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CHINA ENVIRONMENTAL RESOURCES GROUP LIMITED
中 國 環 境 資 源 集 團 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1130)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 30 JUNE 2014

The board of directors (the "Board") of China Environmental Resources Group Limited (the "Company") announces the annual consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 30 June 2014 together with comparative figures for the year ended 30 June 2013.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2014

	Notes	2014 HK$'000	2013 HK$'000
Revenue	3	**9,955**	31,014
Cost of sales		**(2,622)**	(4,820)
Gross profit		**7,333**	26,194
Other income	5	**1,483**	7,670
Selling and distribution costs		**—**	(11)
Administrative expenses		**(47,816)**	(49,880)
Other operating losses		**(1,102)**	(350)
Loss arising from changes in fair value less costs to sell of biological assets		**(38,962)**	(31,416)
Loss from operations		**(79,064)**	(47,793)
Finance cost	6	**(6)**	(11)
Loss before tax		**(79,070)**	(47,804)
Income tax credit	7	**9,909**	5,672
Loss for the year attributable to owners of the Company	8	**(69,161)**	(42,132)
Other comprehensive income after tax:			
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		**(12,262)**	14,918
Total comprehensive loss for the year attributable to owners of the Company		**(81,423)**	(27,214)
			Restated
Loss per share	9		
Basic (HK cents per share)		**(11)**	(23)
Diluted (HK cents per share)		**(11)**	(23)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2014

	Notes	2014 HK$'000	2013 HK$'000
Non-current assets			
Property, plant and equipment		**2,250**	2,186
Biological assets	*11*	**710,248**	750,671
Intangible assets		**129,421**	120,949
Secured deposit for acquisition of subsidiaries		**150,000**	—
		991,919	873,806
Current assets			
Inventories		**—**	227
Trade and other receivables	*12*	**11,036**	24,804
Financial assets at fair value through profit or loss	*13*	**3,753**	—
Bank and cash balances		**64,157**	29,492
		78,946	54,523
Current liabilities			
Trade and other payables	*14*	**8,481**	11,759
Amount due to a former director		**—**	1,799
Finance lease payables		**47**	46
Current tax liabilities		**7,421**	6,262
		15,949	19,866
Net current assets		**62,997**	34,657
Total assets less current liabilities		**1,054,916**	908,463

	Notes	**2014** HK$'000	2013 HK$'000
Non-current liabilities			
Finance leases payables		**49**	96
Deferred tax liabilities		**211,178**	197,659
		211,227	197,755
NET ASSETS		**843,689**	710,708
Capital and reserves			
Share capital	*15*	**18,857**	3,654
Reserves		**824,832**	707,054
TOTAL EQUITY		**843,689**	710,708

NOTES

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

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"). In addition, the consolidated financial statements include 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 financial assets at fair value through profit or loss which are carried at their fair values as explained in the accounting policies set out below.

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

In the current year, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 July 2013. HKFRSs comprise Hong Kong Financial Reporting Standards, Hong Kong Accounting Standard, 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 financial statements and amounts reported for the current year and prior years except as stated below.

HKFRS 13 "Fair Value Measurement"

HKFRS 13 "Fair Value Measurement" establishes a single source of guidance for all fair value measurements required or permitted by HKFRSs. It clarifies the definition of fair value as an exit price, which is defined as a price at which an orderly transaction to sell the asset or transfer the liability would take place between market participants at the measurement date under market conditions, and enhances disclosures about fair value measurements.

The adoption of HKFRS 13 only affects disclosures on fair value measurements in the consolidated financial statements. HKFRS 13 has been applied prospectively.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

3. REVENUE

The Group's revenue which represents sales of goods to customers and fees from advisory service are as follows:

	2014	2013
	HK$'000	*HK$'000*
Sales of plantation materials	**955**	2,704
Sales of plantation products	**—**	475
Green technology advisory fee income	**9,000**	27,835
	9,955	31,014

4. SEGMENT INFORMATION

The Group has three reportable segments as follows:

(i) Sales of plantation materials

(ii) Sales of plantation products

(iii) Green technology advisory services

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 interest income, finance costs and income tax expenses. Segment assets do not include deposit for acquisition of subsidiaries and financial assets at fair value through profit or loss. Segment liabilities do not include amount due to a former director and deferred tax liabilities.

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

	Green technology advisory fee income *HK$'000*	Sales of plantation materials *HK$'000*	Sales of plantation products *HK$'000*	Total *HK$'000*
Year ended 30 June 2014				
Revenue from external customers	**9,000**	**955**	**—**	**9,955**
Segment profit/(loss), comprising:	**7,028**	**80**	**(63,833)**	**(56,725)**
Loss arising from changes in fair value less costs to sell of biological assets	**—**	**—**	**(38,962)**	**(38,962)**
Depreciation and amortisation	**(2)**	**—**	**(5,312)**	**(5,314)**
At 30 June 2014				
Segment assets	**6,546**	**752**	**840,595**	**847,893**
Segment liabilities	**3,706**	**548**	**1,176**	**5,430**
Year ended 30 June 2013				
Revenue from external customers	27,835	2,704	475	31,014
Segment profit/(loss), comprising:	21,234	16	(59,083)	(37,833)
Loss arising from changes in fair value less costs to sell of biological assets	—	—	(31,416)	(31,416)
Depreciation and amortisation	(1)	(88)	(4,849)	(4,938)
Impairment loss of intangible assets	—	(350)	—	(350)
At 30 June 2013				
Segment assets	2,910	334	871,620	874,864
Segment liabilities	—	867	935	1,802

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

	2014	2013
	HK$'000	*HK$'000*
Revenue:		
Total revenue of reportable segments disclosed as consolidated revenue	**9,955**	31,014
Profit or loss:		
Total loss of reportable segments	**(56,725)**	(37,833)
Other profit or loss:		
Finance costs	**(6)**	(11)
Income tax credit	**9,909**	5,672
Corporate and unallocated loss	**(22,339)**	(9,960)
Consolidated loss for the year	**(69,161)**	(42,132)
Assets:		
Total assets of reportable segments	**847,893**	874,864
Corporate and unallocated assets	**222,972**	53,465
Consolidated total assets	**1,070,865**	928,329
Liabilities:		
Total liabilities of reportable segments	**5,430**	1,802
Corporate and unallocated liabilities	**221,746**	215,819
Consolidated total liabilities	**227,176**	217,621

Geographical information:

	Revenue		**Non-current assets**	
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Mainland China	**955**	3,179	**839,669**	871,620
Hong Kong	**—**	2,900	**780**	125
Macau and others	**9,000**	24,935	**151,470**	2,061
	9,955	31,014	**991,919**	873,806

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

Revenue from major customers:

	2014	2013
	HK$'000	*HK$'000*
Green technology advisory fees		
Customer A	**—**	23,985
Customer B	**9,000**	—
	9,000	23,985

5. OTHER INCOME

	2014	2013
	HK$'000	*HK$'000*
Consultancy fee income	**171**	1,105
Changes in fair value of purchase consideration payable	**—**	4,217
Exchange gain, net	**—**	2
Gain on transfer of intangible assets	**—**	196
Gain on disposal of interest in an associate	**—**	156
Reversal of impairment loss on interest in an associate	**—**	532
Sub-letting income	**1,267**	1,400
Others	**45**	62
	1,483	7,670

6. FINANCE COST

	2014	2013
	HK$'000	HK$'000
Finance lease interest	**6**	11

7. INCOME TAX CREDIT

	2014	2013
	HK$'000	*HK$'000*
Current tax — Hong Kong Profits Tax		
Provision for the year	**1,160**	3,503
Current tax — the PRC Enterprise Income Tax		
Provision for the year	**—**	—
Deferred tax	**(11,069)**	(9,175)
	(9,909)	(5,672)

Hong Kong Profits Tax has been provided at a rate of 16.5% (2013: 16.5%) on the estimated assessable profits for the year ended 30 June 2014. Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of subsidiaries of the Company in the PRC is 25% (2013: 25%).

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

The reconciliation between the income tax and the product of profit before tax multiplied by the PRC enterprise income tax rate is as follows:

	2014	2013
	HK$'000	*HK$'000*
Loss before tax	**(79,070)**	(47,804)
Tax calculated at applicable PRC tax rate of 25% (2013: 25%)	**(19,768)**	(11,951)
Tax effect of expenses that are not deductible	**7,397**	7,581
Tax effect of income that are not taxable	**(498)**	(1,794)
Effect of different tax rates of subsidiaries	**2,960**	492
Income tax credit	**(9,909)**	(5,672)

8. LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY

The Group's loss for the year is stated after charging the following:

	2014	2013
	HK$'000	*HK$'000*
Amortisation of intangible assets	**5,312**	4,937
Cost of inventories sold	**822**	3,019
Depreciation	**768**	676
Staff costs (including Directors' remuneration):		
— salaries, bonuses and allowances	**3,054**	4,584
— retirement benefits scheme contributions	**62**	13
	3,116	4,597
Net loss on fair value changes of financial assets at fair value through profit or loss*	**1,102**	—
Impairment loss on patent*	**—**	350
Loss on disposals of property, plant and equipment	**7**	—
Auditor's remuneration		
Current	**773**	780
Under-provision in prior year	**78**	—
	851	780
Operating lease charges on land and buildings	**5,005**	1,606

* These items were included in other operating losses.

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$69,161,000 (2013: HK$42,132,000) and the weighted average number of ordinary shares of 611,306,562 (2013: 183,106,821) in issue during the year. The weighted average number of ordinary shares for the purpose of calculating the basic loss per share for both years has been adjusted and restated accordingly for the effect of the open offer of the Company during the year as disclosed in note 15(i).

Diluted loss per share

No diluted loss per share are presented as the Company did not have any dilutive potential ordinary sharing during the two years ended 30 June 2014 and 2013.

10. DIVIDENDS

The directors of the Company have not recommended or declared the payment of any dividend in respect of the years ended 30 June 2014 and 2013.

11. BIOLOGICAL ASSETS

	Standing timbers *HK$'000*
At 1 July 2012	767,064
Loss arising from changes in fair value less costs to sell of biological assets	(31,416)
Exchange differences	15,023
At 30 June 2013 and 1 July 2013	750,671
Loss arising from changes in fair value less costs to sell of biological assets	(38,962)
Exchange differences	(1,461)
At 30 June 2014	**710,248**

The Group's biological assets represent standing timbers on plantation land of approximately 30,000 Chinese Mu with 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, willow. During the year, the Group did not harvest or sell any standing timbers (2013: Nil).

The standing timbers at 30 June 2014 were independently valued by Roma Appraisals Limited ("Roma"). Roma has adopted market value 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 at 30 June 2014 as a basis for calculating the fair value less costs to sell of the biological assets.

12. TRADE AND OTHER RECEIVABLES

	2014 ***HK$'000***	2013 *HK$'000*
Trade receivables	**4,912**	3,007
Prepayments, deposits and other receivables	**6,124**	21,797
	11,036	24,804

The Group's trading terms with other customers are mainly on credit. The credit terms generally range from 30 to 60 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:

	2014	2013
	HK$'000	*HK$'000*
1–30 days	**4,500**	2,900
31–60 days	**412**	107
	4,912	3,007

All trade and other receivables are neither past due nor impaired.

The carrying amounts of trade and other receivables are denominated in the following currencies:

	2014	2013
	HK$'000	*HK$'000*
HK$	**10,220**	23,954
RMB	**816**	850
	11,036	24,804

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2014	2013
	HK$'000	*HK$'000*
Equity securities, at fair value		
Listed in Hong Kong	**3,753**	–

14. TRADE AND OTHER PAYABLES

	2014	2013
	HK$'000	*HK$'000*
Trade payables	**—**	208
Other payables and accruals	**8,481**	11,551
	8,481	11,759

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

	2014	2013
	HK$'000	*HK$'000*
91–180 days	**–**	208

The carrying amounts of trade and other payables are denominated in the following currencies:

	2014	2013
	HK$'000	*HK$'000*
HK$	**6,756**	9,758
RMB	**1,725**	2,001
	8,481	11,759

15. SHARE CAPITAL

	2014	2013
	HK$'000	HK$'000
Authorised:		
15,000,000,000 ordinary shares of HK$0.02 each	**300,000**	300,000
Issued and fully paid:		
942,852,508 ordinary shares of HK$0.02 each (30 June 2013: 182,723,748 ordinary shares of HK$0.02 each)	**18,857**	3,654

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

	Number of shares	**Amount**
		HK$'000
At 1 July 2012	2,565,395,800	128,270
Capital reorganisation and share consolidation	(2,437,126,010)	(125,704)
Placement of new shares	54,453,958	1,088
At 30 June 2013 and 1 July 2013	182,723,748	3,654
Open offer *(Note (i))*	602,988,342	12,060
Placement of new shares *(Note (ii))*	157,142,418	3,143
At 30 June 2014	**942,854,508**	**18,857**

Notes:

(i) Open offer

On 22 November 2013, a total of 602,988,342 ordinary shares of HK$0.02 each was allotted and issued to the qualifying shareholders of the Company on the basis of thirty-three offer shares for every ten shares held on 31 October 2013, at a subscription price of HK0.27 per share. Upon completion of the open offer, the premium on the issue of shares, amounting to approximately HK$144,973,000, net of share issue expenses of approximately HK$5,774,000, was credited to the Company's share premium account.

(ii) Placement of new shares

On 26 March 2014, the Company entered into a placing agreement with a placing agent in respect of the placement of 157,142,418 ordinary shares of HK$0.02 each to independent investors at a price of HK$0.375 per share. The placement was completed on 4 April 2014 and the premium on the issue of shares amounting to approximately HK$54,228,000, net of share issue expenses of approximately HK$1,558,000, was credited to the Company's share premium account.

16. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation. The changes included the reclassification of subcontracting charges previously classified under cost of sales to administrative expenses and the certain direct cost in relation to Green technology advisory fee segment previously classified under administrative expenses to cost of sales. The new classification of the accounting items was considered to provide a more appropriate presentation of the state of affairs of the Group.

17. EVENTS AFTER THE REPORTING PERIOD

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 (collectively refer to the "Target Group") which are mainly engaged in hotel operations in the PRC (the "Proposed Acquisition").

Subsequent to the announcements dated 30 December 2013, 21 January 2014, 28 February 2014, 25 April 2014, 28 May 2014, 31 July 2014 and 10 September 2014, respectively, and up to the issuance of this announcement, the Proposed Acquisition is not yet completed. The directors of the Company consider it is impracticable at this moment to disclose further information about the Proposed Acquisition.

BUSINESS AND OPERATION REVIEW

The Group was listed in 1997 with business focuses on garment and property businesses in the People's Republic of China ("PRC"). Due to keen competition and rising cost of the garment and property businesses, the Group diversified into green business in late 2008 to maximize shareholders' return.

The Group is currently engaged in 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 market and overseas. The Group has been continuing to explore new business opportunities for corporate development and dedicates to develop sustainable and viable green businesses serving both the mankind and the environment.

Most developed countries' economies remained sluggish and drastic turbulences in global financial markets clouded the economic development of PRC. Due to global climate change, the weather will become unpredictable. The Group expected to face extreme uncertainties and risks in its business activities.

The PRC's economic growth has declined steadily since 2010 as a slump in global demand battered its exporters and PRC government's economic strategy of tightened lending and investment curbs. The PRC economy grew by 7.5% compared to Year 2012, down from 7.7% in Year 2013 and 7.5% in the first quarter of 2014. The number of natural disasters occurring in China has been significantly increasing, with earthquakes occurring much more frequently than anticipated.

With specific to the Group's operating Plantation Land of approximately 30,000 mu (Chinese Mu) in Shihezi City. In 2013 and the first six months of 2014, the southern and northern parts of Xinjiang Region experienced frequent occurrence of heavy rains, floods, landslides, earthquakes and other natural disasters.

Expecting extreme uncertainties and risks in its plantation business activities affected by worsening economic conditions and unstable natural factors, the Group continued its protective business approach since the financial year ended 30 June 2013. The protective business approach included tight credit control and pricing measures to corporate clients, trading of plantation materials, transfer the operating right of new plantation activities and protection of existing biological assets.

For the financial year ended 30 June 2014, turnover of the Group decreased by 67.90% to approximately HK$9.96 million with gross profit of approximately HK$7.33 million (2013: turnover of approximately HK$31.01 million with gross profit of approximately HK$26.20 million). Loss for the year amounted to approximately HK$69.16 million (2013: Loss of approximately HK$42.13 million), including mainly the decrease of approximately HK$38.96 million in valuation of biological assets of which growth was affected by the shortage of underground water in the region. The Group considers that the decrease in valuation is non-cash in nature and will not have material adverse effect on the financial position of the Group.

PLANTATION MATERIAL

For the financial year ended 30 June 2014, the natural disasters affected the plantation activities of the Group's clients in the region. The sale of plantation materials decreased by 64.68% to approximately HK$0.96 million from approximately HK$2.70 million as compared to last year. Sale of plantation materials represented approximately 9.59% (2013: approximately 8.72%) of the Group's total turnover.

PLANTATION PRODUCT

Considering the risks and uncertainties involved with unprecedented varieties and scale of natural disasters in the world and in PRC, during the financial year ended 30 June 2013, the Group transfer the operating right of the "Unplanted Land" of 30,000 Chinese mu of land to avoid new plantation activities which are highly vulnerable to natural disasters.

There was no turnover on the sale of plantation products for the year (2013: approximately HK$0.48 million accounting for about 1.53% of the Group's total turnover).

For the annual audited financial year ended 30 June 2014, the growth and the volume of the biological assets was affected by the shortage of underground water in the region. The Group recorded the decrease by 5.38% to approximately HK$710.25 million (2013: approximately HK$750.67 million) in the fair value of the poplar trees of biological assets. The Group considers that the decreases are non-cash in nature and will not have material adverse effect on the financial position of the Group.

GREEN TECHNOLOGY

The green technology segment comprises the research and development, project establishment, application and sale of green and environmental product, technology, service and related products for sustainable development. The green technology segment commanded higher gross profit margin of 78.09% (2013: 76.29%) and contributed the major turnover and profit for the Group. For the financial year ended 30 June 2014, technology income recorded HK$9 million with gross profit approximately HK$7.20 million (2013: sales approximately HK$27.84 million and gross profit approximately HK$26.04 million), representing approximately 90.41% (2013: 89.75%) of the Group's total turnover.

PROSPECTS

China has a population of approximately 1.4 billion, which is accounted for 19% of the world's population. In contrast, the cultivable land in China is only 1.826 billion Chinese mu, which is accounted for 7% of world's total cultivable land. The PRC Government continuously placed strategic importance on the "Three Rural Issues". The <Twelfth Five-Year Plan for National Economic and Social Development>, formulating the next phase of economic growth for 2011–2015, reiterated the modernization of agriculture and accelerated establishment of modern agricultural village. The Chinese government would continue to commit to environmental improvements for energy saving and low-carbon economy. The <Twelfth Five-Year Plan for National Economic and Social Development> targeted to achieve 16% decrease in energy consumption of production by 2015 as compared to 2010.

Having based on the above sectors blessed by China' prioritized policies, the Group will continue to capitalize the green business opportunities stimulated by supportive government policies and uprising green markets. However, the sluggish economies of most developed countries' economies, global financial market turbulences and decreasing PRC economic growth rate will continue to cloud the economic development of PRC. In addition, the scale, intensity, frequency and related economic loss of natural disasters in the world as well as in PRC caused by the global climate change will continue to become extreme uncertainties and risks for the Group's operating activities.

To maximize the return for shareholders, the Group will continue to edge on its green technology competence, forefront market experience, proactive business strategy and nationwide Chinese business network to continuously explore investment opportunity to diversify its business areas for higher return.

In view of the challenging economic and business environment, the management of the Group continued to review its existing businesses from time to time and strived to improve the business operation and financial position of the Group. It has been the business strategy of the Group to proactively seek potential investment opportunities in order to enhance value of the shareholders of the Company. The directors of the Company consider that it is beneficial for the Group to seek suitable investment opportunities from time to time to diversify its existing business portfolio into new line of business with growth potential and to broaden its source of income.

In this regards, the Company 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 PRC (the "Hotel Acquisition"). The directors of the Company consider the Hotel Acquisition is in line with Group's business diversification strategy and represent an attractive investment opportunity for the Group to diversify and further expand its business portfolio into the PRC commercial property sector.

FINANCIAL REVIEW

For the year ended 30 June 2014, the Group recorded a consolidated turnover at approximately HK$9.96 million (2013: approximately HK$31.01 million), representing a decrease of 67.90% compared with the year ended 30 June 2013 (the "Previous Year"). The Group's gross profit decreased by 72.01% to approximately HK$7.33 million (2013: approximately HK$26.19 million). The decrease in gross profit was mainly attributable to the decrease in green technology advisory fee income.

The loss for the year significantly increased to approximately HK$69.16 million from Previous Year's loss of approximately HK$42.13 million, mainly attributable to the approximately HK$38.96 million loss on changes in fair value less costs to sell of biological assets and decrease in green technology advisory fee income. Its basic and diluted loss per share for the year was HK11 cents (2013: restated basic and diluted loss per share at HK23 cents).

In calculating the Group's consolidated net loss, the administrative and other operating expenses of approximately HK$48.92 million (2013: approximately HK$50.23 million) included major items, such as staff costs of approximately HK$3.12 million, depreciation of approximately HK$0.77 million, amortisation of intangible assets of approximately HK$5.31 million, auditor's remuneration of approximately HK$0.85 million, operating leases charges of approximately HK$5.01 million and maintenance fee of HK$19.50 million charged by the Group's forestry manager.

Finance costs of HK$6,000 which was recorded for finance lease interest (2013: HK$11,000). Income tax credit was approximately HK$9.91 million (2013: approximately HK$5.67 million) mainly due to deferred tax credit of approximately HK$11.07 million (2013: approximately HK$9.18 million).

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2014, the total assets of the Group was approximately HK$1,071 million (2013: approximately HK$928.33 million), including cash and bank balances of approximately HK$64.16 million (2013: approximately HK$29.49 million). The directors of the Company are of the view that the Group has sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due in the foreseeable future.

CAPITAL RAISING AND EXPENDITURE

As at 30 June 2014, details of movements in the issued share capital of the Company is stated in note 15 to the consolidated statement of financial position.

BUSINESS ACQUISITION AND DISPOSAL

As at 30 June 2014, apart from those as stated in note 17 to the consolidated statement of financial position, there was no other major acquisition or disposal undertaken by the Group.

EMPLOYMENT AND REMUNERATION POLICY

As at 30 June 2014, the Group had 24 employees (2013: 22 employees) in both Hong Kong and the PRC. The Group implements remuneration policy, bonus and share options scheme to ensure that pay scales of its employees are rewarded on a performance-related basis within the general framework of the Group's remuneration.

CHARGES ON THE GROUP ASSETS

As at 30 June 2014, there was no charge on the Group's assets (2013: Nil).

DIVIDEND

The directors of the Company have not recommended the payment of any dividend in respect of the year ended 30 June 2014 (2013: Nil).

GEARING RATIO

As at 30 June 2014, the gearing ratio of the Group expressed in total borrowings divided by the total equity was 0.01% (2013: 0.02%).

EXPOSURE TO FLUCTIONS IN EXCHANGE RATES

Since most of the transactions, income and expenditure of the Group are denominated in Hong Kong dollar and Renminbi, no hedging or other arrangements to reduce the currency risk have been implemented.

CONTINGENT LIABILITIES

As at 30 June 2014, 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 Listing Rules for the year ended 30 June 2014, except the followings.

Code provisions A.2.1 to A.2.9 of the CG Code provide that the role of chairman of the board and chief executive should be separate and should not be performed by the same individual. These code provisions also stipulate, inter alia, the role and responsibility of the chairman of the board and the chief executive.

During the year, Mr. Zhou Hongbo acted as an executive director, the chairman of the Board and the chief executive officer of the Company until 29 September 2013. On 30 September 2013, Mr. Zhou Hongbo resigned as an executive director, the chairman of the Board and the chief executive officer. Thereafter, the positions of the chairman of the Board and the chief executive officer have been vacant.

The Board has kept review of its current board structure from time to time. The Company will make necessary appointment to fill these positions, if any candidate with suitable skills and experiences is identified within or outside the Group.

Code provision A.2.7 of the CG Code stipulates that the chairman of the board should at least annually hold meetings with non-executive directors (including independent non-executive directors) without executive directors present. As the position of the chairman of the Board has been vacant, meeting between the chairman of the Board with independent non-executive directors without executive directors present could not be held during the year.

Code provision E.1.2 of the CG Code stipulates that the chairman of the board should attend the annual general meeting. As the position of the chairman of the Board has been vacant, Mr. Leung Kwong Choi, an executive director, was elected and acted as chairman of the annual general meeting held on 27 November 2013.

Code provision F.1.3 of the CG Code stipulates that the company secretary should report to the chairman of the board and/or the chief executive. As the position of the chairman of the Board and the chief executive officer have been vacant, the company secretary reported to the executive directors of the Company.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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 directors' securities transactions. Having made specific enquiry with all directors of the Company, they have confirmed their compliance with the required standard as set out in the Model Code throughout the year ended 30 June 2014.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") is composed of three independent non-executive directors. It reports directly to the Board and reviews matters within the scope of audit, such as financial statements and internal controls. The written terms of reference which describes the authority and duties of the Audit Committee are regularly reviewed and updated by the Board. 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 2014.

SCOPE OF WORK OF AUDITOR

The figures in respect of preliminary announcement of the Group's result for the year ended 30 June 2014 have been agreed by the Group's auditor, ZHONGHUI ANDA CPA Limited ("ZHONGHUI ANDA"), to the amounts set out in Group's audited consolidated financial statements for the year ended 30 June 2014. The work performed by ZHONGHUI ANDA 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 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 of Hong Kong Limited.

By Order of the Board
China Environmental Resources Group Limited
Kwok Wai, Wilfred
Executive Director

Hong Kong, 25 September 2014

As at the date of this announcement, the Board comprises five executive directors, namely Mr. Chung Siu Wah, Mr. Kwok Wai, Wilfred, Mr. Leung Kwong Choi, Mr. Wong Po Keung and Mr. Yeung Chi Hang; and three independent non-executive directors, namely Mr. Wong Kwai Sang, Mr. Chan Ka Yin and Mr. Ong Chi King.