



**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

**2019-2020**  
**INTERIM REPORT**



## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### Executive Directors

Mr. Yeung Chi Hang  
*(Chairman and Chief Executive Officer)*  
Mr. Leung Kwong Choi  
Mr. Wong Po Keung  
Mr. Chung Siu Wah  
Mr. Chik To Pan

#### Independent Non-Executive Directors

Mr. Wong Kwai Sang  
Mr. Ong Chi King  
Mr. Heung Chee Hang, Eric

### AUDIT COMMITTEE, REMUNERATION COMMITTEE AND NOMINATION COMMITTEE

Mr. Ong Chi King *(Chairman)*  
Mr. Wong Kwai Sang  
Mr. Heung Chee Hang, Eric

### INVESTMENT COMMITTEE

Mr. Leung Kwong Choi *(Chairman)*  
Mr. Wong Po Keung

### COMPANY SECRETARY

Mr. Lo Tai On

### AUDITOR

ZHONGHUI ANDA CPA Limited

### HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 2811, 28/F  
West Tower  
Shun Tak Centre  
168-200 Connaught Road Central  
Hong Kong

### REGISTERED OFFICE

Ugland House  
South Church Street, P.O. Box 309  
George Town, Grand Cayman  
Cayman Islands  
British West Indies



## CORPORATE INFORMATION

### PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Maples Fund Services (Cayman) Limited  
P.O. Box 1093, Boundary Hall  
Cricket Square, Grand Cayman  
KY1-1102, Cayman Islands

### HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Union Registrars Limited  
Suites 3301-04, 33/F.  
Two Chinachem Exchange Square  
338 King's Road, North Point  
Hong Kong

### PRINCIPAL BANKERS

OCBC Wing Hang Bank Limited  
DBS Bank (Hong Kong) Limited  
China Zheshang Bank Company Limited  
(Hong Kong Branch)  
Bank of China (Hong Kong) Limited  
Bank of Communications Company Limited  
The Hongkong and Shanghai Banking  
Corporation Limited

### HONG KONG STOCK CODE

1130

### SINGAPORE TRADING SYMBOL

CHENV400:SP

### WEBSITE

[www.cergroup.com.hk](http://www.cergroup.com.hk)



## 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 2019 together with the comparative figures for the corresponding period in 2018. These interim financial statements have not been audited, but have been reviewed by the audit committee and auditor of the Company.



# INDEPENDENT REVIEW REPORT

## TO THE BOARD OF DIRECTORS OF 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)*

### INTRODUCTION

We have reviewed the interim financial statements set out on pages 6 to 28, which comprise the condensed consolidated statement of financial position of China Environmental Resources Group Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) as at 31 December 2019 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial statements to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The directors of the Company are responsible for the preparation and presentation of these interim financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these interim financial statements based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### SCOPE OF REVIEW

We conducted our review 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. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



## INDEPENDENT REVIEW REPORT

### CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with HKAS 34.

#### **ZHONGHUI ANDA CPA Limited**

*Certified Public Accountants*

#### **Sze Lin Tang**

Audit Engagement Director

Practising Certificate Number P03614

Hong Kong, 28 February 2020



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

For the six months ended 31 December 2019

	Notes	Six months ended 31 December	
		2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
<b>Revenue</b>	5	<b>39,363</b>	61,938
Cost of sales		<b>(29,235)</b>	(54,494)
<b>Gross profit</b>		<b>10,128</b>	7,444
Other income		<b>747</b>	628
Administrative and operating expenses		<b>(21,829)</b>	(32,604)
Net loss on fair value changes on investments at fair value through profit or loss		<b>(244)</b>	(8,166)
Fair value (loss)/gain on investment properties		<b>(4,343)</b>	679
Loss arising from changes in fair value less costs to sell of biological assets		<b>(1,121)</b>	(48,404)
Provision for impairment loss of trade receivables		<b>(5,337)</b>	—
<b>Loss from operations</b>		<b>(21,999)</b>	(80,423)
Finance costs	6	<b>(948)</b>	(279)
<b>Loss before tax</b>		<b>(22,947)</b>	(80,702)
Income tax credit	7	<b>114</b>	12,375
<b>Loss for the period</b>		<b>(22,833)</b>	(68,327)
<b>Other comprehensive loss after tax:</b> <i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translation of foreign operations		<b>(5,861)</b>	(16,167)
<b>Other comprehensive loss for the period, net of tax</b>		<b>(5,861)</b>	(16,167)
<b>Total comprehensive loss for the period</b>		<b>(28,694)</b>	(84,494)



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

For the six months ended 31 December 2019

	Notes	Six months ended 31 December	
		2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
<b>Loss for the period attributable to:</b>			
Owners of the Company		(23,333)	(68,453)
Non-controlling interests		500	126
		(22,833)	(68,327)
<b>Total comprehensive loss for the period attributable to:</b>			
Owners of the Company		(29,009)	(84,192)
Non-controlling interests		315	(302)
		(28,694)	(84,494)
<b>Loss per share</b>			
	8		
Basic (HK cents per share)		(1.15)	(3.36)
Diluted (HK cents per share)		(1.15)	(3.36)





# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	As at 31 December 2019 HK\$'000 (Unaudited)	As at 30 June 2019 HK\$'000 (Audited)
<b>Non-current assets</b>			
Property, plant and equipment	10	10,986	9,890
Right-of-use assets		32,065	—
Investment properties		271,368	277,041
Biological assets		257,390	262,989
Intangible assets		94,919	98,952
Goodwill		1,087	1,087
Loans receivable	12	3,169	6,274
		<b>670,984</b>	656,233
<b>Current assets</b>			
Inventories		25,831	23,165
Trade and other receivables	11	66,834	65,240
Loans receivable	12	20,004	18,692
Investments at fair value through profit or loss		4,639	4,883
Refundable secured deposit	13	12,000	12,000
Cash and cash equivalents		2,955	5,551
		<b>132,263</b>	129,531
<b>Current liabilities</b>			
Trade and other payables	14	27,406	24,463
Contract liabilities		3,695	2,202
Lease liabilities		4,961	—
Borrowings		32,943	22,000
Current tax liabilities		2,955	2,203
		<b>71,960</b>	50,868
<b>Net current assets</b>		<b>60,303</b>	78,663
<b>Total assets less current liabilities</b>		<b>731,287</b>	734,896



## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

Notes	As at 31 December 2019 HK\$'000 (Unaudited)	As at 30 June 2019 HK\$'000 (Audited)
<b>Non-current liabilities</b>		
Lease liabilities	27,468	—
Deferred tax liabilities	86,584	88,967
	<b>114,052</b>	88,967
<b>NET ASSETS</b>	<b>617,235</b>	645,929
<b>Capital and reserves</b>		
Share capital	40,731	40,731
Reserves	563,028	592,037
Equity attributable to owners of the Company	603,759	632,768
Non-controlling interests	13,476	13,161
<b>TOTAL EQUITY</b>	<b>617,235</b>	645,929



# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2019

	Attributable to owners of the Company									
	Share capital	Share premium account	Statutory reserve	Capital reserve	Share-based compensation reserve	Foreign currency translation reserve	Accumulated losses	Total	Non-controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 July 2018 (audited)	40,731	1,210,501	5,407	76	15,843	55,136	(557,152)	770,542	12,413	782,955
Total comprehensive loss for the period (unaudited)	—	—	—	—	—	(15,739)	(68,453)	(84,192)	(302)	(84,494)
At 31 December 2018 (unaudited)	40,731	1,210,501	5,407	76	15,843	39,397	(625,605)	686,350	12,111	698,461
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)	40,731	1,210,501	5,407	76	15,843	34,008	(702,807)	603,759	13,476	617,235



# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 December 2019

	Six months ended 31 December	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(8,087)</b>	(30,253)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(3,974)	(341)
Proceeds from disposal of property, plant and equipment	421	—
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(3,553)</b>	(341)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from bank and other loans	6,991	17,000
Repayment of bank loans	(1,000)	—
Repayment of lease liabilities	(1,958)	—
<b>NET CASH GENERATED FROM FINANCING ACTIVITIES</b>	<b>4,033</b>	17,000
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(7,607)</b>	(13,594)
Effect of foreign exchange rate changes	25	98
Cash and cash equivalents at beginning of period	5,551	13,027
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>(2,031)</b>	(469)
<b>Analysis of cash and cash equivalents</b>		
Bank and cash balances	2,955	2,711
Bank overdrafts	(4,986)	(3,180)
	<b>(2,031)</b>	(469)



# NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 31 December 2019

## 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 Uglan 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 Room 2811, 28/F West Tower, Shun Tak Centre, 168–200 Connaught Road Central, 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 2019 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

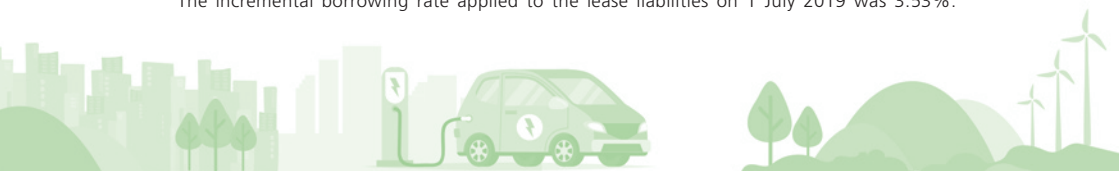
In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) that are relevant to its operations and effective for its accounting period beginning on 1 July 2019. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Interim Financial Statements and amounts reported for the current and prior periods except as stated below.

### HKFRS 16 “Leases”

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

	HK\$’000
<b>At 1 July 2019</b>	
Increase in right-of-use assets	2,973
Increase in lease liabilities	(2,973)

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



## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 31 December 2019

### 2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

#### HKFRS 16 “Leases” (Continued)

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

	HK\$'000
Operating lease commitment at 30 June 2019:	7,109
Less: Commitment relating to leases with a remaining lease term ending on or before 30 June 2020 and low-value assets	(4,076)
Discounting	(60)
	2,973

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

### 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 2019 (“2019 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 2019 Annual Report except as stated below.



## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 31 December 2019

### 3. BASIS OF PREPARATION (Continued)

#### Leases

##### *The Group as lessee*

Leases are recognised as right-of-use assets and corresponding lease liabilities when the leased assets are available for use by the Group. Right-of-use assets are stated at cost less accumulated depreciation and impairment losses. Depreciation of right-of-use assets is calculated at rates to write off their cost over the shorter of the asset's useful life and the lease term on a straight-line basis. The principal annual rate is as follows:

Land and buildings	10%–50%
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Right-of-use assets are measured at cost comprising the amount of the initial measurement of the lease liabilities, lease payments prepaid, initial direct costs and the restoration costs. Lease liabilities include the net present value of the lease payments discounted using the interest rate implicit in the lease if that rate can be determined, or otherwise the Group's incremental borrowing rate. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the lease liability.

Payments associated with short-term leases and leases of low-value assets are recognised as expenses in profit or loss on a straight-line basis over the lease terms. Short-term leases are leases with an initial lease term of 12 months or less. Low-value assets are assets of value below US\$5,000.

### 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.



## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 31 December 2019

### 4. FAIR VALUE MEASUREMENTS (Continued)

(a) Disclosures of level in fair value hierarchy at 31 December 2019:

Description	Fair value measurements using:			
	Level 1	Level 2	Level 3	Total
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Recurring fair value measurements:				
Biological assets	—	257,390	—	257,390
Investments at fair value through profit or loss	4,639	—	—	4,639
Investment properties in Hong Kong	—	200,000	—	200,000
Investment properties in the People's Republic of China (the "PRC")	—	71,368	—	71,368
Total recurring fair value measurements	4,639	528,758	—	533,397

Disclosures of level in fair value hierarchy at 30 June 2019:

Description	Fair value measurements using:			
	Level 1	Level 2	Level 3	Total
	HK\$'000 (Audited)	HK\$'000 (Audited)	HK\$'000 (Audited)	HK\$'000 (Audited)
Recurring fair value measurements:				
Biological assets	—	262,989	—	262,989
Investments at fair value through profit or loss	4,883	—	—	4,883
Investment properties in Hong Kong	—	200,000	—	200,000
Investment properties in the PRC	—	77,041	—	77,041
Total recurring fair value measurements	4,883	540,030	—	544,913





**NOTES TO THE CONDENSED FINANCIAL STATEMENTS***For the six months ended 31 December 2019***4. FAIR VALUE MEASUREMENTS (Continued)**

- (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 As at 31 December 2019 HK\$'000 (Unaudited)	Fair value As at 30 June 2019 HK\$'000 (Audited)
Biological assets	Market approach	Market price of poplar trees per cubic meter	257,390	262,989
Investment properties in Hong Kong	Direct comparison approach	Market price of car parking space	200,000	200,000
Investment properties in the PRC	Market approach and replacement cost approach	Land: market price per square meter; Buildings: replacement cost per square meter	71,368	77,041



## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 31 December 2019

### 5. REVENUE AND SEGMENT INFORMATION

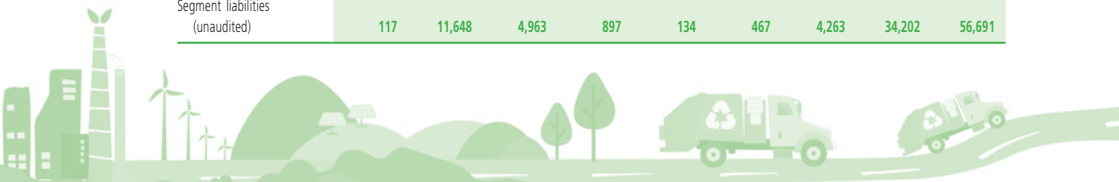
The Group's revenue mainly represents sales of recycled metals and motor vehicles and related accessories, loan interest income, rental income from car parking spaces and sales of golden flower tea products.

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	Trading of motor vehicles and related accessories	Property investment	Provision of financial services	Sales of golden flower tea products	Securities trading and investment	Sales of plantation materials and products	Others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>For the six months ended 31 December 2019</b>									
Revenue from external customers	6,617	28,930	1,902	1,742	144	28	—	—	39,363
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 31 December 2019</b>									
Segment assets (unaudited)	6,359	79,586	273,716	23,179	6,928	4,771	346,348	38,107	778,994
Segment liabilities (unaudited)	117	11,648	4,963	897	134	467	4,263	34,202	56,691



## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 31 December 2019

## 5. REVENUE AND SEGMENT INFORMATION (Continued)

	Trading of recycled metals HK\$'000 (Unaudited)	Trading of motor vehicles and related accessories HK\$'000 (Unaudited)	Property investment HK\$'000 (Unaudited)	Provision of financial services HK\$'000 (Unaudited)	Sales of golden flower tea products HK\$'000 (Unaudited)	Securities trading and investment HK\$'000 (Unaudited)	Sales of plantation materials and products HK\$'000 (Unaudited)	Others HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
<b>For the six months ended 31 December 2018</b>									
Revenue from external customers	34,440	24,288	1,942	1,251	17	—	—	—	61,938
Segment profit/(loss) comprising:	(4,852)	(2,519)	439	1,241	(4,331)	(8,301)	(50,831)	—	(69,154)
Loss arising from changes in fair value less costs to sell of biological assets	—	—	—	—	—	—	(48,404)	—	(48,404)
Fair value gain on investment properties	—	—	679	—	—	—	—	—	679
Depreciation and amortisation	(1,247)	(377)	—	—	(394)	—	(2,402)	—	(4,420)
Proceeds from disposal of listed securities	—	—	—	—	—	7,443	—	—	7,443
Costs of disposal of listed securities	—	—	—	—	—	(6,782)	—	—	(6,782)
Net unrealised losses on listed securities	—	—	—	—	—	(8,827)	—	—	(8,827)
<b>At 30 June 2019</b>									
Segment assets (audited)	13,302	76,241	278,361	25,051	7,041	4,989	355,879	—	760,864
Segment liabilities (audited)	182	6,975	3,686	611	10	467	4,250	—	16,181

## Reconciliations of reportable segment profit or loss:

	Six months ended 31 December	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Total loss of reportable segments	(16,115)	(69,154)
Other profit or loss:		
Finance costs	(948)	(279)
Income tax credit	114	12,375
Corporate and unallocated loss	(5,884)	(11,269)
Consolidated loss for the period	(22,833)	(68,327)



## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 31 December 2019

### 5. REVENUE AND SEGMENT INFORMATION (Continued)

#### Disaggregation of revenue from contracts with customers

	Six months ended 31 December 2019							
	Trading of recycled metals HK\$'000 (Unaudited)	Trading of motor vehicles and related accessories HK\$'000 (Unaudited)	Sales of golden flower tea products HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)				
					Trading of			
					motor			
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>				

	Six months ended 31 December 2018							
	Trading of recycled metals HK\$'000 (Unaudited)	Trading of motor vehicles and related accessories HK\$'000 (Unaudited)	Sales of golden flower tea products HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)				
					Trading of			
					motor			
Geographical markets								
The PRC	11,159	54	17	11,230				
Hong Kong	23,281	24,234	—	47,515				
	<b>34,440</b>	<b>24,288</b>	<b>17</b>	<b>58,745</b>				

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



**NOTES TO THE CONDENSED FINANCIAL STATEMENTS***For the six months ended 31 December 2019***6. FINANCE COSTS**

	<b>Six months ended 31 December</b>	
	<b>2019</b> <b>HK\$'000</b> <b>(Unaudited)</b>	2018 HK\$'000 (Unaudited)
Leases interests	<b>431</b>	—
Interest on bank loans and overdrafts	<b>517</b>	279
	<b>948</b>	279

**7. INCOME TAX CREDIT**

	<b>Six months ended 31 December</b>	
	<b>2019</b> <b>HK\$'000</b> <b>(Unaudited)</b>	2018 HK\$'000 (Unaudited)
Current tax — Hong Kong Profits Tax		
Provision for the period	<b>752</b>	326
Deferred tax	<b>(866)</b>	(12,701)
Income tax credit	<b>(114)</b>	(12,375)

Hong Kong Profits Tax has been provided at a rate of 16.5% (six months ended 31 December 2018: 16.5%) on the estimated assessable profits for the six months ended 31 December 2019.

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 2019 (six months ended 31 December 2018: Nil).



## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 31 December 2019

### 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\$23,333,000 (six months ended 31 December 2018: HK\$68,453,000) and the weighted average of 2,036,538,114 (six months ended 31 December 2018: 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 2019 and 2018.

### 9. INTERIM DIVIDEND

The directors have resolved not to declare an interim dividend for the six months ended 31 December 2019 (six months ended 31 December 2018: Nil).

### 10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 31 December 2019, the Group acquired property, plant and equipment of approximately HK\$4,071,000 (six months ended 31 December 2018: HK\$341,000).

### 11. TRADE AND OTHER RECEIVABLES

	As at 31 December 2019 HK\$'000 (Unaudited)	As at 30 June 2019 HK\$'000 (Audited)
Trade receivables	45,424	43,075
Less: provision for impairment loss	(8,062)	(2,725)
	37,362	40,350
Prepayments, deposits and other receivables	29,472	24,890
	66,834	65,240



**NOTES TO THE CONDENSED FINANCIAL STATEMENTS***For the six months ended 31 December 2019***11. TRADE AND OTHER RECEIVABLES (Continued)**

The Group's trading terms with customers are mainly on credit. The credit terms generally range from 30 to 90 (30 June 2019: 30 to 90) days. Each customer has a maximum credit limit. For new customers, payment in advance is normally required. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors.

The aging analysis of trade receivables, based on the invoice date, is as follows:

	<b>As at 31 December 2019 HK\$'000 (Unaudited)</b>	<b>As at 30 June 2019 HK\$'000 (Audited)</b>
0–90 days	12,132	19,293
91–180 days	11,760	16,560
181–360 days	12,465	3,664
Over 360 days	1,005	833
	<b>37,362</b>	<b>40,350</b>

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

	<b>As at 31 December 2019 HK\$'000 (Unaudited)</b>	<b>As at 30 June 2019 HK\$'000 (Audited)</b>
Balance at beginning of period/year	2,725	—
Impairment loss recognised	5,337	2,725
Balance at end of period/year	<b>8,062</b>	<b>2,725</b>

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.



## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 31 December 2019

### 12. LOANS RECEIVABLE

	As at 31 December 2019 HK\$'000 (Unaudited)	As at 30 June 2019 HK\$'000 (Audited)
Loan receivable, secured	1,000	1,000
Loans receivable, unsecured	20,219	22,092
Loan interests receivable, secured	11	1
Loan interests receivable, unsecured	1,943	1,873
	<b>23,173</b>	24,966
Analysed as:		
Current assets	20,004	18,692
Non-current assets	3,169	6,274
	<b>23,173</b>	24,966

The loans granted are interest bearing at 9%–20% (30 June 2019: 9%–20%) per annum. The loan period is generally 1 to 30 (30 June 2019: 1 to 36) months. Loan receivable of approximately HK\$1,000,000 (30 June 2019: HK\$1,000,000) is secured over watches (30 June 2019: 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, is as follows:

	As at 31 December 2019 HK\$'000 (Unaudited)	As at 30 June 2019 HK\$'000 (Audited)
0–90 days	6,277	17,943
181–360 days	10,087	6,653
Over 360 days	6,809	370
	<b>23,173</b>	24,966





## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

*For the six months ended 31 December 2019*

### 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 2019 (30 June 2019: 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.



## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 31 December 2019

### 14. TRADE AND OTHER PAYABLES

	<b>As at 31 December 2019 HK\$'000 (Unaudited)</b>	As at 30 June 2019 HK\$'000 (Audited)
Trade payables	4,821	2,160
Other payables and accruals	22,585	22,303
	<b>27,406</b>	24,463

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

	<b>As at 31 December 2019 HK\$'000 (Unaudited)</b>	As at 30 June 2019 HK\$'000 (Audited)
0–90 days	4,713	2,059
181–360 days	9	50
Over 360 days	99	51
	<b>4,821</b>	2,160



## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

*For the six months ended 31 December 2019*

### 15. SHARE-BASED PAYMENTS

#### Equity-settled share option scheme

The existing share option scheme of the Company was approved on 11 November 2015 (“Share Option Scheme”) (the 10% general limit under the said share option scheme has been refreshed pursuant to a resolution passed by the shareholders of the Company at the annual general meeting of the Company held on 11 November 2015). The purpose of the Share Option Scheme is to provide the Group with a flexible means of giving incentive to, rewarding, remunerating, and/or providing benefits to the participant and to provide the participant with the opportunity to acquire a personal stake in the Group and to build common objectives of the Group and the participant for the betterment of business and profitability of the Group and its shareholders as a whole.

The Board of Directors may, at their discretion, invite any participant to take up options. An option is deemed to have been granted and accepted by the grantee upon his or her signing the duplicate letter comprising acceptance of the option and paying HK\$1 by way of consideration for the grant thereof.

The subscription price for shares in the Company under the Share Option Scheme will be the highest of (i) the closing price of the shares in the Company as stated in the Stock Exchange’s daily quotations sheet on the offer date (which date must be a business day); (ii) a price being the average of the closing prices of the shares in the Company as stated in the Stock Exchange’s daily quotations sheets for the five business days immediately preceding the offer date; and (iii) the nominal value of a share of the Company.

The total number of shares in the Company which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company shall not in aggregate exceed 10% of the total number of shares in the Company in issue as at the date of approval of the Share Option Scheme. An option may be exercised during a period to be determined by the directors in its absolute discretion and in any such period shall not be longer than 10 years from the date upon which the option is granted.

The maximum entitlement for any one participant is that the total number of shares issued and to be issued upon exercise of the options granted to each participant under the Share Option Scheme in any 12-month period shall not exceed 1% of the total number of shares in issue of the Company. Any further grant of options in excess of the 1% limit shall be subject to shareholders’ approval in general meeting with such participant and his or her associates abstaining from voting. The Share Option Scheme will remain in force for a period of 10 years from the date upon which the option is deemed to be granted and accepted.



## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 31 December 2019

### 15. SHARE-BASED PAYMENTS (Continued)

#### Equity-settled share option scheme (Continued)

Details of share options are as follows:

Grantees	Date of grant	Exercise period	Exercise price per share (HK\$)	Number of share options
				Balance as at 1 July 2019 and 31 December 2019
Executive Directors	22 April 2016	22 April 2016–21 April 2026	0.2064	42,428,451
Executive Directors	5 June 2018	5 June 2018–4 June 2028	0.3170	9,900,000
Chief executive officer	22 April 2016	22 April 2016–21 April 2026	0.2064	14,142,817
Chief executive officer	5 June 2018	5 June 2018–4 June 2028	0.3170	2,800,000
Independent non-executive directors	5 June 2018	5 June 2018–4 June 2028	0.3170	3,000,000
An employee	22 April 2016	22 April 2016–21 April 2026	0.2064	14,142,817
Employees	5 June 2018	5 June 2018–4 June 2028	0.3170	18,800,000
Consultants	5 June 2018	5 June 2018–4 June 2028	0.3170	20,400,000
				125,614,085
Weighted average exercise price (HK\$)				0.2547



**NOTES TO THE CONDENSED FINANCIAL STATEMENTS***For the six months ended 31 December 2019***16. 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.

	<b>Six months ended 31 December</b>	
	<b>2019</b> <b>HK\$'000</b> <b>(Unaudited)</b>	2018 HK\$'000 (Unaudited)
Rental paid (note (i))	<b>1,058</b>	1,042
Sales to a related company (note (ii))	<b>5</b>	—

- (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**

	<b>Six months ended 31 December</b>	
	<b>2019</b> <b>HK\$'000</b> <b>(Unaudited)</b>	2018 HK\$'000 (Unaudited)
Directors' remuneration	<b>2,376</b>	2,301

**17. APPROVAL OF INTERIM FINANCIAL STATEMENTS**

The Interim Financial Statements were approved and authorised for issue by the Board of Directors on 28 February 2020.



# MANAGEMENT DISCUSSION AND ANALYSIS

## INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 31 December 2019 (2018: 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.

By way of a forestry management and undertaking agreement, the Group through its wholly-owned subsidiary acquired timber cutting right over a plantation land of approximately 30,000 mu (Chinese Mu) in Shihezi City, Xinjiang for a period of 30 years commencing on 1 July 2008. The Group had written to Regiment 142 of XPCC, which is the contracting party of the foresting management and undertaking agreement, asking for the annual harvest quota that we can be granted over a period of 10 years. We are of the view that without knowing the volume of timber we can legally harvest over a period of 10 years at the minimal, we are unable to do any realistic costs and return estimate alongside with other risks and uncertain factors advised. We are still waiting for the reply.

As to the investment properties at Dongguan City, they were affected by a new town zoning plan by which a new highway was mapped and part of the land would be used as or affected by an exit and its connected roads from the new highway to Shatian Town. Negotiations with the relevant government authorities are still undergoing.

The car parking spaces located in Kennedy Town, Hong Kong continued to contribute a stable source of revenue for the Group.

The wholesale business of motor accessories including "Pirelli" tyres and "Ohlins" vibes absorber remained stable. However, the sale of motor was still underperformed as affected by current uncertain local and international political and economic situations.



## MANAGEMENT DISCUSSION AND ANALYSIS

Continuously facing the shortage of supply of waste material due to the slow-down of local infrastructure projects and construction sites, metal recycle business was seriously affected with high cost of sourcing waste material. The Group is still looking for investment opportunities in locations outside Hong Kong to handle their domestic waste material.

The construction work of the hotel located in Nepal are close to final stage and the Group is working on to push the hotel business be commenced at the end of first quarter of 2020.

### Metal Recycle Business

Producer Responsibility Scheme on Waste Electrical and Electronic Equipment, slow-down of local infrastructure projects and construction sites affected our source of waste material. According to the publication by the Census and Statistics Department in June 2019, the gross value of construction works performed at private sector sites in the first quarter of 2019 was down by 16.6% in real terms over a year earlier and that at public sector site was, even worse, decreased by 28.3%. This has led to an increase in costs of sourcing wasted materials.

Furthermore, the tightened enforcement, regulations and policies for importation of recycled material especially into the PRC and Vietnam continued to affect our business and development of metal recycle business.

The Group is looking for opportunities of exporting recycled metal materials to other South East Asia countries to alleviate reliance on importation to the PRC market.

In addition, the Group has also been continuously exploring investment opportunities in locations outside Hong Kong to handle their domestic waste material.

For the six months ended 31 December 2019, the Group recorded revenue from recycled metal materials of approximately of HK\$6,617,000 (2018: approximately HK\$34,440,000).



## MANAGEMENT DISCUSSION AND ANALYSIS

### Motor and motor accessories business

During the period, the Group maintained business on sale of super car “BAC Mono”, classical motorcycle “Norton”, advanced vibes absorber “Ohlins” and leading prestige tyres “Pirelli”. In addition, the Group became the PRC and Hong Kong distributor of high-tech brake solutions “SBS” and the PRC and Hong Kong and Macau dealer of high-performance air filters “Sprint Filter”. The Group has also begun sale of used car.

In view of the current uncertain local and international political and economic situations and the beginning of a decline in the PRC and the Hong Kong economy, the trend towards luxury consumption has become cautious, and the decline in consumer sentiment has led to continued and persisted weakness in the retail market. In view of this, the Group will slow down the business on sale of motor car and motorcycle.

The Group will put more efforts and resources in the wholesale business of accessories. The wholesale business of accessories, especially “Pirelli” tyres is relatively stable as compared with sale of motor car and motorcycle. The management is reviewing the costs effectiveness of various leased premises used for shop, showroom and warehouse purposes and shall make reasonable adjustment if necessary.

For the six months ended 31 December 2019, revenue from motor and motor accessories business was approximately HK\$28,930,000 (2018: approximately HK\$24,288,000).

### Investment Properties

No business activity was engaged with the industrial development 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 2019, rental income was approximately HK\$1,902,000 (2018: approximately HK\$1,942,000).

### 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.





## MANAGEMENT DISCUSSION AND ANALYSIS

Benefited from the tightened policy of regulated financial institutes in relation to financial service provision, money lender plays an important role to provide financing to the market and the Group will balance its internal resources to different business segments and will continue to operate the money lending business with internally generated cash flow.

During the six months ended 31 December 2019, the Group recorded loan interest income of approximately HK\$1,742,000 (2018: approximately HK\$1,251,000) 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 2019 was approximately HK\$21,219,000 (30 June 2019: approximately HK\$23,092,000). During the period, the Group did not record any doubtful or bad debt in its money lending activities.

### Securities Trading and Investment Business

During the six months ended 31 December 2019, 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 2019, the Group recorded the net loss on fair value changes on investments at fair value through profit or loss of approximately HK\$244,000 (2018: approximately HK\$8,166,000).



## MANAGEMENT DISCUSSION AND ANALYSIS

As at 31 December 2019, the Group held approximately HK\$4,639,000 investments at fair value through profit or loss (30 June 2019: approximately HK\$4,883,000). Details of the investments are as follows:

Stock Name	Note	Stock Code	Place of incorporation	Net unrealised losses on listed securities	Market value	Approximate percentage of equity investments at fair value through profit and loss	Approximate percentage to the net assets of the Group
				HK\$'000	HK\$'000	%	%
CHINA FORTUNE FINANCIAL GROUP LTD	1	290	Cayman Islands	(80.5)	678.5	14.6	0.11
DINGYI GROUP INVESTMENT LTD	2	508	Bermuda	(217.6)	374.4	8.1	0.06
WAI CHUN GROUP HOLDINGS LTD	3	1013	Bermuda	269.4	2,514.4	54.2	0.40
HANG SANG (SIU PO) INTERNATIONAL HOLDING CO. LTD	4	3626	Cayman Islands	(209.4)	407.5	8.8	0.07
CHINESE STRATEGIC HOLDINGS LIMITED	5	8089	Bermuda	(5.4)	664.2	14.3	0.11
				(243.5)	4,639.0	100.0	0.75

### Notes:

- China Fortune Financial Group Limited is a Hong Kong-based investment holding company principally engaged in financial businesses. The Company operates through five segments. The Brokerage and Margin Financing segment is engaged in securities businesses and margin financing in Hong Kong. The Proprietary Trading segment is engaged in the proprietary trading of securities. The Corporate Finance segment is engaged in the provision of corporate finance services in Hong Kong. The Money Lending and Factoring segment is engaged in the provision of money lending and factoring services in Hong Kong. The Consultancy and Insurance segment is engaged in the provision of consultancy services and insurance brokerage services in Hong Kong. No dividend was received for the six months ended 31 December 2019. According to its latest published financial statements, it had a net asset value of approximately HK\$368,934,000 as at 30 September 2019.



## MANAGEMENT DISCUSSION AND ANALYSIS

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 2019. According to its latest published financial statements, it had a net asset value of approximately HK\$1,336,596,000 as at 30 September 2019.
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 2019. According to its latest published financial statements, it had a net liability value of approximately HK\$180,472,000 as at 30 September 2019.
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. Cash dividend of approximately HK\$28,000 was received for the six months ended 31 December 2019. According to its latest published financial statements, it had a net asset value of approximately HK\$93,426,000 as at 30 June 2019.
5. Chinese Strategic Holdings Limited is a Hong Kong-based investment holding company principally engaged in the financing business. The Company operates through three business segments. The Properties Investments segment is engaged in the investment in properties for rental income. The Securities Trading segment is engaged in the trading of securities and dividend income from investments held for trading. The Loan Financing segment is engaged in the provision of financing services. No dividend was received for the six months ended 31 December 2019. According to its latest published financial statements, it had a net asset value of approximately HK\$226,252,000 as at 30 June 2019.



## MANAGEMENT DISCUSSION AND ANALYSIS

### Green Technology

There was no revenue on the green technology for the six months ended 31 December 2019 (2018: Nil).

### Golden Flower Tea Products

In May 2018, the Group had secured an exclusive right from 廣東南多萬金農業發展有限公司 for the distribution and sale of products associated with its golden flower plantation for a period of 30.6 years.

In view of the spending behavior of the PRC consumption market, the first batch of products has been launched in the market through online sales platform 京東 (www.jd.com) as a pilot point and the Group has engaged 廣東騰南網絡信息科技有限公司 (a subsidiary of Shenzhen Tencent Computer System Company Limited) to launch the promotion programs. In addition, the Group sponsored various events in both the PRC and Hong Kong to enhance the exposure of golden flower tea products.

Although people became more focus on physical health, the market acceptance of new health products was lower; and the products penetration to the market was out of expectation.

For the six months ended 31 December 2019, the Group recorded a revenue from the sale of golden flower tea of approximately HK\$144,000 (2018: approximately HK\$17,000).

### Plantation Sales Business

The Group has timber cutting right on trees grow on the Plantation Land with which the Group is working prudently to find the best possible use of it. The Group should cautiously consider the actual economic return after thoroughly studying all risks and uncertain factors before making any investment decision.

For the six months ended 31 December 2019, there was no revenue generated from plantation sales business (2018: Nil).



## MANAGEMENT DISCUSSION AND ANALYSIS

### PROSPECTS

Hong Kong is facing the biggest social, political and economic crisis ever since the time she was at war. It started when the extradition bill was introduced in April with the first clash between police and protesters on 12 June 2019 and, ever since, clashes had become more frequent and more violent with injuries become common during each encounter and scores of people arrested. The central government has, after staying quiet initially, condemned the Hong Kong protests and rightly taken a hardening approach with warning of “stop the storm and restore order”. The demonstrations, protests, confrontations and clashes have drawn international attention with the USA Congress pressing an interference and passed “the Hong Kong Human Right and Democracy Act 2019” and is now a federal law after it was signed by her President. Hong Kong’s political uncertainty has been escalating since June and, sadly, so far there is no light at the end of the tunnel.

This crisis has a tremendous negative impact on the Hong Kong economy. The economic environment has markedly deteriorated. Fitch Ratings downgraded the outlook for the Hong Kong’s sovereign rating from stable to negative with Fitch Ratings also downgraded Hong Kong’s long-term foreign currency issuer default rating to “AA” from “AA+”. On 20 January 2020, Moody’s Investors Service downgraded the long term issuer and senior unsecured ratings of the government of Hong Kong to Aa3 from Aa2 and changed the outlook to stable from negative. The crisis hits Hong Kongers on all walks of life and all industries across the board. Disrupted activity and downbeat sentiment are seen causing GDP to grow at the slowest pace since 2009. The Hong Kong economy saw an abrupt deterioration in the third quarter of 2019, contracting by 2.9% from a year earlier, the first year-on-year contraction since 2009. Hong Kong economy has entered a recession.

The outlook for the Hong Kong economy in 2020 is subject to high uncertainties, including those stemming from the pace of global economic recovery, PRC-USA trade relations and local social incidents. It also depends much on the development of the novel coronavirus infection in the PRC, Hong Kong and Asia, which could further weigh on economic sentiment, consumption and tourism related activities and economic performance of some Asian economies. More importantly, it will have a huge negative impact on the PRC economies which definitely affects Hong Kong and the world.

With this in mind, the management of the Group has continued reviewing all its existing business closely and strived to improve all business operations and maximise their profitability to better the financial position of the Group.



## MANAGEMENT DISCUSSION AND ANALYSIS

The Group has entered into a lease agreement for a premises at Kathmandu in Nepal to operate a hotel with food and beverages outlets. Nepal is a developing country and the leading hiking destination for hiking lovers around the world. She has recovered from the 2015 earthquake and her economy, especially her tourism industry, has an impressive growth. Some of our directors have extensive experience in hotel operations and we are optimistic of this new stream of business will bring a stable return to the Group. In the worse of time there is the best of time. The Group will also devote more efforts and resources to business diversification and locate sustainable investments when opportunities arise to boarded its source of income and to enhance value of the shares of the Company.

### FINANCIAL REVIEW

For the six months ended 31 December 2019, turnover of the Group decreased by 36.4% to approximately HK\$39,363,000 (2018: approximately HK\$61,938,000) and gross profit of the Group increased by 36.1% to approximately HK\$10,128,000 (2018: approximately HK\$7,444,000). Loss for the six months ended 31 December 2019 decreased to approximately HK\$22,833,000 as compared to loss of approximately HK\$68,327,000 of last corresponding period. The decrease in turnover was due to the decrease in sale of waste recycled metal. The increase in gross profit was due to the change in product mix. The decrease in loss for the period was mainly due to the decrease in administrative and operating expenses, 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 2019, basic and diluted loss per share were HK1.15 cents (2018: HK3.36 cents). Loss from changes in fair value of biological assets was approximately HK\$1,121,000 (2018: approximately HK\$48,404,000). Fair value loss on investment properties was approximately HK\$4,343,000 (2018: gain approximately HK\$679,000).

For the six months ended 31 December 2019, the finance costs were approximately HK\$948,000 (2018: approximately HK\$279,000).



## MANAGEMENT DISCUSSION AND ANALYSIS

Administrative expenses from operations for the six months ended 31 December 2019 decreased to approximately HK\$21,829,000 (2018: approximately HK\$32,604,000). It included major items such as amortisation of intangible assets of approximately HK\$2,444,000, salaries and directors' emoluments of approximately HK\$7,604,000 and operating lease charges on land and buildings of approximately HK1,965,000. Income tax credit was recorded at approximately HK\$114,000 (2018: approximately HK\$12,375,000). Exchange loss on translating foreign operations was recorded at approximately HK\$5,861,000 (2018: approximately HK\$16,167,000).

### LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2019, the total assets of the Group were approximately HK\$803,247,000 (30 June 2019: approximately HK\$785,764,000), including cash and bank balances of approximately HK\$2,955,000 (30 June 2019: approximately HK\$5,551,000).

The Group's total borrowings as at 31 December 2019 were approximately HK\$32,943,000 (30 June 2019: HK\$22,000,000). The Group's gearing ratio (which was expressed as a percentage of total borrowings over total equity) was 5.3% as at 31 December 2019 (30 June 2019: 3.4%).

As at 31 December 2019, the Group's net assets amounted to approximately HK\$617,235,000 (30 June 2019: approximately HK\$645,929,000).

The directors of the Company are of the view that the Group has sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due in the foreseeable future.

### CAPITAL COMMITMENT

As at 31 December 2019, there was no material capital commitment.

### CAPITAL RAISING AND EXPENDITURE

During the six months period ended 31 December 2019, the Group did not have any capital raising activity (2018: Nil).

### SHARE CAPITAL

As at 31 December 2019, the total number of issued shares capital of the Company comprised 2,036,538,114 ordinary shares of HK\$0.02 each (30 June 2019: 2,036,538,114 ordinary shares of HK\$0.02 each).



## MANAGEMENT DISCUSSION AND ANALYSIS

### MAJOR ACQUISITION AND DISPOSAL

Save as disclosed above, during the six months ended 31 December 2019, there was no material acquisition or disposal of subsidiaries or associated corporation of the Company (2018: Nil).

### EMPLOYMENT AND REMUNERATION POLICY

As at 31 December 2019, the Group had 46 (30 June 2019: 53) employees. The Group implements remuneration policy, bonus and share option scheme to ensure that pay scales of its employees are rewarded on a performance related basis within the general framework of the Group's remuneration.

### CHARGES ON THE GROUP ASSETS

As at 31 December 2019, the car parking spaces with aggregate carrying amount of HK\$200,000,000 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 2019: HK\$200,000,000).

### 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 2019. The Group has transactional currency exposures. Such exposures arise from the business operations in the PRC denominated in RMB. As at 31 December 2019, 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 2019, the directors of the Company are not aware of any material contingent liabilities. (30 June 2019: Nil).





## MANAGEMENT DISCUSSION AND ANALYSIS

### DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2019, the interests and short positions held by each Director and chief executive of the Company and their associates in shares, underlying shares or debentures of the Company or any of its associated corporation, if any, (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company under Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 of the Listing Rules were as follows:

#### Long positions in shares and underlying shares of the Company

Name of Director	Capacity in which interests are held	Interests in shares	Interests under equity derivatives	Total interests	Number of shares/underlying shares held in the Company	
					Total interests as to % to the issued share capital as at 31 December 2019	(Note)
Mr. Yeung Chi Hang	Beneficial owner	399,384,000	16,942,817	416,326,817	20.44%	
Mr. Chung Siu Wah	Beneficial owner	—	16,942,817	16,942,817	0.83%	
Mr. Chik To Pan	Beneficial owner	—	16,942,817	16,942,817	0.83%	
Mr. Wong Po Keung	Beneficial owner	—	16,942,817	16,942,817	0.83%	
Mr. Leung Kwong Choi	Beneficial owner	—	1,500,000	1,500,000	0.07%	
Mr. Ong Chi King	Beneficial owner	—	1,000,000	1,000,000	0.05%	
Mr. Wong Kwai Sang	Beneficial owner	—	1,000,000	1,000,000	0.05%	
Mr. Heung Chi Hang, Eric	Beneficial owner	—	1,000,000	1,000,000	0.05%	

*Note:* The percentage of shareholding was calculated on the basis of the Company's issued share capital of 2,036,538,114 shares as at 31 December 2019.

Save as disclosed above, as at 31 December 2019, none of the Directors, chief executive of the Company or their respective associates had any other personal, family, corporate and other interests or short positions in shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.



## MANAGEMENT DISCUSSION AND ANALYSIS

### SUBSTANTIAL SHAREHOLDERS

As at 31 December 2019, the following persons were interested or had short positions in more than 5% of shares and underlying shares of the Company or its subsidiaries according to the register required to be kept under section 336 of the SFO as follows:

Name of Shareholder	Capacity in which interests are held	Number of shares/underlying shares held in the Company			Total interests	Total interests as to % to the issued share capital as at 31 December 2019 (Note)
		Interests in shares	Interests under equity derivatives			
Mr. Yeung Chi Hang	Beneficial owner	399,384,000	16,942,817		416,326,817	20.44%
Mr. Chu Ying Man	Beneficial owner	135,000,000	—		135,000,000	6.63%

*Note:* The percentage of shareholding was calculated on the basis of the Company's issued share capital of 2,036,538,114 shares as at 31 December 2019.

### SHARE OPTION SCHEME

The shareholders of the Company approved the adoption of a new share option scheme on 11 November 2015 (the "2015 Share Option Scheme"). The purpose of the 2015 Share Option Scheme is to provide the Group with a flexible means of giving incentive to, rewarding, remunerating and or providing benefits to the eligible persons and to provide the eligible persons with all opportunity to acquire a personal stake in the Group and to build common objectives of the Group and the eligible persons for the betterment of business and profitability of the Group and the Shareholders as a whole. The 2015 Share Option Scheme shall be valid and effective for a period of 10 years from its adoption. An ordinary resolution was passed at the extraordinary general meeting held on 29 July 2016 to refresh the scheme mandate limit under the 2015 Share Option Scheme. Based on 1,697,138,114 shares in issue of the Company as at the date of passing the ordinary resolution, the Company can grant further options under the 2015 Share Option Scheme for subscription of up to a total of 169,713,811 shares, representing 10% of the shares in issue of the Company as at the date of passing the ordinary resolution and 8.33% of the shares in issue of the Company as at the date of this report. The details of the 2015 Share Option Scheme and valuation of options are set out in Note 15 to the condensed consolidated financial statements.



## MANAGEMENT DISCUSSION AND ANALYSIS

The following table set out movements in the Company's share options granted under the 2015 Share Option Scheme during the six months ended:

Capacity	Date of Grant	Exercise price	Exercisable period	Number of share options					As at 31 December 2019
				As at 1 July 2019	Granted	Exercised	Cancelled	Lapsed	
<b>Director</b>									
Yeung Chi Hang	22 April 2016	0.2064	22 April 2016– 21 April 2026	14,142,817	—	—	—	—	14,142,817
	5 June 2018	0.317	5 June 2018– 4 June 2028	2,800,000	—	—	—	—	2,800,000
Chung Siu Wah	22 April 2016	0.2064	22 April 2016– 21 April 2026	14,142,817	—	—	—	—	14,142,817
	5 June 2018	0.317	5 June 2018– 4 June 2028	2,800,000	—	—	—	—	2,800,000
Chik To Pan	22 April 2016	0.2064	22 April 2016– 21 April 2026	14,142,817	—	—	—	—	14,142,817
	5 June 2018	0.317	5 June 2018– 4 June 2028	2,800,000	—	—	—	—	2,800,000
Wong Poi Keung	22 April 2016	0.2064	22 April 2016– 21 April 2026	14,142,817	—	—	—	—	14,142,817
	5 June 2018	0.317	5 June 2018– 4 June 2028	2,800,000	—	—	—	—	2,800,000
Leung Kwong Choi	5 June 2018	0.317	5 June 2018– 4 June 2028	1,500,000	—	—	—	—	1,500,000
<b>Independent non-executive director</b>									
Ong Chi King	5 June 2018	0.317	5 June 2018– 4 June 2028	1,000,000	—	—	—	—	1,000,000
Wong Kwai Sang	5 June 2018	0.317	5 June 2018– 4 June 2028	1,000,000	—	—	—	—	1,000,000
Heung Chi Hang, Eric	5 June 2018	0.317	5 June 2018– 4 June 2028	1,000,000	—	—	—	—	1,000,000
<b>Employees and others</b>									
An employee	22 April 2016	0.2064	22 April 2016– 21 April 2026	14,142,817	—	—	—	—	14,142,817
Employees and others	5 June 2018	0.317	5 June 2018– 4 June 2028	39,200,000	—	—	—	—	39,200,000
				125,614,085	—	—	—	—	125,614,085



## MANAGEMENT DISCUSSION AND ANALYSIS

The closing price of the Company's shares immediately before the date of grant of the options was HK\$0.202 for the option expiring 21 April 2026, HK\$0.320 for the option expiring 4 June 2018, respectively. As at 31 December 2019, options to subscribe for an aggregate of 125,614,085 shares of the Company were outstanding, representing 6.17% of the shares in issue of the Company as at the date of this report. No option was granted, exercised, cancelled or lapsed during the period.

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

During the six months ended 31 December 2019, 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 2019, 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.



## MANAGEMENT DISCUSSION AND ANALYSIS

Code provision E.1.2 of the CG Code stipulates that the chairman of the board should attend the annual general meeting. Mr. Yeung Chi Hang was unable to attend the annual general meeting of the Company held on 11 November 2019 due to business trips. Mr. Wong Po Keung, an executive director, was elected and acted as chairman of the said annual general meeting.

### DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code 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 2019.

### 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 2019. 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.

### DISCLOSURE OF DIRECTORS' INFORMATION UNDER RULE 13.51B(1) OF THE LISTING RULES

Mr. Ong Chi King, resigned as an executive director of Deson Construction International Holdings Limited (stock code: 8268), the shares of which are listed on the Growth Enterprise Market of the Stock Exchange with effect from 29 July 2019.

Mr. Leung Kwong Choi, was appointed as an independent non-executive director of Rainbow Department Store Co., Ltd. (stock code: 002419 SZ), the shares of which are listed on the Shenzhen Stock Exchange with effect from 19 September 2019.

By Order of the Board  
**China Environmental Resources Group Limited**  
**YEUNG CHI HANG**

*Chairman and Chief Executive Officer*

Hong Kong, 28 February 2020

