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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 2021**

The board of directors (the “Board”) of China Environmental Resources Group Limited (the “Company”) announces the annual audited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 30 June 2021 together with comparative figures for the year ended 30 June 2020.

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

*For the year ended 30 June 2021*

	<i>Notes</i>	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Revenue</b>	<i>3</i>	<b>77,878</b>	75,406
Cost of sales		<u><b>(58,011)</b></u>	<u>(56,620)</u>
<b>Gross profit</b>		<b>19,867</b>	18,786
Other income	<i>5</i>	<b>2,739</b>	964
Administrative and operating expenses		<b>(41,210)</b>	(45,001)
Fair value gain/(loss) on investment properties		<b>1,900</b>	(15,322)
Loss arising from changes in fair value less costs to sell of biological assets		<b>(8,245)</b>	(4,814)
Net loss on fair value changes on investments at fair value through profit or loss		<b>(4,733)</b>	(2,914)
Provision for impairment loss of right-of-use assets		<b>(9,549)</b>	—
Provision for impairment loss of intangible assets		<b>(3,800)</b>	—
Provision for impairment loss of inventories		<b>(404)</b>	—
Provision for impairment loss of receivables		<u><b>(4,152)</b></u>	<u>(6,337)</u>
<b>Loss from operations</b>		<b>(47,587)</b>	(54,638)
Finance costs	<i>6</i>	<u><b>(2,469)</b></u>	<u>(2,144)</u>
<b>Loss before tax</b>		<b>(50,056)</b>	(56,782)
Income tax credit	<i>7</i>	<u><b>1,114</b></u>	<u>1,008</u>
<b>Loss for the year</b>	<i>8</i>	<b>(48,942)</b>	(55,774)
<b>Other comprehensive income/(loss) after tax:</b>			
<i>Item that may be reclassified to profit or loss:</i>			
Exchange differences on translation of foreign operations		<u><b>30,913</b></u>	<u>(12,423)</u>
<b>Other comprehensive income/(loss) for the year, net of tax</b>		<u><b>30,913</b></u>	<u>(12,423)</u>
<b>Total comprehensive loss for the year</b>		<u><u><b>(18,029)</b></u></u>	<u><u>(68,197)</u></u>

	<i>Notes</i>	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Loss for the year attributable to:</b>			
Owners of the Company		<b>(46,102)</b>	(55,558)
Non-controlling interests		<b>(2,840)</b>	(216)
		<u><b>(48,942)</b></u>	<u>(55,774)</u>
<b>Total comprehensive loss for the year attributable to:</b>			
Owners of the Company		<b>(16,058)</b>	(67,610)
Non-controlling interests		<b>(1,971)</b>	(587)
		<u><b>(18,029)</b></u>	<u>(68,197)</u>
<b>Loss per share</b>			
	<i>9</i>		
Basic (HK cents per share)		<u><b>(2)</b></u>	<u>(3)</u>
Diluted (HK cents per share)		<u><b>(2)</b></u>	<u>(3)</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30 June 2021*

	<i>Notes</i>	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		7,740	10,203
Right-of-use assets		21,716	28,057
Investment properties		267,534	259,002
Biological assets	<i>11</i>	264,209	248,759
Intangible assets		89,893	90,792
Goodwill		1,087	1,087
Investments at fair value through profit or loss	<i>13</i>	17,203	—
Loans receivable		—	3,380
		<b>669,382</b>	<b>641,280</b>
<b>Current assets</b>			
Inventories		25,264	22,804
Trade and other receivables	<i>12</i>	60,728	66,859
Loans receivable		12,142	14,808
Investments at fair value through profit or loss	<i>13</i>	1,129	1,696
Refundable secured deposit		12,000	12,000
Bank and cash balances		19,005	2,951
		<b>130,268</b>	<b>121,118</b>
<b>Current liabilities</b>			
Trade and other payables	<i>14</i>	32,987	31,723
Contract liabilities		6,700	4,834
Lease liabilities		10,948	4,085
Borrowings		71,787	26,000
Bank overdrafts		—	3,679
Current tax liabilities		2,867	3,115
		<b>125,289</b>	<b>73,436</b>
<b>Net current assets</b>		<b>4,979</b>	<b>47,682</b>
<b>Total assets less current liabilities</b>		<b>674,361</b>	<b>688,962</b>

	<i>Notes</i>	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Non-current liabilities</b>			
Lease liabilities		<b>26,600</b>	26,310
Borrowings		—	1,500
Deferred tax liabilities		<b>88,060</b>	83,420
		<u><b>114,660</b></u>	<u>111,230</u>
<b>NET ASSETS</b>		<u><b>559,701</b></u>	<u>577,732</u>
<b>Capital and reserves</b>			
Share capital	<i>15</i>	<b>40,731</b>	40,731
Reserves		<b>508,364</b>	524,427
		<u><b>549,095</b></u>	<u>565,158</u>
Equity attributable to owners of the Company		<b>549,095</b>	565,158
Non-controlling interests		<b>10,606</b>	12,574
		<u><b>559,701</b></u>	<u>577,732</u>
<b>TOTAL EQUITY</b>		<u><b>559,701</b></u>	<u>577,732</u>

## NOTES

### 1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of biological assets which are carried at their fair values less costs to sell, and investment properties and investments at fair value through profit or loss which are carried at their fair values. The consolidated financial statements are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand except when otherwise indicated.

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

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 July 2020. HKFRSs comprise Hong Kong Financial Reporting Standards (“HKFRS”), Hong Kong Accounting Standards (“HKAS”), and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s consolidated financial statements and amounts reported for the current year and prior years.

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

### 3. REVENUE

	2021 <i>HK\$’000</i>	2020 <i>HK\$’000</i>
Trading of recycled metals	13,117	12,862
Trading of motor vehicles and related accessories	58,495	55,737
Sales of golden flower tea products	—	144
	<hr/>	<hr/>
Revenue from contracts with customers	71,612	68,743
Rental income	4,036	3,696
Loan interest income	2,230	2,939
Dividend income	—	28
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Total revenue	<u>77,878</u>	<u>75,406</u>

Disaggregation of revenue from contracts with customers for year ended 30 June 2021:

	Trading of recycled metals <i>HK\$'000</i>	Trading of motor vehicles and related accessories <i>HK\$'000</i>	Sales of golden flower tea products <i>HK\$'000</i>
<b>Geographical markets</b>			
Mainland China	—	6,015	—
Hong Kong	13,117	51,773	—
Macau	—	707	—
	<u>13,117</u>	<u>58,495</u>	<u>—</u>

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

	Trading of recycled metals <i>HK\$'000</i>	Trading of motor vehicles and related accessories <i>HK\$'000</i>	Sales of golden flower tea products <i>HK\$'000</i>
<b>Geographical markets</b>			
Mainland China	—	1,769	144
Hong Kong	12,862	53,151	—
Macau	—	817	—
	<u>12,862</u>	<u>55,737</u>	<u>144</u>

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

#### Sales of goods

The Group sells recycled metals, motor vehicles and related accessories to the customers. Sales are recognised when control of the products has transferred, being when the products are delivered to a customer, there is no unfulfilled obligation that could affect the customer's acceptance of the products and the customer has obtained legal titles to the products.

Sales to customers are normally made with credit terms of 30 to 90 days. For new customers, payment in advance or cash on delivery is normally required. Deposits received are recognised as contract liabilities.

A receivable is recognised when the products are delivered to the customers as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

#### 4. SEGMENT INFORMATION

The Group has seven reportable segments as follows:

- (i) Trading of recycled metals
- (ii) Trading of motor vehicles and related accessories
- (iii) Property investment
- (iv) Provision of financial services
- (v) Sales of golden flower tea products
- (vi) Securities trading and investment
- (vii) Sales of plantation materials and products

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies.

Segment profits or losses do not include finance costs and income tax credit. Segment assets do not include goodwill and refundable secured deposit. Segment liabilities do not include deferred tax liabilities, borrowings and bank overdrafts.



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

	Trading of recycled metals <i>HK\$'000</i>	Trading of motor vehicles and related accessories <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Provision of financial services <i>HK\$'000</i>	Sales of golden flower tea products <i>HK\$'000</i>	Securities trading and investment <i>HK\$'000</i>	Sales of plantation materials and products <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Year ended 30 June 2021</b>									
Revenue from external customers	13,117	58,495	4,036	2,230	—	—	—	—	77,878
Segment (loss)/profit comprising:	(2,231)	410	4,228	(2,613)	(4,099)	(585)	(13,281)	(14,027)	(32,198)
Loss arising from changes in fair value less costs to sell of biological assets	—	—	—	—	—	—	(8,245)	—	(8,245)
Fair value gain on investment properties	—	—	1,900	—	—	—	—	—	1,900
Depreciation and amortisation	(3,161)	(633)	(174)	—	(206)	—	(4,969)	(3,573)	(12,716)
Net loss on fair value changes on investments at fair value through profit or loss	—	(4,166)	—	—	—	(567)	—	—	(4,733)
Provision for impairment loss of intangible assets	—	—	—	—	(3,800)	—	—	—	(3,800)
Provision for impairment loss of inventories	—	(404)	—	—	—	—	—	—	(404)
Provision for impairment loss of receivables	—	—	—	(4,152)	—	—	—	—	(4,152)
Provision for impairment loss of right-of-use assets	—	—	—	—	—	—	—	(9,549)	(9,549)
<b>At 30 June 2021</b>									
Segment assets	7,834	108,171	268,297	14,326	2,755	1,183	352,842	23,973	779,381
Segment liabilities	3,626	18,340	7,040	1,759	170	467	1,992	33,292	66,686
<b>Year ended 30 June 2020</b>									
Revenue from external customers	12,862	55,737	3,696	2,939	144	28	—	—	75,406
Segment (loss)/profit comprising:	(10,526)	2,723	(14,882)	2,893	(383)	(2,895)	(9,565)	(4,425)	(37,060)
Loss arising from changes in fair value less costs to sell of biological assets	—	—	—	—	—	—	(4,814)	—	(4,814)
Fair value loss on investment properties	—	—	(15,322)	—	—	—	—	—	(15,322)
Depreciation and amortisation	(1,908)	(953)	(2,078)	—	(206)	—	(4,693)	(2,917)	(12,755)
Proceeds from disposal of listed securities	—	—	—	—	—	273	—	—	273
Costs of disposal of listed securities	—	—	—	—	—	(670)	—	—	(670)
Net unrealised losses on listed securities	—	—	—	—	—	(2,517)	—	—	(2,517)
Provision for impairment loss of receivables	(6,337)	—	—	—	—	—	—	—	(6,337)
<b>At 30 June 2020</b>									
Segment assets	5,069	78,531	260,311	18,208	6,750	1,750	333,694	36,242	740,555
Segment liabilities	438	13,077	4,225	623	135	467	4,816	33,389	57,170

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Revenue:</b>		
Total revenue of reportable segments	<u>77,878</u>	<u>75,406</u>
<b>Loss:</b>		
Total loss of reportable segments	(32,198)	(37,060)
Other profit or loss:		
Finance costs	(2,469)	(2,144)
Income tax credit	1,114	1,008
Corporate and unallocated items	<u>(15,389)</u>	<u>(17,578)</u>
Consolidated loss for the year	<u>(48,942)</u>	<u>(55,774)</u>
<b>Assets:</b>		
Total assets of reportable segments	779,381	740,555
Goodwill	1,087	1,087
Refundable secured deposit	12,000	12,000
Corporate and unallocated assets	<u>7,182</u>	<u>8,756</u>
Consolidated total assets	<u>799,650</u>	<u>762,398</u>
<b>Liabilities:</b>		
Total liabilities of reportable segments	66,686	57,170
Deferred tax liabilities	88,060	83,420
Borrowings and bank overdrafts	71,787	31,179
Corporate and unallocated liabilities	<u>13,416</u>	<u>12,897</u>
Consolidated total liabilities	<u>239,949</u>	<u>184,666</u>

Geographical information:

	Revenue		Non-current assets	
	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Mainland China	6,015	1,913	430,333	408,560
Hong Kong	71,156	72,676	218,323	199,666
Macau	707	817	—	—
Nepal	—	—	20,726	33,054
	<u>77,878</u>	<u>75,406</u>	<u>669,382</u>	<u>641,280</u>

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

Revenue from major customers:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Trading of motor vehicles and related accessories</b>		
Customer A	<u>41,433</u>	<u>36,341</u>

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

**5. OTHER INCOME**

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Sponsor income	1,049	393
Government subsidy	1,233	260
Others	<u>457</u>	<u>311</u>
	<u>2,739</u>	<u>964</u>

**6. FINANCE COSTS**

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interest on bank loans and overdrafts	1,175	1,151
Interest on other loan	160	—
Leases interests	<u>1,134</u>	<u>993</u>
	<u>2,469</u>	<u>2,144</u>

## 7. INCOME TAX CREDIT

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current tax — Hong Kong Profits Tax		
Provision for the year	1,371	1,401
Under/(over)-provision in prior years	<u>791</u>	<u>(40)</u>
	2,162	1,361
Current tax — The People's Republic of China (the "PRC")		
Enterprise Income Tax	17	—
Deferred tax	<u>(3,293)</u>	<u>(2,369)</u>
Income tax credit	<u><u>(1,114)</u></u>	<u><u>(1,008)</u></u>

Under the two-tiered Profits Tax regime, the first HK\$2 million of profits of the qualifying group entity established in Hong Kong will be taxed at 8.25%, and profits above that amount will be subject to the tax rate of 16.5%. The profits of the group entities not qualifying for the two-tiered Profit Tax rate regime will continue to be taxed at a rate of 16.5%.

Profits of the group entities established in Mainland China will be taxed at the PRC Enterprise Income Tax rate of 25% (2020: 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.

Reconciliation between income tax credit and the product of loss before tax multiplied by the PRC Enterprise Income Tax rate is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Loss before tax	<u>(50,056)</u>	<u>(56,782)</u>
Tax calculated at applicable tax rate of 25% (2020: 25%)	(12,514)	(14,196)
Effect of different tax rates of the subsidiaries	1,796	3,074
Tax effect of expenses that are not deductible	4,734	7,060
Tax effect of income that are not taxable	(518)	(17)
Tax effect of temporary differences not recognised	726	1,106
Tax effect of utilisation of tax losses not previously recognised	(8)	(12)
Tax reduction	(293)	(165)
Under/(over)-provision in prior years	791	(40)
Tax effect of tax losses not recognised	<u>4,172</u>	<u>2,182</u>
Income tax credit	<u><u>(1,114)</u></u>	<u><u>(1,008)</u></u>

## 8. LOSS FOR THE YEAR

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Amortisation of intangible assets	5,133	4,866
Auditor's remuneration	1,000	980
Depreciation	9,308	9,976
Loss on disposals of property, plant and equipment	81	794
Direct operating expenses of investment properties that generate rental income	310	348
Direct operating expenses of investment properties that did not generate rental income	510	488
Expenses related to short-term leases	1,604	3,052
Staff costs (including directors' remuneration):		
— salaries, bonuses and allowances	13,249	15,014
— retirement benefit scheme contributions	347	404
	<u>13,596</u>	<u>15,418</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\$46,102,000 (2020: HK\$55,558,000) and the weighted average number of ordinary shares of 2,036,538,114 (2020: 2,036,538,114) in issue during the year.

### Diluted loss per share

The effects of all potential ordinary shares are anti-dilutive for the years ended 30 June 2021 and 2020.

## 10. DIVIDENDS

The directors do not recommend or declare the payment of any dividend in respect of the years ended 30 June 2021 and 2020.

## 11. BIOLOGICAL ASSETS

	<b>Standing timbers HK\$'000</b>
At 1 July 2019	262,989
Change in fair value less costs to sell	(4,814)
Exchange differences	<u>(9,416)</u>
At 30 June 2020 and 1 July 2020	248,759
Change in fair value less costs to sell	(8,245)
Exchange differences	<u>23,695</u>
At 30 June 2021	<u><u>264,209</u></u>

The Group's biological assets represent standing timbers on plantation land of approximately 30,000 Chinese Mu with a lease term of 30 years, expiring in 2038. The standing timbers comprise mostly poplar trees (accounting over 99% of the total standing timbers), mixed with a very small portion of other species of deciduous trees such as elm and willow. During the years ended 30 June 2021 and 2020, the Group did not harvest or sell any standing timbers.

The Group's standing timbers as at 30 June 2021 were independently valued by Roma Appraisals Limited ("Roma") which comprises a group of independent professional valuers with experience and expertise in relation to biological assets valuation. Their team consists of professional valuers and agricultural experts who work together in a wide array of biological assets to ensure the reliability and fairness of their valuation results. Accordingly, the directors are of the view that Roma is independent and competent to determine the fair value of the Group's biological assets.

Roma has adopted a market approach for the valuation of standing timbers. The method uses the present market value in terms of price per unit cubic meter of round logs and the total merchantable volume of timbers on the plantation land as at 30 June 2021 as a basis for calculating the fair value less costs to sell of the biological assets. Roma has adopted the measured merchantable volume of standing timbers as indicated by the forest manager of the Group and also verified the market price per cubic meter of logs by referencing to the market price lists, after taking into account of local timber manufacturing factories as well. The principal assumptions adopted are as follows:

1. no material changes in the existing political, legal, technological, fiscal, economic conditions, climate and any other natural condition; and
2. the movements of the price of the timber, the setup fee and maintenance fee for tree plantation will move in line with the price index of forestry product in Mainland 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. Severe weather conditions and natural disasters 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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables	39,806	46,800
Less: provision for impairment loss of trade receivables	<u>(8,062)</u>	<u>(8,062)</u>
	<u>31,744</u>	<u>38,738</u>
Prepayments, deposits and other receivables	29,984	29,121
Less: provision for impairment loss of prepayments, deposits and other receivables	<u>(1,000)</u>	<u>(1,000)</u>
	<u>28,984</u>	<u>28,121</u>
Total	<u><u>60,728</u></u>	<u><u>66,859</u></u>

The Group's trading terms with customers are mainly on credit. The credit terms generally range from 30 to 90 (2020: 30 to 90) days. Each customer has a maximum credit limit. For new customers, payment in advance or cash on delivery is normally required. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors.

The ageing analysis of trade receivables, based on the invoice date, and net of allowance, is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0–90 days	17,262	14,609
91–180 days	11,229	9,463
181–360 days	1,835	14,144
Over 360 days	<u>1,418</u>	<u>522</u>
	<u><u>31,744</u></u>	<u><u>38,738</u></u>

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

	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Balance at beginning of year	<b>8,062</b>	2,725
Impairment loss recognised	—	5,337
	<hr/>	<hr/>
Balance at end of year	<b>8,062</b>	8,062
	<hr/> <hr/>	<hr/> <hr/>

Impaired trade receivables were mainly due from customers with long outstanding balances and the management of the Group considered the recoverability is remote as the related customers were in financial difficulties or have prolonged delay in repayment. The Group did not hold any material collateral over those balances.

The movement in provision for impairment of prepayments, deposits and other receivables is as follows:

	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Balance at beginning of year	<b>1,000</b>	—
Impairment loss recognised	—	1,000
	<hr/>	<hr/>
Balance at end of year	<b>1,000</b>	1,000
	<hr/> <hr/>	<hr/> <hr/>

The Group applies the simplified approach under HKFRS 9 to provide for expected credit losses using the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses also incorporate forward looking information.

	<b>Current</b>	<b>1–90 days past due</b>	<b>91–180 days past due</b>	<b>181–360 days past due</b>	<b>Over 360 days past due</b>	<b>Total</b>
<b>At 30 June 2021</b>						
Weighted average expected loss rate	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>90%</b>	
Receivable amount ( <i>HK\$'000</i> )	<b>17,262</b>	<b>11,128</b>	<b>668</b>	<b>1,816</b>	<b>8,932</b>	<b>39,806</b>
Loss allowance ( <i>HK\$'000</i> )	—	—	—	—	<b>(8,062)</b>	<b>(8,062)</b>
<b>At 30 June 2020</b>						
Weighted average expected loss rate	0%	0%	0%	0%	94%	
Receivable amount ( <i>HK\$'000</i> )	13,918	10,153	13,980	165	8,584	46,800
Loss allowance ( <i>HK\$'000</i> )	—	—	—	—	(8,062)	(8,062)



Receivables that were past due but not impaired relate to a number of independent customers who have no recent history of default and have kept good track records with the Group. The Group does not hold any collateral over these balances. Based on past experience, the management believes that no impairment allowance is necessary in respect of these balances as there are no significant change in their respective credit quality and the balances are still considered fully recoverable.

### 13. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Equity securities listed in Hong Kong, at fair value	1,129	1,696
Unlisted investment — keyman insurance contract	<u>17,203</u>	<u>—</u>
	<u><u>18,332</u></u>	<u><u>1,696</u></u>

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

The keyman insurance contract relates to an insurance policy insured for Mr. Yeung Chi Hang, the chief executive officer and an executive director of the Company. The keyman insurance contract is denominated in US dollars. The fair value of the keyman insurance contract was estimated by making reference to the cash surrender value set out in the policy statement provided by the insurance company.

As at 30 June 2021, the keyman insurance contract with carrying amount of approximately HK\$17,203,000 (2020: Nil) was pledged to a bank to secure banking facilities available to the Group.

### 14. TRADE AND OTHER PAYABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade payables	9,571	4,480
Other payables and accruals	<u>23,416</u>	<u>27,243</u>
	<u><u>32,987</u></u>	<u><u>31,723</u></u>

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0–90 days	9,053	4,371
91–180 days	267	—
181–360 days	23	—
Over 360 days	<u>228</u>	<u>109</u>
	<u><u>9,571</u></u>	<u><u>4,480</u></u>

## 15. SHARE CAPITAL

	2021 <i>HK\$'000</i>	2020 <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: 2,036,538,114 (2020: 2,036,538,114) ordinary shares of HK\$0.02 each	<u>40,731</u>	<u>40,731</u>

## **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 and securities trading and investment business. The Group also maintains the green businesses of research, development and application of technologies and solutions, manufacture, sale and trading of products, materials, systems and services for green market segments including the environmental markets, agricultural markets, organic markets and green technology markets in the PRC and overseas. The Group is developing a hotel business in Nepal. The Group has been continuing to explore new business opportunities for corporate development and dedicates to develop sustainable current business.

### **Investment Properties**

The Group holds two investment properties located at Mainland China and Hong Kong respectively.

#### **In Mainland China**

The Company holds 80% interest of the investment property in Mainland China which is an industrial development with land lot numbers of 1914130300339 and 1914130300340, located at Longchuanzhou, Renzhou Village, Shatian, Dongguan City, Guangdong Province. The industrial development comprises two parcels of land with a site area of about 72,335.99 sq.m (or about 778,624.6 sq.ft.) and various buildings and ancillary structures erected thereon. The Property has a total gross floor area of approximately 28,814.66 sq.m (or about 310,161.00 sq.ft.). The land use rights of the property have been granted for various terms expiring on 15 February 2044 and expiring on 10 May 2044 for industrial use. No business activity is engaged at the industrial development.

The Group considers that the Belt and Road Initiative promoted by the Central Government of the PRC and the Guangdong-Hong Kong-Macao Greater Bay Area development will support economic development of the Dongguan City as an international trade hub in Southern China.

Planning to the best usage or redevelopment of the industrial properties had been delayed because of publication of a new town zoning plan by the Dongguan government authority. Under the new zoning plan a new highway was being mapped and part of the land of the industrial properties would be used as or affected by an exit and its connected roads from the highway for Shatian Town. The Group had petitioned to the Dongguan City government authorities requesting amendments to the plan to save the industrial properties from being affected. The Dongguan City government authorities have not yet concluded our petition and the Group will closely monitor the development and work on the best possible solution in the circumstances.

The recent announcement by the PRC central government to expand the Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone from 14.9 square kilometres to 120.6 square kilometre and deepening the cooperation between Shenzhen and Hong Kong is a positive news for the industrial properties because of their proximity to Qianhai. Together with the news of a new cooperation zone for Macau with neighbouring Hengqin, both seen as renewed commitment of the central government to push ahead with its Greater Bay Area ambitions, the industrial properties are expected to maintain their value despite the recent downturn of the real estate market in the PRC.

### **In Hong Kong**

The Group holds 100% interest of Hong Kong investment property which comprises 95 car parking spaces with Inland Lot No. 1301 where 72 car parking spaces are located at 2nd Floor to 4th Floor of Harbour View Garden and 23 car parking spaces are located at 3th Floor, Tower III, Harbour View Garden, No. 2 Catchick Street, Hong Kong.

The car parking spaces are held under Government Lease for a term of 999 years commencing on 24 June 1892 and are leased out for parking fee income.

The car parking spaces continued to provide a stable revenue and cash flow to the Group. For the year ended 30 June 2021, benefited from combatting illegal parking by the police and the change of tenant who was more attentive to car parking management, rental income increased to approximately HK\$4,036,000 (2020: approximately HK\$3,696,000).

### **Biological Assets**

By way of a forestry management and undertaking agreement, the Group through its wholly-owned subsidiary acquired timber cutting right over a plantation land of approximately 30,000 mu (Chinese Mu) in Shihezi City, Xinjiang (the “Plantation Land”) for a period of 30 years commencing on 1 July 2008.

In the process of valuing the biological assets planted at the Plantation Land, Roma Appraisals Limited (“Roma”) adopted the Market-Based Approach to estimate the fair value of the biological assets. The fair value of the biological assets was computed using the formula:

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

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

- Total volume of standing timbers = 429,147 m<sup>3</sup>
- Recovery rate = 80%
- Cutting cost = 6% of revenue
- Scrap sale income = 4% of revenue

With reference to observable market price of timber of similar species in Mainland China, the adopted market price was RMB653 per cubic meter.

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

<b>Absolute Change in Recovery Rate</b>	<b>Applied Recovery Rate</b>	<b>Fair Value of the Biological Asset (RMB)</b>
+10%	90%	247,193,000
+5%	85%	233,460,000
+0%	80%	219,727,000
-5%	75%	205,994,000
-10%	70%	192,261,000

<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%	718	241,699,000
+5%	686	230,713,000
+0%	653	219,727,000
-5%	620	208,740,000
-10%	588	197,754,000

The directors are of the view that the fair value of the biological assets is under a significant impact from changes in market price per m<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, given that other inputs and assumptions used in the valuation techniques remained unchanged.

For the financial year ended 30 June 2021, growth and volume of the biological assets were affected by shortage of water resources, soil degradation and broken ecosystem. For cost control purpose, the Group has not appointed operator for forest plantation maintenance since July 2018 and yet to devise appropriate valued and cost effective plan to address these negative condition. The Group recorded an increase to approximately HK\$264,209,000 (2020: approximately HK\$248,759,000) in the fair value of the poplar trees of biological assets. The increase is a result of fluctuation in exchange rate between RMB and HK\$. The actual fair value of poplar tree of biological assets recorded a loss in RMB to approximately RMB219,727,000 (2020: approximately RMB226,763,000). The Group considers that the increase or loss is non-cash in nature and will not have effect on the financial position of the Group.

During the financial year ended 30 June 2021, the Group recognised aggregate losses arising from the major non-current assets of approximately HK\$26,727,000 (2020: approximately HK\$25,002,000). This represents the combined effect of the amortisation and impairment loss of intangible assets, the loss arising from changes in fair value less costs to sell of biological assets and provision for impairment loss of right-of-use assets.

### **Plantation Sales Business**

Source of the plantation sales business is the poplar trees at the Plantation Land. There was no timber cutting activity and, hence, for the year ended 30 June 2021, there was no revenue generated from the plantation sales business (2020: Nil).

The Group is working prudently to find the best possible use of the biological assets and will cautiously evaluate the actual economic return after knowing the harvest quota available alongside with comprehensive analysis of all risks and uncertain factors before making any investment decision.

## **Metal Recycle Business**

For the year ended 30 June 2021, the Group recorded a slight increase in revenue from metal recycle business with total of approximately HK\$13,117,000 (2020: approximately HK\$12,862,000).

Quite a significant revenue percentage was generated in the final quarter after vaccination was commenced and local COVID-19 cases were contained. There were signs of a gradual pick up or restart of local economic activities. With iron ore price fletched to historical peak level, good quality metal scrap for export was highly demanded.

Difficulty is still on the source. Construction works have been gradually resumed. According to the publication of the Census and Statistics Department, the gross value of construction works performed in the first quarter of 2021 compared in real term over a year earlier was down by 1.1% at the private sector but up 11.9% at public sector. While there was an uptrend number, figures in 2020 were of very much sliding numbers from the normalcy in 2019. However, it was sign of slow recovery.

## **Motor and Motor Accessories Business**

The business has two segments, sale of super car “BAC MONO”, high end used cars and motorcycle “Norton” and sale of motor accessories of mainly prestige “Pirelli” motorcycle tyres, “Öhlins” vibes absorbers, “SBS” brake solutions and “Sprint Filter” air filters.

On the sale of car and motorcycle, efforts were focused on disposal of the inventories. The Group is of the view that local high end consumer market would take a long time to recover.

On the sale of motor accessories especially on “Pirelli” tyres, we were able to maintain relatively stable revenue. Reason being our present customer's main market is at Taiwan where COVID-19 pandemic was less prevailing during the year.

For the year ended 30 June 2021, revenue from motor and motor accessories business slightly increased to approximately HK\$58,495,000 (2020: approximately HK\$55,737,000).

## **Money Lending Business**

The Group operates money lending business through a wholly owned subsidiary, which is a holder of money lender’s license under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong). The Group has adopted money lending policies and procedures for handling and/or monitoring the money lending business in compliance with the Money Lenders Ordinance.

During the year, the Group recorded loan interest income of approximately HK\$2,230,000 (2020: approximately HK\$2,939,000) from loans granted to both corporate and individual clients, representing a relatively down trend operation of the money lending segment. The outstanding principal amount of loan receivables as at 30 June 2021 was approximately HK\$9,837,000 (2020: approximately HK\$15,888,000). During the year, a provision of approximately HK\$4,152,000 for the impairment loss of loan receivables was considered necessary in the application of HKFRS 9 by the Group.

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

The Group maintained a very cautious approach and did not participate in new securities trading during the year. Performance of the prices of the invested stocks were down. As at 30 June 2021, size of the securities investment portfolio amounted to approximately HK\$1,129,000 (2020: approximately HK\$1,696,000).

For the year ended 30 June 2021, the Group recorded a net loss on fair value changes on investments at fair value through profit or loss of the invested stocks of approximately HK\$567,000 (2020: approximately HK\$2,914,000).

Details of the Group's investments at fair value through profit or loss are set out in the sub-section headed "Significant Investments".

### **Green Technology**

There was no revenue on the green technology for the year (2020: 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.

For the year ended 30 June 2021, the Group did not record revenue from the sale of golden flower tea (2020: HK\$144,000).

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



## Prospects

The COVID-19 pandemic continues its unprecedented effects worldwide. In so far, there are only 5 nations that do not have official reported COVID-19 case. Ever since the first reported case in December 2019, confirmed cases number worldwide is approaching 220 million with tens of thousands being added daily and death toll is exceeding 4.5 million. It has not only brought deep uncertainty and confusion to the financial market worldwide, it also seriously affect social lives of all walks.

With vaccine being made available at the beginning of this year and rapid mass production of varies authorised vaccines, vaccination has been widely used in developed and developing countries. There are now two ways of combating COVID-19 by different countries. One is vaccinations and live with the viruses to bring normalcy to livings with limited restrictions. Another is vaccination and containment of viruses to protect lives with aim to bring normalcy to livings with more restrictions imposed. Mainland China and Hong Kong are adopting the latter approach. Of course there are developing countries which have no resources for acquiring vaccines and are awaiting assistance.

Mutation of the viruses is now an imminent issue. The resurgence of the COVID-19 epidemic Delta variant is not only testing the effectiveness of vaccines but also has heightened the uncertainty over the global economic outlook. Further, most countries make vaccination available but not mandatory. There are groups of people who are objecting or unwilling to take vaccine. That may result with insufficient number of population to reach herd immunity.

Hong Kong started her vaccination programme at the end of February 2021 and now has administered over 8 million shots with vaccination rate stood at over 60%. Strict distancing and quarantine measures together with high self awareness of Hong Kong people, COVID-19 cases in Hong Kong become less prevalent with continuous zero case. As a result, Hong Kong's economy is slowly recovering. The first quarter of 2021 marked the end of six consecutive quarterly recession with a growth of GDP of 7.9% over a year earlier. The growth continued onto the second quarter on a slight slide to 7.6% over a year earlier. However, the economic recovery remained uneven with exports of goods surpassing the high recorded in the same period of 2018 by a considerable margin while inbound tourists remained frozen. On the domestic front, labour market was improved and consumption sentiment was stimulated. The Financial Secretary had revised upward the real GDP growth forecast for 2021 as a whole to 5.5%–6.5%.

The COVID-19 pandemic has caused disruptions to several business plans of the Group highlighted below:

- (1) The Group started a hotel business plan at Kathmandu, Nepal around September 2019. Decorations and fitting out works were suspended in March 2020 when first lockdown was implemented and ever since lockdown periods outnumbered normal period. The second pandemic wave was even more severe when Delta variants started in India in April 2021. Lockdown has been in place in Nepal since 26 April 2021 and is still continuing. One of our directors visited Kathmandu in mid-April intended to evaluate the situation and negotiate with the landlord on issues raised but had to cut the journey short to catch the last flight flying out to Mainland China after Hong Kong prohibited flights from Nepal one day after being released from quarantined at Kathmandu. The Group's appointed lawyers are doing negotiations on our behalf now. Also, the delay has caused provision of impairment of the hotel tenancy but it can be added back when the hotel business plan restarted.
- (2) The Group participated in an operation with 51% equity of an online trading platform for agricultural products in Mainland China in form of variable interest entity. The COVID-19 pandemic travel restrictions, quarantine requirements, PCR tests etc. had deeply affected physical presence of our management and technical personnel for timely performance of our obligations under the agreement, monitoring of and support to the operation and, as result, all participants did not move in accord steps. Moreover, with the pandemic outbreak, performance of the platform was far below our expectations. To mitigate all potential risks and after consideration by the Board, the variable interest entity was terminated by mutual consent.
- (3) The Group planned to expand the motor accessories sales business into Mainland China. Taking the success experience of "Pirelli" tyres sales to customers in turn for their sales in Taiwan, sales plan was devised for the Mainland China market. The plan was not materialised because of the pandemic outbreak. Also, the market in Taiwan will likely be affected due to recent return of COVID-19 cases and restrictions imposed.

With the relative stable of the COVID-19 pandemic and economy is under recovery both in Mainland China and Hong Kong, the Group would like to push forward motor accessories sale business into Mainland China when cross border quarantine measures are lifted for travellers from Hong Kong to Mainland China. Also, there were signs of growth in the metal recycle business and the Group will deploy more resources in it.

The Group will continue taking cost control measures and making efforts to reduce costs and overheads to enhance cash flow to meet opportunities raised from the economy rebound. However, with global markets remain sensitive to COVID-19 pandemic, political tension between the PRC and the United States and her alliances which warrants attention and macroeconomic uncertainties, the Group will remain conservative in new investments and pay more attention to solve existing problems and better existing viable business.

## FINANCIAL REVIEW

For the year ended 30 June 2021, revenue of the Group increased by 3.3% to approximately HK\$77,878,000 (2020: approximately HK\$75,406,000) and gross profit of the Group increased by 5.8% to approximately HK\$19,867,000 (2020: approximately HK\$18,786,000). Loss for the year ended 30 June 2021 decreased to approximately HK\$48,942,000 as compared to loss of approximately HK\$55,774,000 of last corresponding year. The increase in revenue was mainly due to the increase in revenue of recycled material trading business, motor and motor accessories business and investment properties in Hong Kong. The gross profit for the year maintained at almost the same level as compared to last financial year. The loss for the year was mainly due to administrative and operating expenses, loss arising from the changes in fair value less costs to sell of biological assets, net loss on fair value changes on investments at fair value through profit or loss, provision for impairment loss of intangible assets, provision for impairment loss of receivables and provision for impairment loss of right-of-use 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 year ended 30 June 2021, basic and diluted loss per share were HK2 cents (2020: HK3 cents). Loss arising from changes in fair value less costs to sell of biological assets was approximately HK\$8,245,000 (2020: approximately HK\$4,814,000). Fair value gain on investment properties was recorded at HK\$1,900,000 (2020: loss of approximately HK\$15,322,000).

For the year ended 30 June 2021, the finance costs were approximately HK\$2,469,000 (2020: approximately HK\$2,144,000).

Administrative expenses from operations for the year ended 30 June 2021 decreased to approximately HK\$41,210,000 (2020: approximately HK\$45,001,000). It included major items such as amortisation of intangible assets of approximately HK\$5,133,000, salaries and directors' emoluments of approximately HK\$13,596,000 and expenses related to short-term leases of approximately HK\$1,604,000. Income tax credit was recorded at approximately HK\$1,114,000 (2020: approximately HK\$1,008,000). Exchange gain on translating foreign operations was recorded at approximately HK\$30,913,000 (2020: loss approximately HK\$12,423,000).

### Liquidity and Financial Resources

As at 30 June 2021, the total assets of the Group were approximately HK\$799,650,000 (2020: approximately HK\$762,398,000), including cash and bank balances of approximately HK\$19,005,000 (2020: approximately HK\$2,951,000).

The Group's total borrowings as at 30 June 2021 were approximately HK\$71,787,000 (2020: approximately HK\$31,179,000). The Group's gearing ratio (which was expressed as a percentage of total borrowings over total equity) was approximately 12.8% as at 30 June 2021 (2020: approximately 5.4%).

As at 30 June 2021, the Group's net assets amounted to approximately HK\$559,701,000 (2020: approximately HK\$577,732,000).

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

### Significant Investments

As at 30 June 2021, the Group held investments at fair value through profit or loss of approximately HK\$1,129,000. Details of the significant investments are as follows:

Stock Name	Note	Stock Code	Place of incorporation	Net unrealised gain/(losses) on listed securities HK\$'000	Market value HK\$'000	Approximate percentage of investments at fair value through profit or loss %	Approximate percentage to the net assets of the Group %
China Fortune Financial Group Limited	1	290	Cayman Islands	(334)	322	28.5	0.06
Dingyi Group Investment Limited	2	508	Bermuda	72	133	11.8	0.02
Wai Chun Group Holdings Limited	3	1013	Bermuda	(260)	368	32.6	0.07
Hang Sang (Siu Po) International Holding Company Limited	4	3626	Cayman Islands	(45)	306	27.1	0.05
				<u>(567)</u>	<u>1,129</u>	<u>100</u>	<u>0.20</u>

#### 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 Corporate Finance segment engages in the provision of corporate finance services. The Securities Brokerage and Margin Financing segment engages in securities business and margin financing business. The Money Lending segment engages in the provision of money lending services. The Asset Management segment engages in the provision of asset management and advisory services to professional investors and the management of financial investments. The Consultancy and Insurance Brokerage segment engages in the provision of consultancy services and insurance brokerage services. No dividend was received for the year ended 30 June 2021. According to its latest published financial statements, it had a net asset value of approximately HK\$324,308,000 as at 31 March 2021.

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 three 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 Securities Trading Business segment is involved in the investment of securities trading business. In addition, the company is also involved in the trading of wine. No dividend was received for the year ended 30 June 2021. According to its latest published financial statements, it had a net asset value of approximately HK\$2,673,973,000 as at 31 March 2021.
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 Services Income segment is involved in the design, consultation and manufacturing of information system software and provides related management training services. The Sales and Integration Services segment is engaged in the sale of computer and communication systems and provides related integration services. In addition, the company also provides telecommunications infrastructure solution services. No dividend was received for the year ended 30 June 2021. According to its latest published financial statements, it had net liabilities of approximately HK\$89,699,000 as at 31 March 2021.
4. Hang Sang (Siu Po) International Holding Company Limited is an investment holding company. The company is principally engaged in the manufacturing and sale of apparel labels and packaging printing products. The company's products include hangtags, size tapes, labels, such as woven labels, heat transfer labels and printed labels, header cards, stickers, price tickets, plastic packaging bags and packaging boxes. Its subsidiaries include Hang Sang (Siu Po) Holding Limited, Hang Sang (Siu Po) Press Company Limited and A W Printing & Packaging Limited. No dividend income was received during the year. According to its latest published financial statements, it had a net asset value of approximately HK\$75,635,000 as at 31 December 2020.

## **EMPLOYMENT AND REMUNERATION POLICY**

As at 30 June 2021, the Group had 39 (2020: 65) employees. The Group implements remuneration policy, bonus and share option scheme to ensure that pay scales of its employees are rewarded on a performance related basis within the general framework of the Group's remuneration.

## **CHARGES ON THE GROUP ASSETS**

As at 30 June 2021, the bank loans of approximately HK\$70,787,000 were secured by (i) the car parking spaces with aggregate carrying amount of approximately HK\$191,900,000; (ii) a deed of assignment of rental income from the car parking spaces; (iii) the keyman insurance contract classified under the investments at fair value through profit or loss with aggregate carrying amount of approximately HK\$17,203,000; and (iv) personal guarantee from a director of the Company. As at 30 June 2020, the bank loans and overdrafts were secured by (i) the car parking spaces with aggregate carrying amount of approximately HK\$190,000,000; and (ii) a deed of assignment of rental income from the car parking spaces.

## **DIVIDEND**

The directors of the Company do not recommend or declare the payment of any dividend in respect of the year ended 30 June 2021 (2020: Nil).

## **ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS**

The annual general meeting will be held on Wednesday, 1 December 2021. For the purpose of determining the entitlement of the shareholders of the Company to attend and vote at the annual general meeting, the register of members of the Company will be closed from Wednesday, 24 November 2021 to Wednesday, 1 December 2021 (both days inclusive), during which period no transfer of share(s) will be effected. In order to be eligible to attend and vote at the annual general meeting, all transfers documents, accompanied by the relevant share certificates, must be lodged with Union Registrars Limited, the branch share registrar and transfer office of the Company in Hong Kong, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 23 November 2021.

## **EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES**

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

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

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

## **CONTINGENT LIABILITIES**

As at 30 June 2021, the directors of the Company are not aware of any material contingent liabilities.

## **COMPLIANCE WITH CORPORATE GOVERNANCE CODE**

The Company has complied with the code provisions as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Rule Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") for the year ended 30 June 2021, except the followings:

Code provision A.2.1 of the CG Code provides that the roles of chairman of the board and chief executive should be separate and should not be performed by the same individual. This code provision also stipulate, inter alia, the role and responsibility of the chairman of the board and the chief executive.

Mr. Yeung Chi Hang was appointed as chairman of the Board and the chief executive officer of the Company on 27 January 2015. Thereafter, Mr. Yeung Chi Hang has assumed both roles. The directors were of the view that the vesting of the roles of chairman of the Board and chief executive officer in the same person can provide the Group with strong and consistent leadership and allow for more effective planning and execution of long-term business strategies, as well as ensuring effective oversight of management. The directors were also of the view that the present structure was considered to be appropriate under the circumstances of the Company. The Board would keep review of its current board structure from time to time.

## **DIRECTORS' SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transaction by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as the Company's Code of Conduct regarding director's securities transactions.

Having made specific enquiry, all directors of the Company confirmed that they have complied with the required standard set out in the Model Code throughout the year ended 30 June 2021.

## **AUDIT COMMITTEE**

The Board has established an audit committee (the "Audit Committee") with the term of references in accordance with the Listing Rules. The Audit Committee currently comprises three independent non-executive directors, namely, Mr. Ong Chi King (Chairman), Mr. Wong Kwai Sang and Mr. Heung Chee Hang, Eric. Mr. Ong Chi King has appropriate accounting and related financial management expertise as required under Rule 3.10 of the Listing Rules.

The Audit Committee has reviewed and discussed with the external auditor the auditing and financial reporting matters including the annual consolidated results of the Group for the year ended 30 June 2021.

## **SCOPE OF WORK OF AUDITOR**

The figures in respect of the Group's consolidated statement of financial position as at 30 June 2021, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 30 June 2021 as set out in the preliminary announcement have been agreed by the Group's auditors, ZHONGHUI ANDA CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year ended 30 June 2021. The work performed by ZHONGHUI ANDA CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by ZHONGHUI ANDA CPA Limited on the preliminary announcement.

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

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities on the Stock Exchange.

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

Hong Kong, 30 September 2021

*As at the date of this announcement, the Board comprises five executive directors, namely, Mr. Yeung Chi Hang, Mr. Leung Kwong Choi, Mr. Wong Po Keung, Mr. Chung Siu Wah and Mr. Chik To Pan; and three independent non-executive directors namely Mr. Wong Kwai Sang, Mr. Ong Chi King and Mr. Heung Chee Hang, Eric.*