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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 2016**

The board of directors (the “Board”) of China Environmental Resources Group Limited (the “Company”) announces the annual consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 30 June 2016 together with comparative figures for the year ended 30 June 2015.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2016

	<i>Notes</i>	2016 HK\$'000	2015 <i>HK\$'000</i>
Revenue	3	13,365	2,733
Cost of sales		<u>(8,220)</u>	<u>(1,800)</u>
Gross profit		5,145	933
Other income	5	3	2,214
Administrative expenses		(49,301)	(41,415)
Net gain/(loss) on fair value changes on financial assets at fair value through profit or loss		(33,161)	30,845
Loss on disposal of a subsidiary		(12)	—
Loss arising from changes in fair value less costs to sell of biological assets		<u>(45,603)</u>	<u>(77,172)</u>
Loss from operations		(122,929)	(84,595)
Finance costs	6	<u>(661)</u>	<u>(6)</u>
Loss before tax		(123,590)	(84,601)
Income tax credit	7	<u>16,704</u>	<u>15,700</u>
Loss for the year	8	(106,886)	(68,901)
Other comprehensive (loss)/income after tax: <i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translation of foreign operations		<u>(36,979)</u>	<u>1,246</u>
Other comprehensive (loss)/income for the year, net of tax		<u>(36,979)</u>	<u>1,246</u>
Total comprehensive loss for the year		<u>(143,865)</u>	<u>(67,655)</u>
Loss for the year attributable to:			
Owners of the Company		(106,609)	(68,901)
Non-controlling interest		<u>(277)</u>	<u>—</u>
		<u>(106,886)</u>	<u>(68,901)</u>
Total comprehensive loss for the year attributable to:			
Owners of the Company		(143,588)	(67,655)
Non-controlling interest		<u>(277)</u>	<u>—</u>
		<u>(143,865)</u>	<u>(67,655)</u>
			(Restated)
Loss per share	9		
Basic (HK cents per share)		<u>(8)</u>	<u>(6)</u>
Diluted (HK cents per share)		<u>(8)</u>	<u>(6)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

	<i>Notes</i>	2016 HK\$'000	2015 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		5,765	1,816
Investment properties		134,347	—
Biological assets	<i>11</i>	547,224	634,119
Intangible asset		110,011	123,091
Secured deposit paid for acquisition of subsidiaries		—	42,000
Goodwill		1,087	—
		798,434	801,026
Current assets			
Inventories		8,576	—
Trade and other receivables	<i>12</i>	22,051	8,551
Loans receivable		13,072	5,010
Financial assets at fair value through profit or loss	<i>13</i>	5,433	43,587
Refundable secured deposit		70,000	70,000
Bank and cash balances		81,359	57,622
		200,491	184,770
Current liabilities			
Trade and other payables		9,258	8,128
Current tax liabilities		7,976	7,889
		17,234	16,017
Net current assets		183,257	168,753
Total assets less current liabilities		981,691	969,779
Non-current liabilities			
Deferred tax liabilities		164,324	193,745
		164,324	193,745
NET ASSETS		817,367	776,034
Capital and reserves			
Share capital	<i>14</i>	33,943	18,857
Reserves		783,710	757,177
Equity attributable to owners of the Company		817,653	776,034
Non-controlling interest		(286)	—
TOTAL EQUITY		817,367	776,034

NOTES

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of biological assets which are carried at their fair values less costs to sell and financial assets at fair value through profit or loss. These 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 HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 July 2015. HKFRSs comprise Hong Kong Financial Reporting Standards, Hong Kong Accounting Standard, and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s financial statements and amounts reported for the current year and prior years.

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

3. REVENUE

The Group’s revenue which represents sales of goods to customers, fees from advisory service, loan interest income and dividend income are as follows:

	2016 <i>HK\$’000</i>	2015 <i>HK\$’000</i>
Trading of motor vehicles	9,679	—
Rental income	3,360	—
Green technology advisory fee income	—	2,700
Loan interest income	326	10
Dividend income	—	23
	<u>13,365</u>	<u>2,733</u>

4. SEGMENT INFORMATION

The Group has six reportable segments as follows:

- (i) Sales of plantation products
- (ii) Green technology advisory services
- (iii) Provision of financial services
- (iv) Trading and investment business
- (v) Rental property
- (vi) Trading of motor vehicles

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

Segment profits or losses do not include bank interest income, finance costs and income tax credit. Segment assets do not include deposit for acquisition of subsidiaries. Segment liabilities do not include deferred tax liabilities.

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

	Green technology advisory services <i>HK\$'000</i>	Sales of plantation products <i>HK\$'000</i>	Provision of financial services <i>HK\$'000</i>	Trading and investment business <i>HK\$'000</i>	Rental income <i>HK\$'000</i>	Trading of motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 30 June 2016							
Revenue from external customers	—	—	326	—	3,360	9,679	13,365
Segment loss, comprising:	(731)	(54,928)	188	(34,188)	(1,364)	(3,425)	(94,448)
Loss arising from changes in fair value less costs to sell of biological assets	—	(45,603)	—	—	—	—	(45,603)
Depreciation and amortisation	(4)	(4,996)	—	(600)	(4,490)	(176)	(10,266)
Proceeds from disposal of listed securities	—	—	—	21,947	—	—	21,947
Costs of disposal of listed securities	—	—	—	(55,197)	—	—	(55,197)
Net unrealised gains on trading securities	—	—	—	89	—	—	89
At 30 June 2016							
Segment assets	69	657,635	13,072	14,014	137,280	33,512	855,582
Segment liabilities	4,860	1,182	39	467	487	1,075	8,110

	Green technology advisory services <i>HK\$'000</i>	Sales of plantation materials and products <i>HK\$'000</i>	Provision of financial services <i>HK\$'000</i>	Trading and investment business <i>HK\$'000</i>	Rental income <i>HK\$'000</i>	Trading of motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 30 June 2015							
Revenue from external customers	2,700	—	10	23	—	—	2,733
Segment profit/(loss), comprising:	219	(90,498)	(3)	29,779	—	—	(60,503)
Loss arising from changes in fair value less costs to sell of biological assets	—	(77,172)	—	—	—	—	(77,172)
Depreciation and amortisation	(4)	(5,267)	—	(600)	—	—	(5,871)
Proceeds from disposal of listed securities	—	—	—	22,106	—	—	22,106
Costs of disposal of listed securities	—	—	—	(18,186)	—	—	(18,186)
Net unrealised losses on trading securities	—	—	—	26,925	—	—	26,925
At 30 June 2015							
Segment assets	142	761,641	5,010	46,558	—	—	813,351
Segment liabilities	4,864	1,220	—	467	—	—	6,551

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Revenue:		
Total revenue of reportable segments	<u>13,365</u>	<u>2,733</u>
Loss:		
Total loss of reportable segments	(94,448)	(60,503)
Other profit or loss:		
Finance costs	(661)	(6)
Income tax credit	16,704	15,700
Corporate and unallocated loss	<u>(28,481)</u>	<u>(24,092)</u>
Consolidated loss for the year	<u>(106,886)</u>	<u>(68,901)</u>
Assets:		
Total assets of reportable segments	855,582	813,351
Secured deposit paid for acquisition of subsidiaries	–	42,000
Refundable secured deposit	70,000	70,000
Corporate and unallocated assets	<u>73,343</u>	<u>60,445</u>
Consolidated total assets	<u>998,925</u>	<u>985,796</u>
Liabilities:		
Total liabilities of reportable segments	8,110	6,551
Deferred tax liabilities	164,324	193,745
Corporate and unallocated liabilities	<u>9,124</u>	<u>9,466</u>
Consolidated total liabilities	<u>181,558</u>	<u>209,762</u>

Geographical information:

	Revenue		Non-current assets	
	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Mainland China	—	—	657,235	757,210
Hong Kong	13,365	33	141,188	43,799
Macau and others	—	2,700	<u>11</u>	<u>17</u>
	<u>13,365</u>	<u>2,733</u>	<u>798,434</u>	<u>801,026</u>

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

Revenue from major customers:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Green technology advisory fees		
Customer A	—	2,700
Trading of motor vehicles		
Customer B	2,023	—
Customer C	2,000	—
Customer D	1,891	—
Customer E	1,782	—
	<hr/> 1,782	<hr/> —

5. OTHER INCOME

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Consultancy fee income	—	63
Sub-letting income	—	704
Gain on disposals of property, plant and equipment	—	19
Others	3	1,428
	<hr/> 3	<hr/> 2,214
	<hr/> 3	<hr/> 2,214

6. FINANCE COSTS

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Finance lease interests	—	6
Interests on promissory note	661	—
	<hr/> 661	<hr/> —
	<hr/> 661	<hr/> 6

7. INCOME TAX CREDIT

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Current tax — Hong Kong Profits Tax		
Provision for the year	373	467
Current tax — the PRC Enterprise Income Tax		
Provision for the year	—	—
Deferred tax	<u>(17,077)</u>	<u>(16,167)</u>
	<u>(16,704)</u>	<u>(15,700)</u>

Hong Kong Profits Tax has been provided at a rate of 16.5% (2015: 16.5%) on the estimated assessable profits for the year ended 30 June 2016. Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of subsidiaries of the Company in the PRC is 25% (2015: 25%).

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

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Loss before tax	<u>(123,590)</u>	<u>(84,601)</u>
Tax calculated at applicable PRC tax rate of 25% (2015: 25%)	(30,898)	(21,150)
Tax effect of expenses that are not deductible	1,914	5,463
Tax effect of income that are not taxable	(43)	(204)
Effect of different tax rates of subsidiaries	6,176	191
Tax effect of tax losses not recognised	<u>6,147</u>	<u>—</u>
Income tax credit	<u>(16,704)</u>	<u>(15,700)</u>

8. LOSS FOR THE YEAR

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

	2016	2015
	HK\$'000	HK\$'000
Amortisation of intangible asset	4,996	5,267
Cost of inventories sold	8,220	—
Depreciation	6,310	859
Staff costs (including Directors' remuneration):		
— salaries, bonuses and allowances	8,123	5,460
— retirement benefits scheme contributions	312	103
— equity settled share-based payments	6,923	—
	15,358	5,563
Loss/(gain) on disposals of property, plant and equipment	822	(19)
Auditor's remuneration	780	720
Operating lease charges on land and buildings	5,122	4,432

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\$106,609,000 (2015: HK\$68,901,000) and the weighted average number of ordinary shares of 1,395,685,877 (2015: 1,096,342,451 as adjusted to reflect the impact of open offer on 3 September 2015 as set out in note 14(i)).

Diluted loss per share

The effects of all potential ordinary shares are anti-dilutive for the years ended 30 June 2016 and 2015.

10. DIVIDENDS

The directors have not recommended or declared the payment of any dividend in respect of the years ended 30 June 2016 and 2015.

11. BIOLOGICAL ASSETS

	Standing timbers HK\$'000
At 1 July 2014	710,248
Loss arising from changes in fair value less costs to sell of biological assets	(77,172)
Exchange differences	1,043
	<hr/>
At 30 June 2015 and 1 July 2015	634,119
Loss arising from changes in fair value less costs to sell of biological assets	(45,603)
Exchange differences	(41,292)
	<hr/>
At 30 June 2016	<u>547,224</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 year, the Group did not harvest or sell any standing timbers (2015: Nil).

The Group's standing timbers as at 30 June 2016 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 2016 as a basis for calculating the fair value less costs to sell of the biological assets. Roma has adopted the measured merchantable volume of 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;
2. poplar trees can grow to certain size and can be legally cut in 8 years and in 5 years with organic fertilisers added; and
3. the movements of the price of the timber, the setup fee and maintenance fee for tree plantation will move in line with the price index of forestry product in China.

Nature risk

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

12. TRADE AND OTHER RECEIVABLES

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Trade receivables	4,873	—
Prepayments, deposits and other receivables	<u>17,178</u>	<u>8,551</u>
	<u>22,051</u>	<u>8,551</u>

The Group's trading terms with customers are mainly on credit. The credit terms generally range from 30 to 180 days. Each customer has a maximum credit limit. For new customers, payment in advance is normally required. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors.

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
0–90 days	177	—
91–180 days	<u>4,696</u>	<u>—</u>
	<u>4,873</u>	<u>—</u>

All trade receivables were neither past due nor impaired.

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Equity securities, at fair value listed in Hong Kong	<u>5,433</u>	<u>43,587</u>

At 30 June 2016, the fair value of the listed equity securities, amounting to approximately HK\$5,433,000 (2015: HK\$43,587,000), was determined based on the quoted market bid prices of the corresponding listed equity securities.

14. SHARE CAPITAL

	2016 <i>HK\$'000</i>	2015 <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:		
1,697,138,114 (2015: 942,854,508) ordinary shares of HK\$0.02 each	<u>33,943</u>	<u>18,857</u>

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

	Number of shares	Amount <i>HK\$'000</i>
At 1 July 2015	942,854,508	18,857
Open offer (<i>note (i)</i>)	471,427,254	9,429
Placement of new shares (<i>note (ii)</i>)	<u>282,856,352</u>	<u>5,657</u>
At 30 June 2016	<u>1,697,138,114</u>	<u>33,943</u>

Notes:

(i) Open offer

On 3 September 2015, a total of 471,427,254 ordinary shares of HK\$0.02 each was allotted and issued to the qualifying shareholders of the Company on the basis of one offer share for every two shares held on 12 August 2015, at a subscription price of HK\$0.29 per share. Upon completion of the open offer, the premium on the issue of shares amounting to approximately HK\$123,244,000, net of share issue expenses of approximately HK\$4,041,000, was credited to the Company's share premium account.

(ii) Placement of new shares

On 26 April 2016, the Company entered into a placing agreement with a placing agent in respect of the placement of 282,856,352 ordinary shares of HK\$0.02 each to independent investors at a price of HK\$0.165 per share. The placement was completed on 13 May 2016 and the premium on the issue of shares amounting to approximately HK\$39,954,000, net of share issue expenses of approximately HK\$1,060,000, was credited to the Company's share premium account.

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

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

15. EVENTS AFTER THE REPORTING PERIOD

On 15 August 2016, the Group entered into a memorandum of understanding with the vendors (one of the vendors is the spouse of a director of the Company's subsidiary and hence is a connected person of the Company at the subsidiary level under the Listing Rules) in relation to the acquisition of 51% of the issued share capital of a target company which is a company incorporated in Hong Kong with limited liability and is principally engaged in motorcycled related business in Hong Kong, Taiwan and the PRC. The target company is also the exclusive importer and distributor in Hong Kong for several top motorcycle and motorcycle accessories brand. Up to the approval date of these financial statements, a refundable deposit of HK\$5,000,000 has been paid. In the opinions of the directors, the transaction is still in progress.

BUSINESS AND OPERATION REVIEW

The Group was listed in 1997 with business focuses on garment and property businesses in the People's Republic of China ("PRC"). Due to keen competition and rising cost of the garment and property businesses, the Group diversified into green business in late 2008. Due to the unstable natural factors, the Group diversified into money lending business, car parking spaces rental, motor trading and trading and investment business in 2015 and 2016.

The Group is currently engaged in motor trading, car parking spaces rental, money lending business and trading and investment business. The Group also maintains the green businesses of research, development and application of technologies solutions, manufacture, sale and trading of products, systems and services for green market segments including the environmental markets, agricultural markets, organic markets and green technology markets in the PRC market and overseas. The Group has been continuing to explore new business opportunities for corporate development and dedicates to develop sustainable current business.

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

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

The Group acquired a subsidiary which directly holds, inter alia, 95 car parking spaces located in Kennedy Town, Hong Kong during the financial year ended 30 June 2016. In view of recent surge in market price of car parking spaces in Hong Kong, the prospect of car parking spaces in Hong Kong to be positive. The car parking spaces rental can be broaden the Group's source of income.

The Group has launched its motor trading business during the financial year ended 30 June 2016 by introducing the world's first road legal, within a captivating package of formula car-inspired technology remarkable performance, breath-taking design and ultra light-weight single seat supercar "BAC Mono". The Group also launched its trading in a United Kingdom motorcycle marque "Norton" which is highly regarded road motorcycle.

Although global economy will still be uncertain and volatile in coming years, the luxury goods market, especially the supercar segment is stable and rising. The Group is of the view that the motor trading business will bring positive contribution to the Group and will allocate appropriate resource to further develop this business segment.

For the financial year ended 30 June 2016, turnover of the Group increased by 390% to approximately HK\$13.37 million with gross profit of approximately HK\$5.15 million (2015: turnover of approximately HK\$2.73 million with gross profit of approximately HK\$0.93 million). Loss for the year amounted to HK\$106.89 million (2015: Loss of approximately HK\$68.9 million), including mainly the increase of approximately HK\$33.16 million in the net loss on fair value changes on financial assets at fair value through profit or loss.

BIOLOGICAL ASSETS

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

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

According to 農業資產估值報告 prepared by Forestry Manager, random sampling has been performed on 31 July 2016, in order to estimate the total volume of standing timbers on the Plantation Land based on "中華人民共和國國家標準原木材積表 GB/T 4814-2013". During the sampling process, there were 20 sampling areas with an area of about 0.5 Mu. The following inputs have been adopted in this valuation based on the opinions as stated in 農業資產估值報告 prepared by Forestry Manager:

- Total volume of standing timbers = 818,455 m³
- Recovery rate = 80%
- Cutting cost = 5% of revenue
- Scrap sale income = 5% of revenue

With reference to observable market price of timber of similar species in China, the adopted market price was RMB716 per cubic meter.

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

Absolute Change in Recovery Rate	Applied Recovery Rate	Fair Value of the Biological Asset (RMB)
+10%	90%	527,290,000
+5%	85%	497,996,000
0%	80%	468,702,000
-5%	75%	439,408,000
-10%	70%	410,114,000

% Change in Adopted Market Price	Adopted Market Price (RMB/m³)	Fair Value of the Biological Asset (RMB)
+10%	787	515,572,000
+5%	752	492,137,000
0%	716	468,702,000
-5%	680	445,267,000
-10%	644	421,832,000

The directors are of the view that the fair value of the biological assets are under a significant impact from changes in market price per m³ of logs. If the market price per m³ of logs increases/decreases, the fair value of the biological assets would be higher/lower proportionately, holding other inputs and assumptions used in the valuation techniques remained unchanged.

During the financial year 30 June 2016, the Group recognised aggregate losses arising from the major non-current assets of approximately HK\$51 million. This represents the combined effect of the amortisation of intangible asset and the loss arising from changes in fair value less costs to sell of biological assets.

MOTOR TRADING

In view of an increasing demand of supercars in Hong Kong, on 10 August 2015, the Group firstly commenced its distribution business of specialist sport cars of United Kingdom brand and extended the scope with motorcycles and accessories. At the second quarter of 2016, the Group further commenced to distribute United Kingdom and Italian Brands motorcycles and related accessories. For the financial year ended 30 June 2016, the sales of trading of motor vehicles and motorcycles recorded HK\$9.68 million (2015: Nil).

CAR PARKING SPACES RENTAL

On 3 July 2015, the Group completed a major and connected transaction, namely, the acquisition of the entire issued share capital and shareholder's loan of the newly acquired subsidiary which directly holds, inter alia, 95 car parking spaces located in Kennedy Town, Hong Kong. For the financial year ended 30 June 2016, rental income recorded was approximately HK\$3.36 million (2015: Nil).

MONEY LENDING BUSINESS

On 18 December 2014, the Group obtained the money lenders license. The directors of the Company consider it will be beneficial to the Group to explore new opportunities in the money lending business to broaden its source of income and expand the business operations in order to generate profits and return for the Company and the Shareholders. For the financial year ended 30 June 2016, loan interest income recorded approximately HK\$0.33 million (2015: HK\$0.01 million).

TRADING AND INVESTMENT BUSINESS

In view of the launch of Shanghai-Hong Kong Stock Connect and to have a better utilization of the Group's funding resources, the Group started trading in securities in Year 2014. The Group's trading securities are measured at fair value, which are based on their quoted prices in the securities market and the securities market was very volatile in July and August 2015. The volatility of the securities market may have adverse effect to the performance of the Group after the year ended 30 June 2016. For the financial year ended 30 June 2016, the net loss on fair value changes on financial assets at fair value through profit or loss recorded HK\$33.16 million (2015: net gain HK\$30.85 million).

PLANTATION PRODUCT

There was no revenue on the sale of plantation products for the year (2015: Nil).

For the financial year ended 30 June 2016, the growth and the volume of the biological assets was affected by the shortage of underground water in the region. The Group recorded the decrease by 13.70% to approximately HK\$547.22 million (2015: approximately HK\$634.12 million) in the fair value of the poplar trees of biological assets. The Group considers that the decreases are non-cash in nature and will not have material adverse effect on the financial position of the Group.

GREEN TECHNOLOGY

The green technology segment comprises the research and development, project establishment, application and sale of green and environmental product, technology, service and related products for sustainable development. There was no revenue on the green technology segment for the year (2015: sales approximately HK\$2.7 million, accounting for about 98.79% of the Group's total revenue).

PROSPECTS

In view of the challenging economic and business environment, the management of the Group continued to review its existing businesses from time to time and strived to improve the business operation and financial position of the Group.

In this regards, on 3 July 2015, the Group completed a major and connected transaction, namely, the acquisition of the entire issued share capital and shareholder's loan of the newly acquired subsidiary which directly holds, inter alia, 95 car parking spaces located in Kennedy Town, Hong Kong. The acquisition generated stable and continuous income and cash flow to the Group. The Group is considering to enhance the value of the car parking spaces and maximize the return of the Group.

In addition, at August 2015, the Group commenced its motor trading business including distribution of United Kingdom brand of supercar; and United Kingdom and Italian Brands motorcycles and related accessories. This business segment became major revenue generator for the financial year ended 2016 and the Group will continue to allocate more resource and effort to develop this segment.

It has been the business strategy of the Group to proactively seek potential investment opportunities in order to enhance value of the shareholders of the Company. The directors of the Company consider that it is beneficial for the Group to seek suitable investment opportunities from time to time to diversify its existing business portfolio into new line of business with growth potential and to broaden its source of income.

FINANCIAL REVIEW

For the year ended 30 June 2016, the Group recorded a consolidated revenue at approximately HK\$13.37 million (2015: approximately HK\$2.73 million), representing an increase of 390% as compared with the year ended 30 June 2015 (the "Previous Year"). The Group's gross profit increase by 454% to approximately HK\$5.15 million (2015: approximately HK\$0.93 million). The increase in both consolidated revenue and gross profit were mainly due to the newly launched motor trading business and car park spaces rental.

The loss for the year increased to approximately HK\$106.89 million from Previous Year's loss of approximately 68.9 million.

In calculating the Group's consolidated net loss, the administrative expenses of approximately HK\$49.3 million (2015: approximately HK\$41.42 million) included major items, such as staff costs of approximately HK\$15.36 million, depreciation of approximately HK\$6.31 million, amortisation of intangible asset of approximately HK\$5 million, auditor's remuneration of approximately HK\$0.78 million, operating leases charges of approximately HK\$5.12 million and forestry maintenance fee of HK\$4 million charged by the Group's forestry manager.

Finance costs of HK\$0.66 million which was mainly recorded for interests on promissory note. Income tax credit was approximately HK\$16.7 million (2015: approximately HK\$15.7 million) mainly due to deferred tax credit of approximately HK\$17.1 million (2015: approximately HK\$16.17 million).

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2016, the total assets of the Group was approximately HK\$998.93 million (2015: approximately HK\$985.80 million), including cash and bank balances of approximately HK\$81.36 million (2015: approximately HK\$57.62 million). The directors of the Company are of the view that the Group has sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due in the foreseeable future.

CAPITAL RAISING AND EXPENDITURE

As at 30 June 2016, details of movements in the issued share capital of the Company is stated in note 14.

BUSINESS ACQUISITION AND DISPOSAL

As at 30 June 2016, apart from those as in note 30 and 31 to the consolidated financial statements, there was no major acquisition or disposal undertaken by the Group.

EMPLOYMENT AND REMUNERATION POLICY

As at 30 June 2016, the Group had 27 employees (2015: 23 employees) in both Hong Kong and the PRC. The Group implements remuneration policy, bonus and share options scheme to ensure that pay scales of its employees are rewarded on a performance-related basis within the general framework of the Group's remuneration.

CHARGES ON THE GROUP ASSETS

As at 30 June 2016, there was no charge on the Group's assets (2015: Nil).

DIVIDEND

The directors of the Company have not recommended the payment of any dividend in respect of the year ended 30 June 2016 (2015: Nil).

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

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

CONTINGENT LIABILITIES

As at 30 June 2016, 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 2016, 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 stricture from time to time.

Code provision E.1.2 of the CG Code stipulates that the chairman of the board should attend the annual general meeting. Mr. Yeung Chi Hang was unable to attend the annual general meeting of the Company held on 11 November 2015 due to business trips. Mr. Wong Po Keung, an executive director, was elected and acted as chairman of the said annual general meeting.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code 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 confirmed that they have complied with the required standard set out in the Model Code throughout the year ended 30 June 2016.

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 2016.

SCOPE OF WORK OF AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 30 June 2016 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 2016. 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, 28 September 2016

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.