

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



## **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 2024**

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 2024 together with comparative figures for the year ended 30 June 2023.

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

*For the year ended 30 June 2024*

	<i>Notes</i>	<b>2024</b> <i>HK\$'000</i>	2023 <i>HK\$'000</i>
<b>Revenue</b>	4	<b>82,817</b>	84,414
Cost of sales		<u>(65,093)</u>	<u>(69,353)</u>
<b>Gross profit</b>		<b>17,724</b>	15,061
Other income, gains and losses	6	<b>1,925</b>	11,538
Administrative and operating expenses		<b>(40,907)</b>	(43,725)
Fair value loss on investment properties		<b>(17,294)</b>	(1,918)
Loss arising from changes in fair value less costs to sell of biological assets	12	<b>(38,595)</b>	(16,556)
Net gain on fair value changes in investments at fair value through profit or loss		<b>1,589</b>	512
Loss on disposal of a subsidiary		—	(15)
Reversal of provision for impairment loss of right-of-use assets		—	3,595
Provision for impairment loss of receivables		<u>(319)</u>	<u>(4,493)</u>
<b>Loss from operations</b>		<b>(75,877)</b>	(36,001)
Finance costs	7	<u>(6,801)</u>	<u>(4,133)</u>
<b>Loss before tax</b>		<b>(82,678)</b>	(40,134)
Income tax credit	8	<u>10,594</u>	<u>4,934</u>
<b>Loss for the year</b>	9	<u>(72,084)</u>	<u>(35,200)</u>
<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>(1,180)</b>	(24,941)
Release of translation reserve upon disposal of a foreign subsidiary		<u>—</u>	<u>(8)</u>
<b>Other comprehensive loss for the year, net of tax</b>		<u>(1,180)</u>	<u>(24,949)</u>
<b>Total comprehensive loss for the year</b>		<u><b>(73,264)</b></u>	<u><b>(60,149)</b></u>

	<i>Notes</i>	<b>2024</b> <i>HK\$'000</i>	2023 <i>HK\$'000</i>
<b>Loss for the year attributable to:</b>			
Owners of the Company		(67,660)	(35,065)
Non-controlling interests		<u>(4,424)</u>	<u>(135)</u>
		<u><b>(72,084)</b></u>	<u><b>(35,200)</b></u>
<b>Total comprehensive loss for the year attributable to:</b>			
Owners of the Company		(68,824)	(59,312)
Non-controlling interests		<u>(4,440)</u>	<u>(837)</u>
		<u><b>(73,264)</b></u>	<u><b>(60,149)</b></u>
<b>Loss per share</b>			
	<i>10</i>		(Restated)
Basic (HK cents per share)		<u>(16)</u>	<u>(9)</u>
Diluted (HK cents per share)		<u>(16)</u>	<u>(9)</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30 June 2024*

	<i>Notes</i>	<b>2024</b> <i>HK\$'000</i>	2023 <i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		772	1,583
Right-of-use assets		5,132	5,054
Investment properties		190,000	191,900
Biological assets	12	190,958	230,481
Intangible assets		65,606	70,508
Goodwill		1,087	1,087
Loans receivable		161	517
Finance lease receivables		37,340	36,747
Investments at fair value through profit or loss	14	—	18,908
		<b>491,056</b>	556,785
<b>Current assets</b>			
Inventories		29,549	33,445
Trade and other receivables	13	43,867	37,660
Loans receivable		7,539	7,318
Investments at fair value through profit or loss	14	5,032	725
Refundable secured deposit		11,000	11,000
Cash and cash equivalents		22,631	5,531
		<b>119,618</b>	95,679
Assets classified as held for sale		<b>50,724</b>	66,228
		<b>170,342</b>	161,907
<b>Current liabilities</b>			
Trade and other payables	15	26,931	30,063
Contract liabilities		4,347	2,637
Lease liabilities		2,826	1,205
Borrowings		82,333	74,148
Bank overdrafts		2,508	—
Current tax liabilities		781	642
		<b>119,726</b>	108,695

	<i>Notes</i>	<b>2024</b> <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Liabilities associated with assets classified as held for sale		<u>11,041</u>	<u>10,195</u>
		<u>130,767</u>	<u>118,890</u>
<b>Net current assets</b>		<u>39,575</u>	<u>43,017</u>
<b>Total assets less current liabilities</b>		<u>530,631</u>	<u>599,802</u>
<b>Non-current liabilities</b>			
Lease liabilities		<u>47,592</u>	48,359
Deferred tax liabilities		<u>64,017</u>	<u>75,123</u>
		<u>111,609</u>	<u>123,482</u>
<b>NET ASSETS</b>		<u><u>419,022</u></u>	<u><u>476,320</u></u>
<b>Capital and reserves</b>			
Share capital	<i>16</i>	<u>48,877</u>	40,731
Reserves		<u>361,067</u>	<u>422,249</u>
Equity attributable to owners of the Company		<u>409,944</u>	462,980
Non-controlling interests		<u>9,078</u>	<u>13,340</u>
<b>TOTAL EQUITY</b>		<u><u>419,022</u></u>	<u><u>476,320</u></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. GOING CONCERN BASIS

The Group incurred a loss attributable to owners of the Company of approximately HK\$67,660,000 and operating cash outflow of approximately HK\$23,009,000 for the year ended 30 June 2024. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group’s ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

The directors have been undertaking the following plans and measures to improve the Group’s liquidity and financial position:

- (i) An executive director who is also the chairman, chief executive officer and substantial shareholder of the Company has undertaken to provide adequate funds to enable the Group to meet its liabilities and to settle financial obligations to third parties as and when they fall due, so that the Group can continue as a going concern and carry on its business without a significant curtailment of operations for the next twelve months from 30 June 2024;
- (ii) The Group shall continue to implement measures aiming at improving the working capital and cash flows of the Group, including but not limited to the implementation of cost-saving measures to maintain adequate cash flows for the Group’s operations; and
- (iii) The directors have carried out a detailed review of the cash flow forecast of the Group prepared by the management of the Company covered a period of not less than twelve months from 30 June 2024, after taking into account the impact of the above-mentioned plans and measures. Accordingly, the directors believe that the Group will have sufficient cash resources to satisfy its future working capital and other financing requirements as and when they fall due in the next twelve months from 30 June 2024.

The directors of the Company are therefore of the opinion that it is appropriate to prepare the consolidated financial statements on a going concern basis. Should the Group be unable to continue as a going concern, adjustments would have to be made to the consolidated financial statements to adjust the value of the Group’s assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

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

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) that are relevant to its operations and effective for its accounting year beginning on 1 July 2023. 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 and revised HKFRSs that have been issued but are not yet effective. The application of these new and revised HKFRSs will not have material impact on the consolidated financial statements of the Group.

### 4. REVENUE

	<b>2024</b> <i>HK\$’000</i>	2023 <i>HK\$’000</i>
Trading of recycled metals	<b>9,822</b>	17,417
Trading of motor vehicles and related accessories	<b>63,726</b>	60,279
Trading of computer accessories	<b>246</b>	—
Hotel room income and sales of food and beverage	<b>—</b>	1,790
	<hr/>	<hr/>
Revenue from contracts with customers	<b>73,794</b>	79,486
Rental income	<b>3,932</b>	4,236
Loan interest income	<b>307</b>	298
Finance lease interest income	<b>4,784</b>	394
	<hr/>	<hr/>
Total revenue	<b>82,817</b>	84,414
	<hr/> <hr/>	<hr/> <hr/>

Disaggregation of revenue from contracts with customers for year ended 30 June 2024:

	Trading of recycled metals <i>HK\$'000</i>	Trading of motor vehicles and related accessories <i>HK\$'000</i>	Trading of computer accessories <i>HK\$'000</i>	Hotel room income and sales of food and beverage <i>HK\$'000</i>
<b>Geographical markets</b>				
The People's Republic of China (the "PRC")	—	9,661	—	—
Hong Kong	9,822	53,786	246	—
Macau	—	159	—	—
Taiwan	—	120	—	—
	<u>9,822</u>	<u>63,726</u>	<u>246</u>	<u>—</u>

All revenue from contracts with customers are recognised at a point in time during the year ended 30 June 2024.

Disaggregation of revenue from contracts with customers for year ended 30 June 2023:

	Trading of recycled metals <i>HK\$'000</i>	Trading of motor vehicles and related accessories <i>HK\$'000</i>	Trading of computer accessories <i>HK\$'000</i>	Hotel room income and sales of food and beverage <i>HK\$'000</i>
<b>Geographical markets</b>				
The PRC	—	13,987	—	—
Hong Kong	17,417	45,742	—	—
Macau	—	409	—	—
Taiwan	—	141	—	—
Nepal	—	—	—	1,790
	<u>17,417</u>	<u>60,279</u>	<u>—</u>	<u>1,790</u>
<b>Timing of revenue recognition</b>				
At a point in time	17,417	60,279	—	614
Over time	—	—	—	1,176
	<u>17,417</u>	<u>60,279</u>	<u>—</u>	<u>1,790</u>

#### Sales of goods

The Group sells recycled metals, motor vehicles and related accessories, computer accessories, and food and beverage 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.

#### **Hotel room income**

Hotel room income is recognised over time during the period of stay for the hotel guests.

### **5. 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) Securities trading and investment
- (vi) Sales of plantation materials and products
- (vii) Provision of finance lease services (2023: hotel and related business)

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

Segment profits or losses do not include 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>	Securities trading and investment <i>HK\$'000</i>	Sales of plantation materials and products <i>HK\$'000</i>	Provision of finance lease services (2023: hotel and related business) <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Year ended 30 June 2024</b>									
Revenue from external customers	9,822	63,726	3,932	307	—	—	4,784	246	82,817
Segment (loss)/profit comprising:	(1,155)	3,787	(15,009)	(727)	1,046	(43,242)	3,192	61	(52,047)
Loss arising from changes in fair value less costs to sell of biological assets	—	—	—	—	—	(38,595)	—	—	(38,595)
Depreciation and amortisation	(52)	(651)	(1)	(676)	—	(4,588)	—	—	(5,968)
Proceeds from disposal of listed securities	—	—	—	—	1,115	—	—	—	1,115
Costs of disposal of listed securities	—	—	—	—	(1,018)	—	—	—	(1,018)
Net unrealised gain on listed securities	—	—	—	—	955	—	—	—	955
Net gain on fair value changes in investments at fair value through profit or loss	—	537	—	—	—	—	—	—	537
Fair value loss on investment properties	—	—	(17,294)	—	—	—	—	—	(17,294)
Provision for impairment loss of receivables	—	(319)	—	—	—	—	—	—	(319)
<b>At 30 June 2024</b>									
Segment assets	950	84,896	241,233	9,589	5,043	256,511	38,792	—	637,014
Segment liabilities	193	13,388	7,156	1,570	467	1,784	46,986	—	71,544
<b>Year ended 30 June 2023</b>									
Revenue from external customers	17,417	60,279	4,236	298	—	—	2,184	—	84,414
Segment (loss)/profit comprising:	(1,795)	3,538	1,199	(5,092)	(246)	(21,390)	1,210	—	(22,576)
Loss arising from changes in fair value less costs to sell of biological assets	—	—	—	—	—	(16,556)	—	—	(16,556)
Depreciation and amortisation	(1,325)	(580)	(1)	(799)	—	(4,775)	(2,296)	—	(9,776)
Fair value loss on investment properties	—	—	(1,918)	—	—	—	—	—	(1,918)
Net gain/(loss) on fair value changes in investments at fair value through profit or loss	—	748	—	—	(236)	—	—	—	512
Reversal of provision/ (provision) for impairment loss of receivables	167	(370)	—	(4,290)	—	—	—	—	(4,493)
Reversal of provision for impairment loss of right-of-use assets	—	—	—	—	—	—	3,595	—	3,595
<b>At 30 June 2023</b>									
Segment assets	1,755	83,946	258,995	8,333	825	300,970	38,272	—	693,096
Segment liabilities	894	16,116	6,039	133	467	1,792	46,447	—	71,888

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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
<b>Revenue:</b>		
Total revenue of reportable segments	<u>82,817</u>	<u>84,414</u>
<b>Loss:</b>		
Total loss of reportable segments	(52,047)	(22,576)
Other profit or loss:		
Finance costs	(6,801)	(4,133)
Income tax credit	10,594	4,934
Corporate and unallocated items	<u>(23,830)</u>	<u>(13,425)</u>
Consolidated loss for the year	<u>(72,084)</u>	<u>(35,200)</u>
<b>Assets:</b>		
Total assets of reportable segments	637,014	693,096
Goodwill	1,087	1,087
Refundable secured deposit	11,000	11,000
Corporate and unallocated assets	<u>12,297</u>	<u>13,509</u>
Consolidated total assets	<u>661,398</u>	<u>718,692</u>
<b>Liabilities:</b>		
Total liabilities of reportable segments	71,544	71,888
Deferred tax liabilities	64,017	75,123
Borrowings and bank overdrafts	84,841	74,148
Corporate and unallocated liabilities	<u>21,974</u>	<u>21,213</u>
Consolidated total liabilities	<u>242,376</u>	<u>242,372</u>

Geographical information:

	Revenue		Non-current assets	
	2024	2023	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
The PRC	9,661	13,987	256,506	300,964
Hong Kong	68,093	67,693	197,049	199,649
Macau	159	409	—	—
Taiwan	120	141	—	—
Nepal	4,784	2,184	—	—
	<u>82,817</u>	<u>84,414</u>	<u>453,555</u>	<u>500,613</u>

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

Revenue from major customers:

	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Trading of motor vehicles and related accessories</b>		
Customer A	14,872	38,966
Customer B	N/A*	9,138
Customer C	34,019	N/A*
<b>Trading of recycled metals</b>		
Customer D	<u>N/A*</u>	<u>9,350</u>

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

\* Customers did not contribute more than 10% of the total revenue of the Group for the years ended 30 June 2024 and 2023.

## 6. OTHER INCOME, GAINS AND LOSSES

	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Sponsor income	1,056	1,428
Government subsidy	—	248
Gain on disposal of property, plant and equipment	456	3,601
Gain on waiver of other payables	—	5,857
Others	413	404
	<u>1,925</u>	<u>11,538</u>

## 7. FINANCE COSTS

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Interest on bank loans	4,434	2,318
Interest on bank overdrafts	204	—
Interest on other loan	13	—
Lease interests	<u>2,150</u>	<u>1,815</u>
	<u><b>6,801</b></u>	<u><b>4,133</b></u>

## 8. INCOME TAX CREDIT

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Current tax — Hong Kong Profits Tax		
Provision for the year	175	289
Over-provision in prior years	<u>(3)</u>	<u>(6)</u>
	172	283
Current tax — PRC Enterprise Income Tax	22	108
Deferred tax	<u>(10,788)</u>	<u>(5,325)</u>
Income tax credit	<u><b>(10,594)</b></u>	<u><b>(4,934)</b></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 the PRC will be taxed at the PRC Enterprise Income Tax rate of 25% (2023: 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:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Loss before tax	<u>(82,678)</u>	<u>(40,134)</u>
Tax calculated at applicable tax rate of 25% (2023: 25%)	(20,670)	(10,034)
Effect of different tax rates of the subsidiaries	1,995	1,536
Tax effect of expenses that are not deductible	2,285	1,545
Tax effect of income that are not taxable	(974)	(891)
Tax effect of temporary differences not recognised	4,355	659
Tax reduction	(249)	(595)
Over-provision in prior years	(3)	(6)
Tax effect of tax losses not recognised	<u>2,667</u>	<u>2,852</u>
Income tax credit	<u><u>(10,594)</u></u>	<u><u>(4,934)</u></u>

## 9. LOSS FOR THE YEAR

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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Amortisation of intangible assets	4,556	4,742
Auditor's remuneration	980	980
Cost of inventories recognised as an expense	65,093	68,490
Depreciation	2,521	5,650
Gain on disposals of property, plant and equipment	(456)	(3,601)
Expenses related to short-term leases	795	712
Staff costs (including directors' remuneration):		
— salaries, bonuses and allowances	13,237	13,538
— retirement benefit scheme contributions	288	323
	<u><u>13,525</u></u>	<u><u>13,861</u></u>

During the years ended 30 June 2024 and 2023, the Group had no forfeited contribution under defined contribution retirement schemes utilised to reduce the existing levels of contributions. As at 30 June 2024 and 2023, there was no forfeited contribution under defined contribution retirement schemes which may be used by the Group to reduce the contribution payable in the future years.

## 10. 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\$67,660,000 (2023: HK\$35,065,000) and the weighted average number of ordinary shares of 433,348,602 (2023: 407,307,623, as adjusted to reflect the share consolidation in April 2024) 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 2024 and 2023.

## 11. DIVIDENDS

The directors do not recommend or declare the payment of any dividend in respect of the years ended 30 June 2024 and 2023.

## 12. BIOLOGICAL ASSETS

	<b>Standing timbers HK\$'000</b>
At 1 July 2022	267,079
Change in fair value less costs to sell	(16,556)
Exchange differences	<u>(20,042)</u>
At 30 June 2023 and 1 July 2023	230,481
Change in fair value less costs to sell	(38,595)
Exchange differences	<u>(928)</u>
At 30 June 2024	<u><u>190,958</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 2024 and 2023, the Group did not harvest or sell any standing timbers.

The Group's standing timbers as at 30 June 2024 were independently valued by Colliers Appraisal and Advisory Services Co., Ltd. ("Colliers") 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 Colliers is independent and competent to determine the fair value of the Group's biological assets.

Colliers 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 2024 as a basis for calculating the fair value less costs to sell of the biological assets. Colliers has adopted the measured merchantable volume of standing timbers as indicated by an independent forest surveyor engaged by 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 management of the Company reviewed the valuation performed by Colliers for financial reporting purposes. The management of the Company:

- assessed the valuation techniques;
- verified all major inputs to the independent valuation reports; and
- held discussions with the independent valuer on the valuation basis, processes and results.

The management of the Company reported directly to the directors. Discussions of the valuation techniques, changes in market information, the valuation processes and results were held between the directors, the management of the Company and Colliers to ensure the valuation has been performed properly.

The principal assumptions adopted are as follows:

1. no material changes in the existing financial, economic, taxation, legal, forestry technological, nature conditions, political conditions, climate and any other natural condition; and
2. the market conditions in which the region operate, which are material to revenue and costs of the businesses will have no material change.

#### **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.



### 13. TRADE AND OTHER RECEIVABLES

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Trade receivables	28,874	25,339
Less: provision for impairment loss of trade receivables	<u>(8,884)</u>	<u>(8,565)</u>
	19,990	16,774
Prepayments, deposits and other receivables	<u>23,877</u>	<u>20,886</u>
Total	<u><u>43,867</u></u>	<u><u>37,660</u></u>

The Group's trading terms with customers are mainly on credit. The credit terms generally range from 30 to 90 (2023: 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:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
0–90 days	15,534	11,576
91–180 days	3,447	1,134
181–360 days	12	2,164
Over 360 days	<u>997</u>	<u>1,900</u>
	<u><u>19,990</u></u>	<u><u>16,774</u></u>

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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Balance at beginning of year	8,565	8,231
Impairment loss recognised	319	503
Eliminated on disposal of a subsidiary	—	(156)
Exchange differences	<u>—</u>	<u>(13)</u>
Balance at end of year	<u><u>8,884</u></u>	<u><u>8,565</u></u>

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

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

	<b>2024</b> <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Balance at beginning of year	—	696
Reversal of impairment loss	—	(300)
Eliminated on disposal of a subsidiary	—	(365)
Exchange differences	—	(31)
	<u>—</u>	<u>—</u>
Balance at end of year	<u>—</u>	<u>—</u>

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 2024</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>15,534</b>	<b>3,447</b>	<b>—</b>	<b>12</b>	<b>9,881</b>	<b>28,874</b>
Loss allowance ( <i>HK\$'000</i> )	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(8,884)</u>	<u>(8,884)</u>
<b>At 30 June 2023</b>						
Weighted average expected loss rate	0%	0%	0%	0%	85%	
Receivable amount ( <i>HK\$'000</i> )	11,573	1,133	1,414	802	10,417	25,339
Loss allowance ( <i>HK\$'000</i> )	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(8,565)</u>	<u>(8,565)</u>

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.

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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Equity securities listed in Hong Kong, at fair value	5,032	725
Unlisted investment — keyman insurance contract	—	18,908
	<u>5,032</u>	<u>19,633</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 related 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 was 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. During the year ended 30 June 2024, the keyman insurance contract was surrendered.

As at 30 June 2023, the keyman insurance contract with carrying amount of approximately HK\$18,908,000 was pledged to a bank to secure banking facilities available to the Group.

#### 15. TRADE AND OTHER PAYABLES

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Trade payables	6,448	10,917
Other payables and accruals	8,683	7,346
Receipt of deposits for disposal of assets classified as held for sale	11,800	11,800
	<u>26,931</u>	<u>30,063</u>

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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
0–90 days	4,913	10,280
91–180 days	1,426	528
Over 360 days	109	109
	<u>6,448</u>	<u>10,917</u>

## 16. SHARE CAPITAL

	Number of Shares	Amount <i>HK\$'000</i>
Authorised:		
Ordinary shares of HK\$0.1 (2023: HK\$0.02) each		
At 1 July 2022, 30 June 2023 and 1 July 2023	15,000,000,000	300,000
Share consolidation	<u>(12,000,000,000)</u>	<u>—</u>
At 30 June 2024	<b><u>3,000,000,000</u></b>	<b><u>300,000</u></b>
Issued and fully paid:		
Ordinary shares of HK\$0.1 (2023: HK\$0.02) each		
At 1 July 2022, 30 June 2023 and 1 July 2023	2,036,538,114	40,731
Issue of shares on placement ( <i>Note (a)</i> )	407,307,622	8,146
Share consolidation ( <i>Note (b)</i> )	<u>(1,955,076,589)</u>	<u>—</u>
At 30 June 2024	<b><u>488,769,147</u></b>	<b><u>48,877</u></b>

### Notes:

- (a) On 16 February 2024, the Company entered into a placing agreement with a placing agent in respect of the placement of 407,307,622 ordinary shares of HK\$0.02 each to independent investors at a price of HK\$0.04 per share. The placement was completed on 6 March 2024 and the premium on the issue of shares, amounting to approximately HK\$7,820,000, net of share issue expenses of HK\$326,000, was credited to the Company's share premium account.
- (b) Pursuant to an ordinary resolution passed on 5 April 2024, every 5 ordinary shares of HK\$0.02 each in the issued and unissued share capital of the Company were consolidated into one consolidated ordinary share of HK\$0.1 each in the issued and unissued share capital of the Company effective on 9 April 2024.

## **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 People's Republic of China (the "PRC") and overseas. The Group has also a hotel leasing 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 PRC and Hong Kong respectively.

#### **In PRC**

The Company holds 80% interest of an investment property in PRC which are industrial developments with land lot numbers of 1914130300339 and 1914130300340, located at Longchuanzhou, Renzhou Village, Shatian, Dongguan City, Guangdong Province. The industrial developments comprise 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 10,745 sq.m (or about 115,659.18 sq.ft.). The land use rights of the property have been granted for separate terms expiring on 15 February 2044 and on 10 May 2044 respectively for industrial use.

On 8 June 2023, an ordinary resolution was passed at an extraordinary general meeting of shareholders in relation to the disposal of all 80% interest of the investment property in PRC, a deposit of HK\$11,800,000 has been received and the balance of HK\$47,200,000 shall be received upon completion.

On 5 December 2023, the Company, the Purchaser and the Disposal Company have entered into a supplemental agreement to the SPA (the "Supplemental Agreement"), pursuant to which the parties thereto mutually agreed that:

- (i) the Completion Date is extended and shall be a Business Day on or before 9 December 2024; and

- (ii) an aggregate amount of HK\$11,800,000 (the “Deposits”), being the first and second instalments of the Transaction Consideration which had been paid by the Purchaser, or any part thereof shall in no circumstances be refunded or refundable to the Purchaser and the Purchaser irrevocably waives and abandons his rights to claim or recover the Deposits or any part thereof under any provisions of the SPA or the laws.

For detail, please refer to the announcement dated 5 December 2023.

### **In Hong Kong**

The Group holds 100% interest of a Hong Kong investment property which comprises 95 car parking spaces at 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 2024, rental income slopped down to approximately HK\$3,932,000 (2023: approximately HK\$4,236,000).

### **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, Colliers Appraisal and Advisory Services Co., Ltd. (“Colliers”) 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 x recovery rate) x market price of timber – cutting cost + scrap sale income

According to 林地樹林資源2024年度調查報告 prepared by CNBM Geological Engineering Exploration Academy Co. Ltd. (“CNBM”), stratified random samplings have been applied in order to estimate the total volume of standing timbers on the Plantation Land based on the “Dual stumpage volume table for plain area artificial poplar forests of Xinjiang (新疆平原楊樹人工林二元立木材積表) DB65/T2283–2005”. During each sampling process, whole plantation land of 30,000 mu was divided into

3,824 sampling areas and 660 sampling areas were selected. The following inputs have been adopted in this valuation based on the opinions as stated in 林地樹林資源2024年度調查報告 prepared by CNBM:

- Total volume of standing timbers = 459,397 m<sup>3</sup>
- Recovery rate = 80%
- Cutting cost = 6% of revenue
- Scrap sale income = 3.5% of revenue

With reference to observable market price of timber of similar pieces in Mainland China, the adopted market price was RMB496 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, Colliers 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%	199,948,000
+5%	85%	188,840,000
+0%	80%	177,731,000
-5%	75%	166,623,000
-10%	70%	155,515,000

  

<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%	546	195,505,000
+5%	521	186,618,000
+0%	496	177,731,000
-5%	471	168,845,000
-10%	446	159,958,000

Fair value of the biological assets is mainly affected by the total volume of standing timbers and market price of the polar tree timbers. Despite the Plantation Land still faces problems of shortage of water resources, soil degradation and broken ecosystem, total volume of standing timbers increased 1,141 cubic metres from 458,256 cubic metres of last financial year end to 459,397 cubic metres at this financial year end, representing an increase of 0.25%. Reason for the volume increase is natural growth of polar trees. However, market price of polar tree timber fell from RMB594 per cubic meter of last

financial year end to RMB496 at this financial year end, representing a decrease of 16.50%. The fair value is also affected by the fall of renminbi value against Hong Kong dollars. For cost control reason, the Group has not appointed Plantation Land maintenance operator since July 2018 and yet to devise appropriate valued and economically viable plan to optimise the use of the biological assets. The Group recorded a decrease to approximately HK\$190,958,000 (2023: approximately HK\$230,481,000) in the fair value of the biological assets. The decrease is mainly attributable to the fall of market price of poplar tree timber and value of renminbi.

The actual fair value of poplar tree of biological assets in RMB as at 30 June 2024 amounted to approximately RMB177,731,000 (2023: approximately RMB213,336,000). The Group considers that such fair value change is non-cash in nature and will not have effect on the cash flow and business operation of the Group.

During the financial year ended 30 June 2024, the Group recognised aggregate net losses arising from the major non-current assets of approximately HK\$60,445,000 (2023: approximately HK\$19,621,000). 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, fair value loss on investment properties and no provision (2023: reversal of provision) for impairment loss of right-of-use assets.

### **Operating Rights**

The operating rights relate to the favorable aspect of the right to use and operate the plantation land of a subsidiary of the Company. The subsidiary was acquired in the year ended 30 June 2009. The intangible assets are amortised using straight-line method over the useful life of 30 years and the remaining useful life is 14 (2023: 15) years.

With reference to the valuation conducted by AP Appraisal Limited (“AP Appraisal”), an independent professional valuer, the recoverable amount of the Group’s operating rights is higher than its carrying amount and no impairment has been recognised during the year ended 30 June 2024. The recoverable amount has been determined on the basis of the value in use by using discounted cash flow method (level 3 fair value measurements). The discount rate used was 14.3% (2023: 16.4%).

### **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 2024, there was no revenue generated from the plantation sales business (2023: 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 2024, the Group recorded a decrease in revenue from metal recycle businesses with total of approximately HK\$9,822,000 (2023: approximately HK\$17,417,000).

There is no doubt that scrape metal recycling has received more attention worldwide because of promotion of green energy, government initiatives and rising demand from various end-use industries. The global metal recycling market size was valued at USD229.6 billion in 2021 and is expected to expand at a compound annual growth rate of 5.85% to 2030 and reach about USD384 billion. However, government initiatives across the globe may not be helpful to exporters. Most of the initiatives are aiming at promoting domestic scrap metal recycling. For example PRC's rules limiting importation to higher quality scrap metals have negative impact for our operations.

Also, numbers of local scrap metal operators are increasing and so is the competition, sourcing metal scrap in Hong Kong is becoming more and more difficult.

The total gross value of construction Works ("GVCW") performed at private sector sites totalled \$21.8 billion in the first quarter of 2024, up by 20.8% in nominal terms over a year earlier. In real terms, it increased by 18.3%. The GVCW performed at public sector sites increased by 9.5% in nominal terms over a year earlier to \$25.5 billion in the first quarter of 2024. In real terms, it increased by 7.8%. However, the Group did not benefit from the above figure; the sourcing of scrap metal became more difficult led the cost the scape metal continuous increase. On the contrary, the selling price of scrap metal slipped down.

## **Motor and Motor Accessories Business**

For the year ended 30 June 2024, revenue from motor and motor accessories business raised to approximately HK\$63,726,000 (2023: approximately HK\$60,279,000).

On the sale of car segment, there was no new sale of BAC mono and used car for this year. Sale of high end car market, same as the economy, requires time to pick up.

On the sale of motor accessories, the tyres business recorded an increase of sales from last year's approximately HK\$44,440,000 to this year end of approximately HK\$53,057,000, representing an increase of 19.4%. The reason being that the Pirelli supplier, after our hard efforts with prolonged negotiations, discussions and petitions, was able to meet approximately 60% of our orders. Although the quantity and category were not very satisfactory, it showed a good sign in the right direction. However, the PRC market recorded a negative turnover from last year's approximately HK\$13,987,000 to this year end of approximately HK\$9,661,000. It was evident that consumer confidence at PRC continued to hover at all-time lows. More and more motor vehicle owners prolonged tyre's maintenance or shifted to use lower tier tyres with

cheaper price and Pirelli did not manufacture that category. We are of the view that if Pirelli supplier continues to improve meeting our order, sales at Taiwan may further improve but the PRC market remains uncertain.

### **Money Lending Business**

The Group operates money lending business through a wholly owned subsidiary, which is a holder of money lender's licence 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\$307,000 (2023: approximately HK\$298,000) from loans granted to both corporate and individual clients. The outstanding principal amount of loan receivables net of provision of impairment loss as at 30 June 2024 was approximately HK\$5,517,000 (2023: approximately HK\$5,876,000). None of the loan transaction(s) during the year ended 30 June 2024 constituted a notifiable transaction of the Company under Chapter 14 of the Rule Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). During the year, no provision for impairment loss of loan receivables was made (2023: approximately HK\$4,290,000) was considered necessary in the application of HKFRS 9 by the Group.

Further details regarding the money lending business of the Group, including but not limited to its business model, internal control policies and credit risk assessment, basis of determination of major terms of loans, breakdowns of the loan portfolios and impairment assessment, will be disclosed in the annual report of the Company for the year ended 30 June 2024.

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

The Group maintained a very cautious approach and had made one additional investment during the year. Performance of the prices of the invested stocks were partially up and partially down. As at 30 June 2024, size of the securities investment portfolio amounted to approximately HK\$5,032,000 (2023: approximately HK\$725,000).

For the year ended 30 June 2024, the Group recorded a net gain on fair value changes in investments at fair value through profit or loss of the invested stocks of approximately HK\$1,052,000 (2023: loss approximately HK\$236,000).

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

### **Green Technology**

There was no revenue on the green technology for the year (2023: Nil).

## **Hotel Leasing Business**

The Group owns a hotel located at Thamel district, Kathmandu, Nepal, which started operation in July 2022. The hotel has around 40 guest rooms with food and beverage outlets on the ground floor and first floor. For the year ended 30 June 2024, the revenue from the hotel leasing business amounted to approximately HK\$4,784,000 (2023: HK\$2,184,000).

## **PROSPECTS**

The Hong Kong economy continued to record moderate growth in the first and second quarters of 2024. Real Gross Domestic Product (GDP) grew by 2.7% year-on-year in the first quarter, having increased by 4.3% in the previous quarter and by 3.3% year-on-year in the second quarter, having increased by 2.8% in the preceding quarter. It was forecasted that real GDP growth for the whole year of 2024 would be in the range of 2.5%–3.5%. Underlying consumer price inflation remained moderate in July 2024 and unemployment rate stayed low at 3% in May-July 2024.

However, value of retail sales continued to decline. Home prices continued to fall. The total number of unsold residential units reached a record high in 2023, and new private home supply is expected to hit a 20-year high this year. These factors have led some analysts to predict a further 5% fall in home prices in 2024, before recovery takes hold in 2025. Performance of commercial real estate markets was even worse amid continuous political tensions resulting from removal of headquarters of many traditional international businesses from Hong Kong to Singapore.

Hong Kong is currently coping with paradigm shift in both the internal and external environments when compared with four years ago, taking initiative to adapt to changes. Amidst such paradigm shift in the global political landscape, the departure of a few old patrons is inevitable but does not connote a bleak future for Hong Kong. Indeed, an objective view of Hong Kong's economic prospects can only be attained through multiple perspectives which all bode well for the city's future.

Hong Kong's main growth momentum comes from China mainland, particularly thanks to favourable policies introduced by the central government, such as designating Hong Kong as one of the only two financial services cities in China, enhancing cooperation between mainland and Hong Kong to promote economic development, expanding the individual visit scheme to Hong Kong to 59 cities and the China Securities Regulatory Commission unveiling five measures on capital market cooperation with Hong Kong etc. Also, it is expected that the United States Federal Reserve is about to shift to the path of lowering interest rate, a move which will have a significant positive impact on Hong Kong economy.

Hong Kong can also source its growth momentum from the evolving international market. On the one hand, growth momentum from traditional overseas markets, such as the United States and Europe, needs reinforcing. The more unfriendly they become towards Hong Kong, the greater the need for Hong Kong to build stronger ties with them. On the other hand, Hong Kong should explore new growth impetus with emerging economies, for example Association of Southeast Asian Nations (ASEAN) countries, which have been thriving lately.

There is no reason for pessimism about Hong Kong's future if the traditional advantages of internationalism, free port traits, free and stable monetary market are all being maintained and the decision makers and policy executors of Hong Kong can put more focus on economy.

## **FINANCIAL REVIEW**

For the year ended 30 June 2024, revenue of the Group decreased by 1.9% to approximately HK\$82,817,000 (2023: approximately HK\$84,414,000) and gross profit of the Group increased by 17.7% to approximately HK\$17,724,000 (2023: approximately HK\$15,061,000). Loss for the year ended 30 June 2024 increased to approximately HK\$72,084,000 as compared to loss of approximately HK\$35,200,000 of last corresponding year. The decrease in revenue was mainly due to the decrease from the material recycled business. The increase in gross profit was mainly due to the increase from the hotel leasing business. The loss for the year was mainly due to administrative and operating expenses, loss arising from changes in fair value less costs to sell of biological assets, fair value loss on investment properties and finance cost. 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 2024, basic and diluted loss per share were HK16 cents (2023: HK9 cents, restated). Loss arising from changes in fair value less costs to sell of biological assets was approximately HK\$38,595,000 (2023: loss approximately HK\$16,556,000). Fair value loss on investment properties was approximately HK\$17,294,000 (2023: approximately HK\$1,918,000).

For the year ended 30 June 2024, the finance costs were approximately HK\$6,801,000 (2023: approximately HK\$4,133,000). Administrative expenses from operations for the year ended 30 June 2024 decreased to approximately HK\$40,907,000 (2023: approximately HK\$43,725,000). It included major items such as amortisation of intangible assets of approximately HK\$4,556,000, salaries and directors' emoluments of approximately HK\$13,527,000 and expenses related to short-term leases of approximately HK\$854,000. Income tax credit was recorded at approximately HK\$10,594,000 (2023: approximately HK\$4,934,000). Exchange loss on translating foreign operations was recorded at approximately HK\$1,180,000 (2023: approximately HK\$24,941,000).

## Liquidity and Financial Resources

As at 30 June 2024, the total assets of the Group were approximately HK\$661,398,000 (2023: approximately HK\$718,692,000), including cash and bank balances of approximately HK\$22,631,000 (2023: approximately HK\$5,531,000).

The Group's total borrowings as at 30 June 2024 were approximately HK\$84,841,000 (2023: approximately HK\$74,148,000). The Group's gearing ratio (which was expressed as a percentage of total borrowings over total equity) was approximately 20.2% as at 30 June 2024 (2023: approximately 15.6%).

As at 30 June 2024, the Group's net assets amounted to approximately HK\$419,022,000 (2023: approximately HK\$476,320,000).

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 2024, the Group held investments at fair value through profit or loss of the invested stocks of approximately HK\$5,032,000. Details of the significant investments are as follows:

Stock Name	Note	Stock Code	Place of incorporation	Net unrealized gains/ (losses) on listed securities <i>HK\$'000</i>	Market value <i>HK\$'000</i>	Approximate percentage of investments at fair value through profit or loss %	Approximate percentage to the net assets of the Group %
Wai Chun Group Holdings Ltd.	1	1013	Bermuda	(40)	65	1.3	0.02
Kantone Holdings Limited	2	1059	Cayman Islands	1,029	4,823	95.8	1.15
Hang Sang (Siu Po) International Holding Co Ltd	3	3626	Cayman Islands	(34)	144	2.9	0.03
				955	5,032	100	1.20

### Notes:

- Wai Chun Group Holdings Ltd is an investment holding company principally engaged in the trading of chemicals and agricultural products. The company operates its business through two segments. The General Trading segment is engaged in the trading of chemicals and agricultural products. The Sales and Integrated Services segment is engaged in the sales and provision of integrated services for computer and communication systems. The segment is also engaged in the design and manufacture of information system software. No dividend was received for the year ended 30 June 2024. According to its latest published financial statements, it had net liabilities of approximately HK\$240,288,000 as at 31 March 2024.

2. Kantone Holdings Limited is an investment holding company principally engaged in the sales of cultural products. The company operates through three business segments. The Sales of Cultural Products segment is engaged in the trading of cultural products. The Systems Sales and Licensing segment is engaged in the sales of systems and related products, software licensing and customization, as well as the provision of related services. The Leasing of Systems Products segment is engaged in the leasing of systems products. The company is also engaged in the e-lottery business, the design and manufacture of communication systems and equipment, as well as the investments in advanced technology and e-commerce projects through its subsidiaries. No dividend income was received for the year ended 30 June 2024. According to its latest published financial statements, it had a net asset value of approximately HK\$140,885,000 as at 31 December 2023.
3. 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 for the year ended 30 June 2024. According to its latest published financial statements, it had a net asset value of approximately HK\$38,366,000 as at 31 December 2023.

## **CAPITAL RAISING AND EXPENDITURE**

### **Placing of New Shares under General Mandate**

On 16 February 2024 (after trading hours), the placing agent and the Company entered into the placing agreement pursuant to which the Company has conditionally agreed to place through the placing agent, on a best effort basis, up to 407,307,622 ordinary shares (the "Placing Shares") of HK\$0.02 each of the Company at the placing price of HK\$0.04 per placing share to not less than six placees (the "Placees") who and whose beneficial owners are independent third parties (the "Placing"). Completion of the Placing took place on 6 March 2024. All the 407,307,622 Placing Shares have been successfully placed in full to not less than six Placees (who and whose ultimate beneficial owner(s), if applicable, is an independent third party) at the Placing Price of HK\$0.04 per Placing Share. The Placing Shares were allotted and issued under the general mandate granted to the Directors pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 4 December 2023. The net issue price per Placing Share after deducting the related expenses of the Placing was approximately HK\$0.039 per share. The aggregate nominal value of the Placing Shares under the Placing was HK\$8,146,152.44 based on par value of HK\$0.02 per Share. The closing price was HK\$0.043 per share as quoted on the Stock Exchange on 16 February 2024, being the date of the placing agreement.

Through the Placing, the Company intended to reduce the interest burden amidst the high-interest rate cycle by repayment of interest-bearing debts so as to alleviate the financial pressure and improve the financial performance of the Group. The Board considered that the placing represents a good opportunity to raise immediate additional funds to strengthen the financial position of the Group, finance its working capital needs and financial obligations.



The details of the net proceeds and the use of proceeds from the Placing are set out in the section headed “Use of Proceeds” below.

Details of the Placing are set out in the Company’s announcements dated 16 February 2024 and 6 March 2024.

## USE OF PROCEEDS

The gross proceeds and the actual net proceeds raised from the Placing amounted to approximately HK\$16.3 million and HK\$16.0 million respectively. As at 30 June 2024, the net proceeds have been fully utilized as follows:

	<b>Intended use of net proceeds</b> <i>HK\$’ million</i>	<b>Net proceeds utilized during the year ended 30 June 2024</b> <i>HK\$’ million</i>	<b>Unutilized net proceeds as at 30 June 2024</b> <i>HK\$’ million</i>
Settlement and/or repayment of the installment loans payable and other bank loans	5.2	5.2	—
Existing operation of its motor and motor accessories business as well as its metal recycled business	3.5	3.5	—
Settlement of outstanding accounts and other payables	3.0	3.0	—
General working capital	4.3	4.3	—
	<u>16.0</u>	<u>16.0</u>	<u>—</u>

## EMPLOYMENT AND REMUNERATION POLICY

As at 30 June 2024, the Group had 44 (2023: 39) 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 2024, the bank loans of approximately HK\$84,051,000 were secured by (i) the car parking spaces with aggregate carrying amount of approximately HK\$190,000,000; (ii) a deed of assignment of rental income from the car parking spaces and (iii) personal guarantee from a director of the Company.

## **DIVIDEND**

The directors of the Company do not recommend or declare the payment of any dividend in respect of the year ended 30 June 2024 (2023: Nil).

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

The annual general meeting will be held on Tuesday, 3 December 2024. 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 Thursday, 28 November 2024 to Tuesday, 3 December 2024 (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 4:00 p.m. on Wednesday, 27 November 2024.

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

The Group conducted most of its business in Great British Pound, Renminbi, United States Dollar and Hong Kong Dollars for the year ended 30 June 2024. The Group has transactional currency exposures. Such exposures arise from the business operations in the PRC denominated in RMB. As at 30 June 2024, 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 30 June 2024, 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 C1 to the Listing Rules for the year ended 30 June 2024, except the followings:

Code provision C.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.

Following the resignation of Mr. Ong Chi King, an independent non-executive director, on 25 September 2023, the Company was not in compliance with the requirements of (i) Rule 3.10 of the Listing Rules that the Board must include at least three independent non-executive Directors and at least one of the independent non-executive Directors must have appropriate professional qualifications or accounting or related financial management expertise; (ii) Rule 3.10A of the Listing Rules that the number of independent non-executive Directors must represent at least one-third of the Board; and (iii) Rule 3.21 of the Listing Rules that the Audit Committee must comprise a minimum of three members, at least one of whom is an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules, and be chaired by an independent non-executive Director.

Immediately upon the appointment of Mr. Lee Chi Ho as an independent non-executive director on 5 December 2023, the Company has re-complied with the above requirements under Rules 3.10, 3.10A and 3.21 of the Listing Rules.

## **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 C3 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 2024.

## **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. Lee Chi Ho (Chairman), Mr. Wong Kwai Sang and Mr. Heung Chee Hang, Eric 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 2024.

## **SCOPE OF WORK OF AUDITOR**

The figures in respect of the Group’s consolidated statement of financial position as at 30 June 2024, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 30 June 2024 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 2024. The work performed by ZHONGHUI ANDA CPA Limited in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion 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 2024

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