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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 2020**

#### **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 2020 together with the comparative figures for the corresponding period in 2019. These 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 2020*

		<b>Six months ended</b>	
		<b>31 December</b>	
		<b>2020</b>	<b>2019</b>
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Revenue</b>	5	<b>34,151</b>	39,363
Cost of sales		<u><b>(24,743)</b></u>	<u>(29,235)</u>
<b>Gross profit</b>		<b>9,408</b>	10,128
Other income		<b>3,496</b>	747
Administrative and operating expenses		<b>(20,457)</b>	(21,829)
Fair value loss on investment properties		<b>(1,031)</b>	(4,343)
Loss arising from changes in fair value less costs to sell of biological assets		<b>(334)</b>	(1,121)
Net loss on fair value changes on investments at fair value through profit or loss		<b>(106)</b>	(244)
Provision for impairment loss of intangible assets		<b>(2,900)</b>	—
Provision for impairment loss of loan and trade receivables		<u><b>(119)</b></u>	<u>(5,337)</u>
<b>Loss from operations</b>		<b>(12,043)</b>	(21,999)
Finance costs	6	<u><b>(1,056)</b></u>	<u>(948)</u>
<b>Loss before tax</b>		<b>(13,099)</b>	(22,947)
Income tax credit	7	<u><b>186</b></u>	<u>114</u>
<b>Loss for the period</b>		<b>(12,913)</b>	(22,833)
<b>Other comprehensive income/(loss) after tax:</b>			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translation of foreign operations		<u><b>26,762</b></u>	<u>(5,861)</u>
<b>Other comprehensive income/(loss) for the period, net of tax</b>		<u><b>26,762</b></u>	<u>(5,861)</u>
<b>Total comprehensive income/(loss) for the period</b>		<u><u><b>13,849</b></u></u>	<u><u>(28,694)</u></u>

	<b>Six months ended</b>	
	<b>31 December</b>	
	<b>2020</b>	2019
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Loss for the period attributable to:</b>		
Owners of the Company	<b>(13,626)</b>	(23,333)
Non-controlling interests	<u>713</u>	<u>500</u>
	<b><u>(12,913)</u></b>	<b><u>(22,833)</u></b>
<b>Total comprehensive income/(loss) for the period attributable to:</b>		
Owners of the Company	<b>12,395</b>	(29,009)
Non-controlling interests	<u>1,454</u>	<u>315</u>
	<b><u>13,849</u></b>	<b><u>(28,694)</u></b>
<b>Loss per share</b>		
	<i>8</i>	
Basic (HK cents per share)	<u>(0.67)</u>	<u>(1.15)</u>
Diluted (HK cents per share)	<b><u>(0.67)</u></b>	<b><u>(1.15)</u></b>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31 December 2020*

		As at <b>31 December 2020</b>	As at 30 June 2020
	<i>Notes</i>	<b><i>HK\$'000</i></b> <b>(Unaudited)</b>	<b><i>HK\$'000</i></b> <b>(Audited)</b>
<b>Non-current assets</b>			
Property, plant and equipment	<i>10</i>	9,301	10,203
Right-of-use assets		33,788	28,057
Investment properties		263,633	259,002
Biological assets		268,962	248,759
Intangible assets		92,308	90,792
Goodwill		1,087	1,087
Loans receivable	<i>12</i>	259	3,380
		<b>669,338</b>	641,280
<b>Current assets</b>			
Inventories		28,620	22,804
Trade and other receivables	<i>11</i>	56,953	66,859
Loans receivable	<i>12</i>	18,261	14,808
Investments at fair value through profit or loss		1,590	1,696
Refundable secured deposit	<i>13</i>	12,000	12,000
Cash and cash equivalents		7,851	2,951
		<b>125,275</b>	121,118
<b>Current liabilities</b>			
Trade and other payables	<i>14</i>	35,061	31,723
Contract liabilities		5,108	4,834
Lease liabilities		8,751	4,085
Borrowings		26,000	26,000
Bank overdrafts		4,721	3,679
Current tax liabilities		2,783	3,115
		<b>82,424</b>	73,436
<b>Net current assets</b>		<b>42,851</b>	47,682
<b>Total assets less current liabilities</b>		<b>712,189</b>	688,962

	<b>As at 31 December 2020</b>	<b>As at 30 June 2020</b>
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	<b>(Audited)</b>
<b>Non-current liabilities</b>		
Deferred tax liabilities	<b>89,601</b>	83,420
Lease liabilities	<b>29,507</b>	26,310
Borrowings	<b>1,500</b>	1,500
	<u><b>120,608</b></u>	<u>111,230</u>
<b>NET ASSETS</b>	<u><b>591,581</b></u>	<u>577,732</u>
<b>Capital and reserves</b>		
Share capital	<b>40,731</b>	40,731
Reserves	<b>536,822</b>	524,427
	<u><b>577,553</b></u>	<u>565,158</u>
Equity attributable to owners of the Company	<b>577,553</b>	565,158
Non-controlling interests	<b>14,028</b>	12,574
	<u><b>591,581</b></u>	<u>577,732</u>
<b>TOTAL EQUITY</b>	<u><b>591,581</b></u>	<u>577,732</u>

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
*For the six months ended 31 December 2020*

	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
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 July 2019 (audited)	40,731	1,210,501	5,407	76	15,843	39,684	(679,474)	632,768	13,161	645,929
Total comprehensive loss for the period (unaudited)	—	—	—	—	—	(5,676)	(23,333)	(29,009)	315	(28,694)
At 31 December 2019 (unaudited)	<u>40,731</u>	<u>1,210,501</u>	<u>5,407</u>	<u>76</u>	<u>15,843</u>	<u>34,008</u>	<u>(702,807)</u>	<u>603,759</u>	<u>13,476</u>	<u>617,235</u>
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 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>

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

*For the six months ended 31 December 2020*

	Six months ended	
	31 December	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
<b>NET CASH GENERATED FROM/(USED IN)</b>		
<b>OPERATING ACTIVITIES</b>	<b>5,005</b>	(8,087)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(598)	(3,974)
Proceeds from disposal of property, plant and equipment	—	421
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(598)</b>	(3,553)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of lease interests and liabilities	(921)	(1,958)
Proceeds from bank and other loans	—	6,991
Repayment of bank loans	—	(1,000)
<b>NET CASH (USED IN)/GENERATED FROM</b>		
<b>FINANCING ACTIVITIES</b>	<b>(921)</b>	4,033
<b>NET INCREASE/(DECREASE) IN CASH AND CASH</b>		
<b>EQUIVALENTS</b>	<b>3,486</b>	(7,607)
Effect of foreign exchange rate changes	372	25
Cash and cash equivalents at beginning of period	<b>(728)</b>	5,551
<b>CASH AND CASH EQUIVALENTS AT END OF</b>		
<b>PERIOD</b>	<b>3,130</b>	(2,031)
<b>Analysis of cash and cash equivalents</b>		
Bank and cash balances	7,851	2,955
Bank overdrafts	<b>(4,721)</b>	(4,986)
	<b>3,130</b>	(2,031)

## **NOTES TO THE CONDENSED FINANCIAL STATEMENTS**

*For the six months ended 31 December 2020*

### **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 2020 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 (“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 2020. 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 Interim Financial Statements and amounts reported for the current and prior periods.

### **3. BASIS OF PREPARATION**

The Interim 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 disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The Interim Financial Statements do not include all the information and disclosures required in the full set of financial statements and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 30 June 2020 (“2020 Annual Report”).

The preparation of Interim Financial Statements in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year-to-date basis. Actual results may differ from these estimates.

The accounting policies and methods of computation used in the preparation of the Interim Financial Statements are consistent with those used in the 2020 Annual Report.



#### 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 2020:

Description	Fair value measurements using:			Total <i>HK\$'000</i> (Unaudited)
	Level 1 <i>HK\$'000</i> (Unaudited)	Level 2 <i>HK\$'000</i> (Unaudited)	Level 3 <i>HK\$'000</i> (Unaudited)	
Recurring fair value measurements:				
Biological assets	—	268,962	—	268,962
Investments at fair value through profit or loss	1,590	—	—	1,590
Investment properties in Hong Kong	—	190,000	—	190,000
Investment properties in the People's Republic of China (the "PRC")	—	73,633	—	73,633
<b>Total recurring fair value measurements</b>	<b>1,590</b>	<b>532,595</b>	<b>—</b>	<b>534,185</b>

Disclosures of level in fair value hierarchy at 30 June 2020:

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	—	248,759	—	248,759
Investments at fair value through profit or loss	1,696	—	—	1,696
Investment properties in Hong Kong	—	190,000	—	190,000
Investment properties in the PRC	—	69,002	—	69,002
<b>Total recurring fair value measurements</b>	<b>1,696</b>	<b>507,761</b>	<b>—</b>	<b>509,457</b>

- (b) 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 2020 <i>HK\$'000</i> (Unaudited)	as at 30 June 2020 <i>HK\$'000</i> (Audited)
Biological assets	Market approach	Market price of poplar trees per cubic meter	<b>268,962</b>	248,759
Investment properties in Hong Kong	Direct comparison approach	Market price of car parking space	<b>190,000</b>	190,000
Investment properties in the PRC	Market approach and replacement cost approach	Land: market price per square meter; Buildings: replacement cost per square meter	<b>73,633</b>	69,002

**5. REVENUE AND SEGMENT INFORMATION**

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

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)
<b>For the six months ended</b>									
<b>31 December 2020</b>									
Revenue from external customers	<u>5,802</u>	<u>25,109</u>	<u>2,001</u>	<u>1,239</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>34,151</u>
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 intangible assets	—	—	—	—	(2,900)	—	—	—	(2,900)
Provision for impairment loss of loan receivables	—	—	—	(119)	—	—	—	—	(119)
<b>At 31 December 2020</b>									
Segment assets (unaudited)	<u>9,243</u>	<u>72,535</u>	<u>264,877</u>	<u>21,742</u>	<u>3,769</u>	<u>1,644</u>	<u>359,000</u>	<u>35,789</u>	<u>768,599</u>
Segment liabilities (unaudited)	<u>4,913</u>	<u>15,126</u>	<u>4,360</u>	<u>3,042</u>	<u>141</u>	<u>467</u>	<u>4,967</u>	<u>33,522</u>	<u>66,538</u>
	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)
<b>For the six months ended</b>									
<b>31 December 2019</b>									
Revenue from external customers	<u>6,617</u>	<u>28,930</u>	<u>1,902</u>	<u>1,742</u>	<u>144</u>	<u>28</u>	<u>—</u>	<u>—</u>	<u>39,363</u>
Segment (loss)/profit comprising:	(8,553)	1,144	(4,541)	1,733	(219)	(222)	(3,515)	(1,942)	(16,115)
Loss arising from changes in fair value less costs to sell of biological assets	—	—	—	—	—	—	(1,121)	—	(1,121)
Fair value loss on investment properties	—	—	(4,343)	—	—	—	—	—	(4,343)
Depreciation and amortisation	(984)	(632)	(1,039)	—	(103)	—	(2,341)	(1,155)	(6,254)
Net unrealised losses on listed securities	—	—	—	—	—	(244)	—	—	(244)
Provision for impairment loss of trade receivables	(5,337)	—	—	—	—	—	—	—	(5,337)
<b>At 30 June 2020</b>									
Segment assets (audited)	<u>5,069</u>	<u>78,531</u>	<u>260,311</u>	<u>18,208</u>	<u>6,750</u>	<u>1,750</u>	<u>333,694</u>	<u>36,242</u>	<u>740,555</u>
Segment liabilities (audited)	<u>438</u>	<u>13,077</u>	<u>4,225</u>	<u>623</u>	<u>135</u>	<u>467</u>	<u>4,816</u>	<u>33,389</u>	<u>57,170</u>

**Reconciliations of reportable segment profit or loss:**

	<b>Six months ended 31 December</b>	
	<b>2020</b>	<b>2019</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Total loss of reportable segments		
Other profit or loss:	<b>(6,665)</b>	(16,115)
— Finance costs	<b>(1,056)</b>	(948)
— Income tax credit	<b>186</b>	114
Corporate and unallocated loss	<b>(5,378)</b>	(5,884)
Consolidated loss for the period	<b>(12,913)</b>	(22,833)

**Disaggregation of revenue from contracts with customers**

	<b>Six months ended 31 December 2020</b>			
	<b>Trading of recycled metals HK\$'000 (Unaudited)</b>	<b>Trading of motor vehicles and related accessories HK\$'000 (Unaudited)</b>	<b>Sales of golden flower tea products HK\$'000 (Unaudited)</b>	<b>Total HK\$'000 (Unaudited)</b>
Geographical markets				
The PRC	—	1,342	—	1,342
Hong Kong	5,802	23,384	—	29,186
Macau and others	—	383	—	383
	<b>5,802</b>	<b>25,109</b>	<b>—</b>	<b>30,911</b>
	<b>5,802</b>	<b>25,109</b>	<b>—</b>	<b>30,911</b>
	<b>Six months ended 31 December 2019</b>			
	<b>Trading of recycled metals HK\$'000 (Unaudited)</b>	<b>Trading of motor vehicles and related accessories HK\$'000 (Unaudited)</b>	<b>Sales of golden flower tea products HK\$'000 (Unaudited)</b>	<b>Total HK\$'000 (Unaudited)</b>
Geographical markets				
The PRC	—	363	144	507
Hong Kong	6,617	28,115	—	34,732
Macau and others	—	452	—	452
	<b>6,617</b>	<b>28,930</b>	<b>144</b>	<b>35,691</b>
	<b>6,617</b>	<b>28,930</b>	<b>144</b>	<b>35,691</b>

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

## 6. FINANCE COSTS

	Six months ended 31 December	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Leases interests	541	431
Interest on bank loans and overdrafts	515	517
	<u>1,056</u>	<u>948</u>

## 7. INCOME TAX CREDIT

	Six months ended 31 December	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax — Hong Kong Profits Tax		
— Provision for the period	499	752
Deferred tax	(685)	(866)
	<u>(186)</u>	<u>(114)</u>

Hong Kong Profits Tax has been provided at a rate of 16.5% (six months ended 31 December 2019: 16.5%) on the estimated assessable profits for the six months ended 31 December 2020.

No provision for overseas taxation is required since the Group has no assessable profit arisen from its operations outside Hong Kong during the six months ended 31 December 2020 (six months ended 31 December 2019: Nil).

## 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\$13,626,000 (six months ended 31 December 2019: HK\$23,333,000) and the weighted average of 2,036,538,114 (six months ended 31 December 2019: 2,036,538,114) ordinary shares 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 2020 and 2019.

## 9. INTERIM DIVIDENDS

The directors have resolved not to declare an interim dividend for the six months ended 31 December 2020 (six months ended 31 December 2019: Nil).

## 10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 31 December 2020, the Group acquired property, plant and equipment of approximately HK\$598,000 (six months ended 31 December 2019: HK\$4,071,000).

## 11. TRADE AND OTHER RECEIVABLES

	As at 31 December 2020 <i>HK\$'000</i> (Unaudited)	As at 30 June 2020 <i>HK\$'000</i> (Audited)
Trade receivables	35,306	46,800
Less: provision for impairment loss of trade receivables	<u>(8,062)</u>	<u>(8,062)</u>
	<u>27,244</u>	<u>38,738</u>
Prepayments, deposits and other receivables	30,709	29,121
Less: provision for impairment loss of prepayments, deposits and other receivables	<u>(1,000)</u>	<u>(1,000)</u>
	<u>29,709</u>	<u>28,121</u>
Total	<u><u>56,953</u></u>	<u><u>66,859</u></u>

The Group's trading terms with customers are mainly on credit. The credit terms generally range from 30 to 90 (30 June 2020: 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:

	<b>As at 31 December 2020 <i>HK\$'000</i> (Unaudited)</b>	<b>As at 30 June 2020 <i>HK\$'000</i> (Audited)</b>
0–90 days	9,350	14,609
91–180 days	12,315	9,463
181–360 days	4,880	14,144
Over 360 days	699	522
	<u>27,244</u>	<u>38,738</u>

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

	<b>As at 31 December 2020 <i>HK\$'000</i> (Unaudited)</b>	<b>As at 30 June 2020 <i>HK\$'000</i> (Audited)</b>
Balance at beginning of period/year	8,062	2,725
Impairment loss recognised	—	5,337
	<u>8,062</u>	<u>8,062</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.

## 12. LOANS RECEIVABLE

	As at 31 December 2020 <i>HK\$'000</i> (Unaudited)	As at 30 June 2020 <i>HK\$'000</i> (Audited)
Loan receivable, secured	1,000	1,000
Loans receivable, unsecured	14,097	14,888
Loan interests receivable, secured	11	1
Loan interests receivable, unsecured	3,412	2,299
	<u>18,520</u>	<u>18,188</u>
Analysed as:		
Current assets	18,261	14,808
Non-current assets	259	3,380
	<u>18,520</u>	<u>18,188</u>

The loans granted are interest bearing at 2%–30% (30 June 2020: 9%–20%) per annum. The loan period is generally 6 to 39 (30 June 2020: 1 to 39) months. Loan receivable of approximately HK\$1,000,000 (30 June 2020: HK\$1,000,000) is secured over watches (30 June 2020: watches) owned by a borrower. 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 2020 <i>HK\$'000</i> (Unaudited)	As at 30 June 2020 <i>HK\$'000</i> (Audited)
0–90 days	12,050	—
91–180 days	6,211	306
181–360 days	259	11,654
Over 360 days	—	6,228
	<u>18,520</u>	<u>18,188</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 31 December 2020 (30 June 2020: HK\$12,000,000).

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

	<b>As at 31 December 2020 HK\$’000 (Unaudited)</b>	<b>As at 30 June 2020 HK\$’000 (Audited)</b>
Trade payables	7,714	4,480
Other payables and accruals	<u>27,347</u>	<u>27,243</u>
	<b><u>35,061</u></b>	<b><u>31,723</u></b>

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

	As at 31 December 2020 <i>HK\$'000</i> (Unaudited)	As at 30 June 2020 <i>HK\$'000</i> (Audited)
0–90 days	7,218	4,371
91–180 days	1	—
181–360 days	363	—
Over 360 days	132	109
	<u>7,714</u>	<u>4,480</u>

## 15. RELATED PARTY TRANSACTIONS

- (a) In addition to the transactions and balances disclosed elsewhere in the Interim Financial Statements, during the period, the Group entered into the following material related party transactions.

	Six months ended 31 December	
	2020 <i>HK\$'000</i> (Unaudited)	2019 <i>HK\$'000</i> (Unaudited)
Rental paid ( <i>note (i)</i> )	176	1,058
Sales to a related company ( <i>note (ii)</i> )	15	5

*Notes:*

- (i) Rental were paid to a company in which the mother of Mr. Yeung Chi Hang, Chairman and Chief Executive Director 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	
	2020 <i>HK\$'000</i> (Unaudited)	2019 <i>HK\$'000</i> (Unaudited)
Directors' remuneration	2,421	2,376

## 16. APPROVAL OF INTERIM FINANCIAL STATEMENTS

The Interim Financial Statements were approved and authorised for issue by the Board of Directors on 26 February 2021.

## **INTERIM DIVIDEND**

The Board has resolved not to declare an interim dividend for the six months ended 31 December 2020 (2019: 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, golden flower tea products trading and securities trading and investment business. The Group also maintains the green businesses of research, development and application of technologies and solutions, manufacture, sale and trading of products, materials, systems and services for green market segments including the environmental markets, agricultural markets, organic markets and green technology markets in the People's Republic of China (the "PRC") and overseas. The Group is developing 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\$268,962,000 as at 31 December 2020 (30 June 2020: approximately HK\$248,759,000). 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\$73,633,000 as at 31 December 2020 (30 June 2020: approximately HK\$69,002,000). 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. It's value was maintained at approximately HK\$190,000,000 as at 31 December 2020 (30 June 2020: approximately HK\$190,000,000).

## **Metal Recycle Business**

The important news for the metal recycle industry in the second half of last year was that China had relaxed import restrictions on high-grade copper, aluminum and brass scrap from November 2020 and steel scrap from January 2021. These changes were implemented to aim at allowing importation of high-quality metal scrap. Most of the large importers are adopting a cautious approach to see how these new standards are to be enforced by the China customs at ports of import. The changes had led to a rise in price in high quality steel scrap at Hong Kong.

Much of the difficulty we encountered was not the price but the sources. Construction works, which are the main source of metal scrap, were down. According to the Census and Statistics Department's publication in December 2020, the gross value of construction works performed at private sector sites in the third quarter of 2020 was down by 21.2% in real terms over a year earlier. Slow-down of local building projects together with the Producer Responsibility Scheme on Waste Electrical and Electronic Equipment affected sourcing of wasted materials and led to an increase in cost.

For the six months ended 31 December 2020, the Group recorded revenue from metal recycle business of approximately of HK\$5,802,000 (2019: approximately HK\$6,617,000).

## **Motor and motor accessories business**

This business has two segments, sale of car/motorcycle and sale of motor accessories.

On the sale of car/motorcycle, we dealt with super car "BAC Mono", motorcycle "Norton" and high end used cars. Unfortunately, the public order turmoil at Hong Kong in 2019, the COVID-19 pandemic from beginning of 2020 (and is still continuing) and the sharp decline of the Hong Kong economy have seriously and adversely affected the consumer sentiment. The retail market, especially luxury consumption, has been badly hit. The Group has slowed down this segment and put more efforts to dispose the inventories.

On the sale of motor accessories, we dealt with "Pirelli" motorcycle tyres, "Öhlins" vibe absorber, "SBS" brake solutions and "Sprint Filter" air filters. We were able to maintain relatively a stable revenue on motor accessories sales, especially on "Pirelli" tyres. Reasons are that tyres are consumable items and our largest market is at Taiwan where the COVID-19 was less prevailing. More efforts will be done on the China market when travel restrictions are lifted.

For the six months ended 31 December 2020, revenue from motor and motor accessories business was approximately HK\$25,109,000 (2019: approximately HK\$28,930,000).

## **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 2020, rental income was approximately HK\$2,001,000 (2019: approximately HK\$1,902,000).

### **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 2020, the Group recorded loan interest income of approximately HK\$1,239,000 (2019: approximately HK\$1,742,000) 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 2020 was approximately HK\$15,097,000 (30 June 2020: approximately HK\$15,888,000). A borrower has defaulted in repayment of principal and interest. The Group has recognized the impairment loss of approximately HK\$119,000 for the six month ended 31 December 2020 and has been taking necessary actions for recovering the principal, interest and related costs.

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

During the six months ended 31 December 2020, the market was still extremely volatile, the stock market has not yet recovered its momentum, which lead the management put more cautiousness on the investment. The Group expects that the stock market in Hong Kong remains volatile and will continue to adopt the cautious approach in making investment decision in securities dealing so as to obtain a balance between risk and return.

The volatility of the securities market had adverse effect to the performance of the Group and for the six months ended 31 December 2020, the Group recorded the net loss on fair value changes on investments at fair value through profit or loss of approximately HK\$106,000 (2019: approximately HK\$244,000).

As at 31 December 2020, the Group held approximately HK\$1,590,000 investments at fair value through profit or loss (30 June 2020: approximately HK\$1,696,000). Details of the investments are as follows:

Stock Name	Note	Stock Code	Place of incorporation	Net unrealised losses on listed securities HK\$'000	Market value HK\$'000	Approximate percentage of 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	(80.5)	575	36.2	0.10
DINGYI GROUP INVESTMENT LTD	2	508	Bermuda	147.2	208	13.1	0.04
WAI CHUN GROUP HOLDINGS LTD	3	1013	Bermuda	(53.9)	575	36.1	0.10
HANG SANG (SIU PO) INTERNATIONAL HOLDING CO. LTD	4	3626	Cayman Islands	(118.9)	232	14.6	0.04
				<u>(106.1)</u>	<u>1,590</u>	<u>100.0</u>	<u>0.28</u>

*Notes:*

1. China Fortune Financial Group Limited is a Hong Kong-based investment holding company principally engaged in financial businesses. The Company operates through 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 2020. According to its latest published financial statements, it had a net asset value of approximately HK\$330,912,000 as at 30 September 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 six months ended 31 December 2020. According to its latest published financial statements, it had a net asset value of approximately HK\$1,402,079,000 as at 30 September 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 six months ended 31 December 2020. According to its latest published financial statements, it had a net liability value of approximately HK\$211,925,000 as at 30 September 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. No dividend was received for the six months ended 31 December 2020. According to its latest published financial statements, it had a net asset value of approximately HK\$74,510,000 as at 30 June 2020.

### **Green Technology**

There was no revenue on the green technology for the six months ended 31 December 2020 (2019: Nil).

### **Golden Flower Tea Products**

For the six months ended 31 December 2020, no revenue from the sale of golden flower tea products was generated (2019: approximately HK\$144,000).

### **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 studying all risks and uncertain factors before making any investment decision.

For the six months ended 31 December 2020, there was no revenue generated from plantation sales business (2019: Nil).

## PROSPECTS

In our last annual report, we mentioned plans of a hotel development at Kathmandu, Nepal and participation at an online trading platform for agricultural products in China and we would like to start with the update progresses of them.

The hotel business plan at Kathmandu has yet to be completed and launched. Nepal's tourism industry has come down heavily despite a drastic drop in daily COVID-19 infection rate. Despite opening up entry to trekkers and mountaineers in October 2020, the Nepal government has been continuously being criticised for lack of coordinated policies so that foreigners can get visa on arrival (being cancelled due to COVID-19 pandemic), reduced quarantine times and removal of other red tape. The number of tourists arrivals, which had been nearly zero since March 2020, started picking up to reach nearly 10,000 in December, but in January it dropped to 8,800. The Nepal government has been blamed for the sluggish arrival figures on lack of clarity and on complicated entry procedures. We shall send our representatives to Kathmandu to assess the situation and address all issues but only after taking vaccine protection and the COVID-19 infection rate at Nepal remains stable and low.

The Group participated in an operation with 51% equity of an online trading platform for agricultural products in China in the form of variable interest entity. The variable interest entity was recently terminated by mutual consent. The Group does not have interest in the operation anymore. The COVID-19 pandemic travel restrictions, quarantine requirements, PCR tests etc. had deeply affected physical presence of our management and technical personnel for timely performance of our obligations under the agreement, monitoring of and support to the operation and, as a result, all participants did not move in accord steps. Moreover, the performance was far below our expectation. To mitigate all potential risks and after consideration by the Board, we terminate by mutual agreement the variable interest entity.

We stated in our 2019 annual report and 2019–2020 interim report as a start that Hong Kong was facing the biggest social, political and economic crisis ever since the time she was at war. In our 2020 annual report we modified the statement to that with the outbreak of COVID-19 pandemic the world was facing the biggest social and economic crisis of this generation and, for Hong Kong, we had to add also the political element as well. The COVID-19 pandemic 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 110 million confirmed cases in more than 227 countries and territories with death toll approaching 2.5 million.



We still believe that there are three stages for the COVID-19 pandemic. The initial phase is a period when we saw a blackout of economy when governments were painfully mobilising resources to save lives and implementation by governments of developed countries extremely loose monetary policies and offering cash subsidies to households and companies to safeguard livings. These decisive policy actions have prevented a deeper global crisis from developing. We saw right and wrong decisions, cooperative and chaotic situations in the handling of COVID-19 pandemic by governments. The initial phase lasts longer than we thought. We are still at this phase but with vaccines for COVID-19 become broadly available (at least for developed countries and territories), we are of the view that we are approaching the final round of this phase. We believe we are soon to move into 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. Not too much restrictive travelling and quarantine are essential. Our hotel project at Nepal is a good illustration of the conditions we required to start overcoming/addressing problems left behind and accumulated during the first phase. After phase 2 which hopefully through to mid next year, 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 global economy in a post COVID-19 world. Prints of the new normal will be mapped out at phase 2 which will be extremely bumpy.

Hong Kong was at a weaker starting point before the ongoing COVID-19 pandemic. Hong Kong was already in recession in 2019 following widespread disorders sparked by socio-political issues. Implementation of the Hong Kong National Security Law in July 2020 resumed law and order but further put Hong Kong at the middle of political tension between China and western nations. Good news was that Mr. Biden became the U.S. president. Dialogue between China and USA resumed. However, tension of China with USA, Britain, Australia and their allies sees no sign of being pacified. What we hope for is that it will not be elevated and Hong Kong can remain a financial hub.

Hong Kong's economy shrank by 6.1% last year. It is the biggest annual contraction on record. Moreover, for the fourth quarter last year, GDP fell 3% from the same period in 2019 in real term, marking the sixth consecutive quarter in recession. Good news is that COVID-19 vaccines have been available to the city and mass vaccines will be available in near future. We expect that there shall be some growth for 2021. No one expects a rapid and major rebound but at least it's a psychological positive to Hongkongers although the rebound may be a result of starting from a low base.

The Group will continue taking cost control measures and making efforts to reduce costs and overheads to enhance cash flow. Bearing in mind global markets remain sensitive to COVID-19 pandemic, geopolitical tensions and macroeconomic uncertainties, the Group will remain conservative in new investments and pay more focus to better existing business.

## FINANCIAL REVIEW

For the six months ended 31 December 2020, turnover of the Group decreased by 13.2% to approximately HK\$34,151,000 (2019: approximately HK\$39,363,000) and gross profit of the Group decreased by 7.1% to approximately HK\$9,408,000 (2019: approximately HK\$10,128,000). Loss for the six months ended 31 December 2020 decreased to approximately HK\$12,913,000 as compared to loss of approximately HK\$22,833,000 of last corresponding period. The decrease in both of turnover and gross profit was mainly due to the decrease in sale of motor vehicles and related accessories. The decrease in loss for the period was mainly due to the decrease in fair value loss on investment properties, provision for impairment loss of loan and trade receivables and loss arising from the change in fair value less costs to sell of biological assets. 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 six months ended 31 December 2020, basic and diluted loss per share were HK0.67 cents (2019: HK1.15 cents). Loss arising from changes in fair value less costs to sell of biological assets was approximately HK\$334,000 (2019: approximately HK\$1,121,000). Fair value loss on investment properties was approximately HK\$1,031,000 (2019: approximately HK\$4,343,000).

For the six months ended 31 December 2020, the finance costs were approximately HK\$1,056,000 (2019: approximately HK\$948,000).

Administrative expenses from operations for the six months ended 31 December 2020 decreased to approximately HK\$20,457,000 (2019: approximately HK\$21,829,000). It included major items such as amortisation of intangible assets of approximately HK\$2,510,000, salaries and directors' emoluments of approximately HK\$6,927,000 and short-term lease expenses of approximately HK\$1,191,000. Income tax credit was recorded at approximately HK\$186,000 (2019: approximately HK\$114,000).

Exchange gain on translating foreign operations was recorded at approximately HK\$26,762,000 (2019: loss of approximately HK\$5,861,000).

## LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2020, the total assets of the Group were approximately HK\$794,613,000 (30 June 2020: approximately HK\$762,398,000), including cash and bank balances of approximately HK\$7,851,000 (30 June 2020: approximately HK\$2,951,000).

The Group's total borrowings as at 31 December 2020 were approximately HK\$32,221,000 (30 June 2020: HK\$31,179,000). The Group's gearing ratio (which was expressed as a percentage of total borrowings over total equity) was 5.4% as at 31 December 2020 (30 June 2020: 5.4%).

As at 31 December 2020, the Group's net assets amounted to approximately HK\$591,581,000 (30 June 2020: approximately HK\$577,732,000).

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 2020, there was no material capital commitment.

#### **CAPITAL RAISING AND EXPENDITURE**

During the six months ended 31 December 2020, the Group did not have any capital raising activity (2019: Nil).

#### **SHARE CAPITAL**

As at 31 December 2020, the total number of issued shares capital of the Company comprised 2,036,538,114 ordinary shares of HK\$0.02 each (30 June 2020: 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 2020, there was no material acquisition or disposal of subsidiaries or associated corporation of the Company (2019: Nil).

#### **EMPLOYMENT AND REMUNERATION POLICY**

As at 31 December 2020, the Group had 62 (30 June 2020: 46) 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 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 (30 June 2020: HK\$190,000,000).

## **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 2020. The Group has transactional currency exposures. Such exposures arise from the business operations in the PRC denominated in RMB. As at 31 December 2020, 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 2020, the directors of the Company are not aware of any material contingent liabilities. (30 June 2020: Nil).

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

During the six months ended 31 December 2020, 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 2020, 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 2020.

## **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 2020. 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, 26 February 2021

*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.*