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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 2015**

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 2015 together with comparative figures for the year ended 30 June 2014.

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

*For the year ended 30 June 2015*

	<i>Notes</i>	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
<b>Revenue</b>	3	<b>2,733</b>	9,955
Cost of sales		<u>(1,800)</u>	<u>(2,622)</u>
<b>Gross profit</b>		<b>933</b>	7,333
Other income	5	<b>2,214</b>	1,483
Administrative expenses		<b>(41,415)</b>	(47,816)
Net gain/(loss) on fair value changes on financial assets at fair value through profit or loss		<b>30,845</b>	(1,102)
Loss arising from changes in fair value less costs to sell of biological assets		<u>(77,172)</u>	<u>(38,962)</u>
<b>Loss from operations</b>		<b>(84,595)</b>	(79,064)
Finance cost	6	<u>(6)</u>	<u>(6)</u>
<b>Loss before tax</b>		<b>(84,601)</b>	(79,070)
Income tax credit	7	<u>15,700</u>	<u>9,909</u>
<b>Loss for the year attributable to owners of the Company</b>	8	<b>(68,901)</b>	(69,161)
<b>Other comprehensive income after tax:</b> <i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translation of foreign operations		<u>1,246</u>	<u>(12,262)</u>
<b>Other comprehensive income for the year, net of tax</b>		<u>1,246</u>	<u>(12,262)</u>
<b>Total comprehensive loss for the year attributable to owners of the Company</b>		<u><b>(67,655)</b></u>	<u>(81,423)</u>
<b>Loss per share</b>	9		
Basic (HK cents per share)		<u>(7)</u>	<u>(11)</u>
Diluted (HK cents per share)		<u>(7)</u>	<u>(11)</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

	<i>Notes</i>	<b>2015</b> <b>HK\$'000</b>	2014 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment		<b>1,816</b>	2,250
Biological assets	<i>11</i>	<b>634,119</b>	710,248
Intangible assets		<b>123,091</b>	129,421
Secured deposit paid for acquisition of subsidiaries		<b>42,000</b>	150,000
		<b>801,026</b>	991,919
<b>Current assets</b>			
Trade and other receivables	<i>12</i>	<b>8,551</b>	11,036
Loan receivable		<b>5,010</b>	—
Financial assets at fair value through profit or loss	<i>13</i>	<b>43,587</b>	3,753
Refundable secured deposit		<b>70,000</b>	—
Bank and cash balances		<b>57,622</b>	64,157
		<b>184,770</b>	78,946
<b>Current liabilities</b>			
Other payables and accrued charges		<b>8,128</b>	8,481
Finance lease payables		<b>—</b>	47
Current tax liabilities		<b>7,889</b>	7,421
		<b>16,017</b>	15,949
<b>Net current assets</b>		<b>168,753</b>	62,997
<b>Total assets less current liabilities</b>		<b>969,779</b>	1,054,916

	<i>Notes</i>	<b>2015</b> <b>HK\$'000</b>	2014 HK\$'000
<b>Non-current liabilities</b>			
Finance lease payables		—	49
Deferred tax liabilities		<b>193,745</b>	211,178
		<u><b>193,745</b></u>	<u>211,227</u>
<b>NET ASSETS</b>		<u><b>776,034</b></u>	<u>843,689</u>
<b>Capital and reserves</b>			
Share capital	<i>14</i>	<b>18,857</b>	18,857
Reserves		<b>757,177</b>	824,832
		<u><b>776,034</b></u>	<u>843,689</u>
<b>TOTAL EQUITY</b>		<u><b>776,034</b></u>	<u>843,689</u>

## 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 Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) that are relevant to its operations and effective for its accounting year beginning on 1 July 2014. 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.

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, fees from advisory service, loan interest income and dividend income are as follows:

	2015 <i>HK\$’000</i>	2014 <i>HK\$’000</i>
Sales of plantation materials	—	955
Green technology advisory fee income	2,700	9,000
Loan interest income	10	—
Dividend income	23	—
	<u>2,733</u>	<u>9,955</u>

### 4. SEGMENT INFORMATION

The Group has five reportable segments as follows:

- (i) Sales of plantation materials
- (ii) Sales of plantation products
- (iii) Green technology advisory services
- (iv) Provision of financial services
- (v) Trading and investment business

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 bank 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 revenue, profit or loss, assets and liabilities:

	<b>Green technology advisory services HK\$'000</b>	<b>Sales of plantation materials HK\$'000</b>	<b>Sales of plantation products HK\$'000</b>	<b>Provision of financial services HK\$'000</b>	<b>Trading and investment business HK\$'000</b>	<b>Total HK\$'000</b>
<b>Year ended 30 June 2015</b>						
Revenue from external customers	<u>2,700</u>	<u>—</u>	<u>—</u>	<u>10</u>	<u>23</u>	<u>2,733</u>
Segment profit/(loss), comprising:	219	227	(90,725)	(3)	29,779	(60,503)
Loss arising from changes in fair value less costs to sell of biological assets	—	—	(77,172)	—	—	(77,172)
Depreciation and amortisation	(4)	—	(5,267)	—	(600)	(5,871)
Proceeds from disposal of listed securities	—	—	—	—	22,106	22,106
Costs of disposal of listed securities	—	—	—	—	(18,186)	(18,186)
Net unrealised gains on trading securities	—	—	—	—	26,925	26,925
<b>At 30 June 2015</b>						
Segment assets	142	418	761,223	5,010	46,558	813,351
Segment liabilities	<u>4,864</u>	<u>1</u>	<u>1,219</u>	<u>—</u>	<u>467</u>	<u>6,551</u>

	Green technology advisory services <i>HK\$'000</i>	Sales of plantation materials <i>HK\$'000</i>	Sales of plantation products <i>HK\$'000</i>	Provision of financial services <i>HK\$'000</i>	Trading and investment business <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Year ended 30 June 2014</b>						
Revenue from external customers	9,000	955	—	—	—	9,955
Segment profit/(loss), comprising:	7,028	80	(63,833)	—	(2,230)	(58,955)
Loss arising from changes in fair value less costs to sell of biological assets	—	—	(38,962)	—	—	(38,962)
Depreciation and amortisation	(2)	—	(5,312)	—	(600)	(5,914)
Proceeds from disposal of listed securities	—	—	—	—	11,384	11,384
Costs of disposal of listed securities	—	—	—	—	(10,873)	(10,873)
Net unrealised losses on trading securities	—	—	—	—	(1,613)	(1,613)
<b>At 30 June 2014</b>						
Segment assets	6,546	752	840,595	—	14,078	861,971
Segment liabilities	3,706	548	1,176	—	—	5,430

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

	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
<b>Revenue:</b>		
Total revenue of reportable segments disclosed as consolidated revenue	<u>2,733</u>	<u>9,955</u>
<b>Loss:</b>		
Total loss of reportable segments	(60,503)	(58,955)
Other profit or loss:		
Finance costs	(6)	(6)
Income tax credit	15,700	9,909
Corporate and unallocated loss	<u>(24,092)</u>	<u>(20,109)</u>
Consolidated loss for the year	<u>(68,901)</u>	<u>(69,161)</u>
<b>Assets:</b>		
Total assets of reportable segments	813,351	861,971
Corporate and unallocated assets	<u>172,445</u>	<u>208,894</u>
Consolidated total assets	<u>985,796</u>	<u>1,070,865</u>
<b>Liabilities:</b>		
Total liabilities of reportable segments	6,551	5,430
Corporate and unallocated liabilities	<u>203,211</u>	<u>221,746</u>
Consolidated total liabilities	<u>209,762</u>	<u>227,176</u>

**Geographical information:**

	<b>Revenue</b>		<b>Non-current assets</b>	
	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Mainland China	—	955	757,210	839,669
Hong Kong	33	—	43,799	150,781
Macau and others	<u>2,700</u>	<u>9,000</u>	<u>17</u>	<u>1,469</u>
	<u>2,733</u>	<u>9,955</u>	<u>801,026</u>	<u>991,919</u>

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

Revenue from major customers:

	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Green technology advisory fees		
Customer A	<u>2,700</u>	<u>9,000</u>



**5. OTHER INCOME**

	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Consultancy fee income	<b>63</b>	171
Interest income related to refundable secured deposit	<b>1,196</b>	—
Sub-letting income	<b>704</b>	1,267
Gain on disposals of property, plant and equipment	<b>19</b>	—
Others	<b>232</b>	45
	<b>2,214</b>	1,483

**6. FINANCE COST**

	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Finance lease interest	<b>6</b>	6

**7. INCOME TAX CREDIT**

	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Current tax — Hong Kong Profits Tax Provision for the year	<b>467</b>	1,160
Current tax — the PRC Enterprise Income Tax Provision for the year	—	—
Deferred tax	<b>(16,167)</b>	(11,069)
	<b>(15,700)</b>	(9,909)

Hong Kong Profits Tax has been provided at a rate of 16.5% (2014: 16.5%) on the estimated assessable profits for the year ended 30 June 2015. 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% (2014: 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:

	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Loss before tax	<u>(84,601)</u>	<u>(79,070)</u>
Tax calculated at applicable PRC tax rate of 25% (2014: 25%)	(21,150)	(19,768)
Tax effect of expenses that are not deductible	5,463	7,397
Tax effect of income that are not taxable	(204)	(498)
Effect of different tax rates of subsidiaries	<u>191</u>	<u>2,960</u>
Income tax credit	<u>(15,700)</u>	<u>(9,909)</u>

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

The Group's loss for the year is stated after charging/(crediting) the following:

	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Amortisation of intangible assets	5,267	5,312
Cost of inventories sold	—	822
Depreciation	859	768
Staff costs (including Directors' remuneration):		
— salaries, bonuses and allowances	5,460	3,054
— retirement benefits scheme contributions	103	62
	5,563	3,116
(Gain)/loss on disposals of property, plant and equipment	(19)	7
Auditor's remuneration		
Current	720	773
Under-provision in prior year	—	78
	720	851
Operating lease charges on land and buildings	<u>4,432</u>	<u>5,005</u>

## 9. LOSS PER SHARE

### Basic loss per share

The calculation of basic loss per share attributable to owners of the Company is based on the loss for the year attributable to owners of the Company of approximately HK\$68,901,000 (2014: HK\$69,161,000) and the weighted average number of ordinary shares of 942,854,508 (2014: 611,306,562, as adjusted to reflect the open offer in November 2013) in issue during the year.

### 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 2015 and 30 June 2014.

## 10. DIVIDENDS

The directors have not recommended or declared the payment of any dividend in respect of the years ended 30 June 2015 and 2014.

## 11. BIOLOGICAL ASSETS

	<b>Standing timbers HK\$'000</b>
At 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)
	<hr/>
At 30 June 2014 and 1 July 2014	710,248
Loss arising from changes in fair value less costs to sell of biological assets	(77,172)
Exchange differences	1,043
	<hr/>
<b>At 30 June 2015</b>	<b><hr/><u>634,119</u></b>

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 (2014: Nil).

The Group's standing timbers as at 30 June 2015 were independently valued by Roma Appraisals Limited ("Roma") which comprises a group of independent professional valuers with experience and expertise in relation to biological assets valuation. Their team consists of professional valuers and agricultural experts who work together in a wide array of biological assets to ensure the reliability and fairness of their valuation results. Accordingly, the directors are of the view that Roma is independent and competent to determine the fair value of the Group's biological assets.

Roma has adopted market approach for the valuation of standing timbers. The method uses the present market value in terms of price per unit cubic meter of round logs and the total merchantable volume of timbers on the plantation land as at 30 June 2015 as a basis for calculating the fair value less costs to sell of the biological assets. Roma has performed on-site inspections and conducted direct enquiries with the Group's forest manager and local officials for verification of the physical existence and quality of the biological assets. Roma has also verified the market price per m<sup>3</sup> of log by referencing to the price lists of local markets and local timber manufacturing factories. The principal assumptions adopted are as follows:

1. no material changes in the existing political, legal, technological, fiscal, economic conditions, climate and any other natural condition;
2. poplar trees can grow to certain size and can be legally cut in 8 years and in 5 years with organic fertilisers added; and
3. the movements of the price of the timber, the setup fee and maintenance fee for tree plantation will move in line with the price index of forestry product in China.

## Nature risk

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

## 12. TRADE AND OTHER RECEIVABLES

	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Trade receivables	—	4,912
Prepayments, deposits and other receivables	<u>8,551</u>	<u>6,124</u>
	<u><b>8,551</b></u>	<u>11,036</u>

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, was as follows:

	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
0–30 days	—	4,500
31–60 days	<u>—</u>	<u>412</u>
	<u>—</u>	<u>4,912</u>

All trade receivables were neither past due nor impaired.

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

	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
HK\$	<b>8,124</b>	10,220
RMB	<u>427</u>	<u>816</u>
	<u><b>8,551</b></u>	<u>11,036</u>

## 13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Equity securities, at fair value listed in Hong Kong	<u><b>43,587</b></u>	<u>3,753</u>

## 14. SHARE CAPITAL

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Authorised: 15,000,000,000 ordinary shares of HK\$0.02 each	<u>300,000</u>	<u>300,000</u>
Issued and fully paid: 942,854,508 ordinary shares of HK\$0.02 each	<u>18,857</u>	<u>18,857</u>

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

	Number of shares	Amount <i>HK\$'000</i>
At 1 July 2013	182,723,748	3,654
Open offer ( <i>note (i)</i> )	602,988,342	12,060
Placement of new shares ( <i>note (ii)</i> )	<u>157,142,418</u>	<u>3,143</u>
At 30 June 2014, 1 July 2014 and 30 June 2015	<u>942,854,508</u>	<u>18,857</u>

*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 HK\$0.27 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.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The Group reviews the capital structure frequently by considering the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debts, redemption of debts or selling assets to maintain sufficiency of working capital.

## 15. EVENTS AFTER THE REPORTING PERIOD

- (i) As detailed in the Company's announcement dated 3 July 2015, the acquisition of the entire issued share capital of Harvest Top Development Limited has been completed on the same day.
- (ii) On 2 September 2015, a total of 471,427,254 ordinary shares of HK\$0.02 each has been allotted and issued to the qualifying shareholders of the Company on the basis of one offer share for every two shares held on 11 August 2015, at a subscription price of HK\$0.29 per share, of which the under-subscribed 211,457,897 offer shares were procured by the underwriter pursuant to the underwriting agreement. Upon completion of the open offer, the net proceeds of approximately HK\$131,880,000 will be applied for the repayment of the promissory note of HK\$60,000,000, expansion of existing money lending business, future investment opportunities and general working capital.

## 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 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, trading and investment business and money lending business. 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 7.3% in Year 2014. The number of natural disasters occurring in China has been significantly increasing, with earthquakes occurring much more frequently than anticipated.

The Group manages approximately 30,000 mu (Chinese Mu) of the plantation in Shihezi City, Xinjiang. The underground water level of the region dropped drastically in recent years due to over-exploitation of farmland, resulting in a shortage of water resources. The irrigation in Xinjiang relies heavily on underground water, because the supply of surface water is far below the demand for plantation irrigation, thus creating difficulties for hydraulic engineering projects for plantation areas and driving up the operating costs.

In addition, as the construction industry in China is shrinking, the demand for housing construction materials decreases and the prices of timber are going downward in short-term. Therefore, the Group adopted a conservative investment approach towards its plantation management, under which the Group reduced its investment in reforestation and only conducted basic maintenance measures.

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 2015, turnover of the Group decreased by 72.59% to approximately HK\$2.73 million with gross profit of approximately HK\$0.93 million (2014: turnover of approximately HK\$9.96 million with gross profit of approximately HK\$7.33 million). Loss for the year amounted to HK\$68.9 million (2014: Loss of approximately HK\$69.16 million), including mainly the decrease of approximately HK\$77.17 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.

## **BIOLOGICAL ASSETS**

In the process of valuing the Biological Asset, Roma adopted the Market-Based Approach to estimate the fair value of the Biological Asset. The fair value of the Biological Asset was computed using the formula:

The fair value of Biological Asset = (Total volume of standing timbers × Recovery rate) × Market price of timber – Cutting cost + Scrap sale income

According to 農業資產估值報告 prepared by Forestry Manager, random sampling has been performed on 30 June 2015, in order to estimate the total volume of standing timbers on the Plantation Land based on “中華人民共和國國家標準原木材積表 GB/T 4814-2013”. During the sampling process, there were 20 sampling areas with an area of about 0.5 Mu. The following inputs have been adopted in this valuation based on the opinions as stated in 農業資產估值報告 prepared by Forestry Manager:

- Total volume of standing timbers = 836,197 m<sup>3</sup>
- Recovery rate = 80%
- Cutting cost = 5% of revenue
- Scrap sale income = 5% of revenue

With reference to observable market price of timber of similar species in China, the adopted market price was RMB758 per cubic meter.

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

<b>Absolute Change in Recovery Rate</b>	<b>Applied Recovery Rate</b>	<b>Fair Value of the Biological Asset (RMB)</b>
+10%	90%	570,454,000
+5%	85%	538,762,000
0%	80%	507,070,000
-5%	75%	475,378,000
-10%	70%	443,686,000

  

<b>%Change in Adopted Market Price</b>	<b>Adopted Market Price (RMB/m<sup>3</sup>)</b>	<b>Fair Value of the Biological Asset (RMB)</b>
+10%	834	557,777,000
+5%	796	532,423,000
0%	758	507,070,000
-5%	720	481,716,000
-10%	682	456,363,000

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

During the financial year 30 June 2015, the Group recognised aggregate losses arising from the major non-current assets of approximately HK\$82 million. This represents the combined effect of the amortisation of intangible assets and the losses arising from changes in fair value less costs to sell of biological assets.

## **PLANTATION MATERIAL**

For the financial year ended 30 June 2015, the natural disasters affected the plantation activities of the Group's clients in the region. There was no turnover on the sale of plantation materials for the year (2014: approximately HK\$0.96 million accounting for about 9.59% 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 (2014: Nil).



For the annual audited financial year ended 30 June 2015, 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 10.72% to approximately HK\$634.12 million (2014: approximately HK\$710.25 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 8.11% (2014: 78.09%) and contributed the major turnover and profit for the Group. For the financial year ended 30 June 2015, technology income recorded HK\$2.7 million with gross profit approximately HK\$0.2 million (2014: sales HK\$9 million and gross profit approximately HK\$7.03 million), representing approximately 98.79% (2014: 90.41%) of the Group's total turnover.

## **TRADING AND INVESTMENT BUSINESS**

In view of the launch of Shanghai-Hong Kong Stock Connect and to have a better utilization of the Group's funding resources, the Group started trading in securities in prior year. The securities market was very volatile in July and August 2015. The Group's trading securities are measured at fair value, which are based on their quoted prices in the securities market. The volatility of the securities market may have adverse effect to the performance of the Group after the year ended 30 June 2015. For the financial year ended 30 June 2015, the net gain on fair value changes on financial assets at fair value through profit or loss recorded HK\$30.85 million (2014: net loss 1.10 million).

## **MONEY LENDING BUSINESS**

On 18 December 2014, the Group obtained the money lenders license. The directors of the Company consider it will be beneficial to the Group to explore new opportunities in the money lending business to broaden its source of income and expand the business operations in order to generate profits and return for the Company and the Shareholders.

## **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.

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, on 3 July 2015, the Group completed a major and connected transaction, namely, the acquisition of the entire issued share capital and shareholder's loan of the Newly Acquired Subsidiary which directly holds, inter alia, 95 car parking spaces located in Kennedy Town, Hong Kong. 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.

## **FINANCIAL REVIEW**

For the year ended 30 June 2015, the Group recorded a consolidated turnover at approximately HK\$2.73 million (2014: approximately HK\$9.96 million), representing a decrease of 72.59% as compared with the year ended 30 June 2014 (the "Previous Year"). The Group's gross profit decreased by 87.28% to approximately HK\$0.93 million (2014: approximately HK\$7.33 million). The decrease in gross profit was mainly attributable to the decrease in green technology advisory fee income.

The loss for the year was approximately HK\$68.9 million which as similar to the loss for last year of approximately HK\$69.16 million.

In calculating the Group's consolidated net loss, the administrative and other operating expenses of approximately HK\$41.42 million (2014: approximately HK\$47.82 million) included major items, such as staff costs of approximately HK\$5.56 million, depreciation of approximately HK\$0.86 million, amortisation of intangible assets of approximately HK\$5.27 million, auditor's remuneration of approximately HK\$0.72 million, operating leases charges of approximately HK\$4.43 million and forestry maintenance fee of HK\$13.5 million charged by the Group's forestry manager.

Finance costs of HK\$6,000 which was recorded for finance lease interest (2014: HK\$6,000). Income tax credit was approximately HK\$15.7 million (2014: approximately HK\$9.91 million) mainly due to deferred tax credit of HK\$16.17 million (2014: approximately HK\$11.07 million).

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 30 June 2015, the total assets of the Group was approximately HK\$985.80 million (2014: approximately HK\$1,070.87 million), including cash and bank balances of approximately HK\$57.62 million (2014: approximately HK\$64.16 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 2015, details of movements in the issued share capital of the Company is stated in note 26 to the consolidated financial statement.

## **BUSINESS ACQUISITION AND DISPOSAL**

As at 30 June 2015, apart from those as in note 15 to the consolidated financial statements, there was no major acquisition or disposal undertaken by the Group.

## **EMPLOYMENT AND REMUNERATION POLICY**

As at 30 June 2015, the Group had 23 employees (2014: 24 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 2015, there was no charge on the Group's assets (2014: Nil).

## **DIVIDEND**

The directors of the Company have not recommended the payment of any dividend in respect of the year ended 30 June 2015 (2014: Nil).

## **EXPOSURE TO FLUCTUATIONS 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 2015, 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 2015, 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, the positions of the chairman of the Board and the chief executive officer had been vacant until 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 therefore assumed both roles. The directors were of the view that the vesting of the roles of chairman of the Board and chief executive officer in the same person can provide the Group with strong and consistent leadership and allow for more effective planning and execution of long-term business strategies, as well as ensuring effective oversight of management. The directors were also of the view that the present structure was considered to be appropriate under the circumstances of the Company. The Board would keep review of its current board structure from time to time.

Code provision A.2.7 of the CG Code stipulates that the chairman of the Board should at least annually hold meeting with non-executive directors (including independent non-executive directors) without executive directors present. The position of the chairman of the Board had been vacant until 27 January 2015. Meeting between the chairman of the Board with independent non-executive directors without executive directors present had not been 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 2014.

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 had been vacant until 27 January 2015, the company secretary reported to the executive directors. Since 27 January 2015, Mr Yeung Chi Hang was appointed as the chairman of the Board, the company secretary reported to the chairman of the Board and the Company has complied the code provision F.1.3 from the same date.

## **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 2015.

## **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 2015.

## **SCOPE OF WORK OF AUDITOR**

The figures in respect of preliminary announcement of the Group’s result for the year ended 30 June 2015 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 2015. 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**  
**Yeung Chi Hang**  
*Chairman and Chief Executive Officer*

Hong Kong, 22 September 2015

*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. Chen Yuyang; and three independent non-executive directors, namely Mr. Wong Kwai Sang, Mr. Ong Chi King and Mr. Heung Chee Hang, Eric.*