few countries has contained the COVID-19 outbreak. The Group has recently set up an operation with 51% equity interest of an online trading platform for agriculture products in China. The 51% equity interest in the form of variable interest entity was adopted under advice from PRC lawyers in order to be legal and overcome the restrictions on foreign investments on online trading platform under prevailing laws, regulations and practice in China and allow the Group to gain control with economic interest and benefits over the operation. We are optimistic on this new business segment.

The Group has taken cost control measures and made efforts to reduce costs and overheads to preserve working capital and enhance cash flow.

Global markets remain sensitive to the COVID-19 pandemics, geopolitical tensions and macroeconomic uncertainties, the Group will take relatively conservative approach to locate sustainable investments when opportunities arise and will pay more focus to better existing business.

FINANCIAL REVIEW

For the year ended 30 June 2020, turnover of the Group decreased by 36.8% to approximately HK$75,406,000 (2019: approximately HK$119,387,000), on the contrary, gross profit of the Group increased by 2.2% to approximately HK$18,786,000 (2019: approximately HK$18,384,000). Loss for the year ended 30 June 2020 decreased to approximately HK$55,774,000 as compared to loss of approximately HK$121,140,000 of last corresponding year. The decrease in turnover was mainly due to the decrease in revenue of recycled material trading business. The gross profit for the year maintained at the same level as compared to last financial year mainly due to the decrease in revenue of recycled material causing the change of product mix of the Group. The loss for the year was mainly due to 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, fair value loss on investment properties 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 2020, basic and diluted loss per share were HK3 cents (2019: HK6 cents). Loss from changes in fair value of biological assets was approximately HK$4,814,000 (2019: approximately HK$72,769,000). Fair value loss on investment properties was approximately HK$15,322,000 (2019: gain of approximately HK$2,299,000).

For the year ended 30 June 2020, the finance costs were approximately HK$2,144,000 (2019: approximately HK$749,000).

Administrative expenses from operations for the year ended 30 June 2020 decreased to approximately HK$45,001,000 (2019: approximately HK$61,184,000). It included major items such as amortization of intangible assets of approximately HK$4,866,000, salaries and directors' emoluments of approximately HK$15,418,000 and operating lease charges on land and buildings of approximately HK$3,052,000. Income tax credit was recorded at approximately HK$1,008,000 (2019: approximately HK$17,991,000 credit). Exchange loss on translating foreign operations was recorded at approximately HK$12,423,000 (2019: approximately HK$15,886,000).

Liquidity and Financial Resources

As at 30 June 2020, the total assets of the Group were approximately HK$762,398,000 (2019: approximately HK$785,764,000), including cash and bank balances of approximately HK$2,951,000 (2019: approximately HK$5,551,000).

The Group's total borrowings as at 30 June 2020 were approximately HK$31,179,000 (2019: HK$22,000,000). The Group's gearing ratio (which was expressed as a percentage of total borrowings over total equity) was 5.4% as at 30 June 2020 (2019: 3.4%).

As at 30 June 2020, the Group's net assets amounted to approximately HK$577,732,000 (2019: approximately HK$645,929,000).

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.

Significant Investments

As at 30 June 2020, the Group held approximately HK$1,696,000 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 unrealized losses on listed securities	Market value	Approximate percentage of investments at fair value through profit or loss	Approximate percentage to the net assets of the Group
				HK$'000	*HK$'000*	*%*	*%*
China Fortune Financial Group Ltd	1	290	Cayman Islands	(104)	656	38.7	0.11
Dingyi Group Investment Ltd	2	508	Bermuda	(531)	61	3.6	0.01
Wai Chun Group Holdings Ltd	3	1013	Bermuda	(1,616)	628	37.0	0.11
Hang Sang (Siu Po) International Holding Co Ltd	4	3626	Cayman Islands	(266)	351	20.7	0.06
				(2,517)	1,696	100	0.29

Notes:

1. 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 year ended 30 June 2020. According to its latest published financial statements, it had a net asset value of approximately HK$323,514,000 as at 31 March 2020.

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 2020. According to its latest published financial statements, it had a net asset value of approximately HK$1,215,833,000 as at 31 March 2020.

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 2020. According to its latest published financial statements, it had net liabilities of approximately HK$192,668,000 as at 31 March 2020.

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$86,005,000 as at 31 December 2019.

EMPLOYMENT AND REMUNERATION POLICY

As at 30 June 2020, the Group had 65 (2019: 53) 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 30 June 2020, the car parking spaces with aggregate carrying amount of HK$190,000,000 were pledged to a bank to secure bank loans granted to the Company. A deed of assignment of rental income from the car parking spaces was executed in the favour of the bank (2019: HK$ 200,000,000).

DIVIDEND

The directors of the Company do not recommend the payment of any dividend in respect of the year ended 30 June 2020 (2019: Nil).

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The annual general meeting will be held on 11 December 2020. 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 7 December 2020 to 11 December 2020 (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 4 December 2020.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

Most of the transactions, income and expenditure of the Group are denominated in United States dollar ("USD") and Hong Kong dollar ("HK$").

Since HK$ remains pegged to USD, the Group does not foresee a substantial exposure in exchange rate.

No hedging or other arrangements to reduce the currency risk have been implemented.

CONTINGENT LIABILITIES

As at 30 June 2020, 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 2020, 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 11 November 2019 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 2020.

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 2020.

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 2020 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 2020. 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.

CHANGE OF AGENT FOR THE SERVICE OF PROCESS IN HONG KONG

The Board also announces that Ms. Luk Siu Wai Anita has resigned and Mr. Wong Po Keung has been appointed as the agent for the service of process in Hong Kong under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) with effect from 30 September 2020.

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

Hong Kong, 30 September 2020

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.