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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 2017**

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 2017 together with comparative figures for the year ended 30 June 2016.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2017

	Notes	2017 HK\$'000	2016 HK\$'000
Revenue	3	13,971	13,365
Cost of sales		<u>(6,755)</u>	<u>(8,220)</u>
Gross profit		7,216	5,145
Other income	5	6,677	3
Administrative and operating expenses		(42,756)	(49,301)
Net loss on fair value changes on financial assets at fair value through profit or loss		(949)	(33,161)
Gain on deregistration of a subsidiary		4,864	—
Gain/(loss) on disposals of subsidiaries		17	(12)
Loss arising from changes in fair value less costs to sell of biological assets		<u>(33,233)</u>	<u>(45,603)</u>
Loss from operations		(58,164)	(122,929)
Finance costs	6	<u>(161)</u>	<u>(661)</u>
Loss before tax		(58,325)	(123,590)
Income tax credit	7	<u>9,238</u>	<u>16,704</u>
Loss for the year	8	(49,087)	(106,886)
Other comprehensive loss after tax:			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translation of foreign operations		<u>(7,063)</u>	<u>(36,979)</u>
Other comprehensive loss for the year, net of tax		<u>(7,063)</u>	<u>(36,979)</u>
Total comprehensive loss for the year		<u><u>(56,150)</u></u>	<u><u>(143,865)</u></u>
Loss for the year attributable to:			
Owners of the Company		(48,277)	(106,609)
Non-controlling interests		<u>(810)</u>	<u>(277)</u>
		<u><u>(49,087)</u></u>	<u><u>(106,886)</u></u>
Total comprehensive loss for the year attributable to:			
Owners of the Company		(55,340)	(143,588)
Non-controlling interests		<u>(810)</u>	<u>(277)</u>
		<u><u>(56,150)</u></u>	<u><u>(143,865)</u></u>
Loss per share	9		
Basic (HK cents per share)		<u><u>(3)</u></u>	<u><u>(8)</u></u>
Diluted (HK cents per share)		<u><u>(3)</u></u>	<u><u>(8)</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	<i>Notes</i>	2017 HK\$'000	2016 HK\$'000
Non-current assets			
Property, plant and equipment		4,087	5,765
Investment properties		210,845	134,347
Biological assets	11	506,022	547,224
Intangible assets		103,635	110,011
Goodwill		1,087	1,087
		<u>825,676</u>	<u>798,434</u>
Current assets			
Inventories		13,356	8,576
Trade and other receivables	12	28,602	22,051
Loans receivable		25,899	13,072
Financial assets at fair value through profit or loss	13	1,264	5,433
Refundable secured deposit		70,000	70,000
Cash and cash equivalents		13,015	81,359
		<u>152,136</u>	<u>200,491</u>
Current liabilities			
Trade and other payables		17,153	9,258
Current tax liabilities		3,460	7,976
		<u>20,613</u>	<u>17,234</u>
Net current assets		<u>131,523</u>	<u>183,257</u>
Total assets less current liabilities		<u>957,199</u>	<u>981,691</u>
Non-current liabilities			
Deferred tax liabilities		152,414	164,324
Promissory note		28,881	—
		<u>181,295</u>	<u>164,324</u>
NET ASSETS		<u><u>775,904</u></u>	<u><u>817,367</u></u>
Capital and reserves			
Share capital	14	33,943	33,943
Reserves		728,370	783,710
Equity attributable to owners of the Company		762,313	817,653
Non-controlling interests		13,591	(286)
TOTAL EQUITY		<u><u>775,904</u></u>	<u><u>817,367</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 financial assets at fair value through profit or loss which are carried at their fair values. The consolidated financial statements are presented in Hong Kong Dollars (“HK\$”) and all values are rounded to the nearest thousand except when otherwise indicated.

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

In the current year, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 July 2016. 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 consolidated financial statements and amounts reported for the current year and prior years.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The 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 motor vehicles, rental income from car parking spaces and loan interest income, is as follows:

	2017 <i>HK\$’000</i>	2016 <i>HK\$’000</i>
Trading of motor vehicles	8,431	9,679
Rental income	3,571	3,360
Loan interest income	1,969	326
	<u>13,971</u>	<u>13,365</u>

4. SEGMENT INFORMATION

The Group has six reportable segments as follows:

- (i) Sales of plantation materials and products
- (ii) Green technology advisory services
- (iii) Provision of financial services
- (iv) Securities trading and investment
- (v) Property investment
- (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 gain on deregistration of a subsidiary, interest income from refundable secured deposit, sponsor income, finance costs and income tax credit. Segment assets do not include refundable secured deposit. Segment liabilities do not include deferred tax liabilities and promissory note.

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

	Sales of plantation materials and products <i>HK\$'000</i>	Green technology advisory services <i>HK\$'000</i>	Provision of financial services <i>HK\$'000</i>	Securities trading and investment <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Trading of motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 30 June 2017							
Revenue from external customers	—	—	1,969	—	3,571	8,431	13,971
Segment (loss)/profit comprising:	(43,189)	(284)	1,895	(1,424)	(4,084)	(5,511)	(52,597)
Loss arising from changes in fair value less costs to sell of biological assets	(33,233)	—	—	—	—	—	(33,233)
Depreciation and amortisation	(4,793)	—	—	(250)	(4,945)	(599)	(10,587)
Proceeds from disposal of listed securities	—	—	—	4,001	—	—	4,001
Costs of disposal of listed securities	—	—	—	(4,508)	—	—	(4,508)
Net unrealised losses on trading securities	—	—	—	(442)	—	—	(442)
At 30 June 2017							
Segment assets	609,729	—	26,478	5,784	215,126	32,966	890,083
Segment liabilities	1,197	—	343	467	2,917	903	5,827
Year ended 30 June 2016							
Revenue from external customers	—	—	326	—	3,360	9,679	13,365
Segment (loss)/profit comprising:	(54,928)	(731)	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	(4,996)	(4)	—	(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	657,635	69	13,072	14,014	137,280	33,512	855,582
Segment liabilities	1,182	4,860	39	467	487	1,075	8,110

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

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>		
Revenue:				
Total revenue of reportable segments	<u>13,971</u>	<u>13,365</u>		
Loss:				
Total loss of reportable segments	(52,597)	(94,448)		
Other profit or loss:				
Finance costs	(161)	(661)		
Gain on deregistration of a subsidiary	4,864	—		
Income tax credit	9,238	16,704		
Other income				
— Interest income from refundable secured deposit	5,830	—		
— Sponsor income	400	—		
Corporate and unallocated loss	<u>(16,661)</u>	<u>(28,481)</u>		
Consolidated loss for the year	<u>(49,087)</u>	<u>(106,886)</u>		
Assets:				
Total assets of reportable segments	890,083	855,582		
Refundable secured deposit	70,000	70,000		
Corporate and unallocated assets	<u>17,729</u>	<u>73,343</u>		
Consolidated total assets	<u>977,812</u>	<u>998,925</u>		
Liabilities:				
Total liabilities of reportable segments	5,827	8,110		
Deferred tax liabilities	152,414	164,324		
Promissory note	28,881	—		
Corporate and unallocated liabilities	<u>14,786</u>	<u>9,124</u>		
Consolidated total liabilities	<u>201,908</u>	<u>181,558</u>		
Geographical information:				
	Revenue		Non-current assets	
	2017	2016	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
The PRC	—	—	690,643	657,235
Hong Kong	13,971	13,365	135,033	141,188
Macau and others	—	—	—	11
	<u>13,971</u>	<u>13,365</u>	<u>825,676</u>	<u>798,434</u>

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

Revenue from major customers:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Trading of motor vehicles		
Customer A	N/A*	2,023
Customer B	N/A*	2,000
Customer C	N/A*	1,891
Customer D	N/A*	1,782
Customer E	<u>1,800</u>	<u>—</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 year ended 30 June 2017.*

5. OTHER INCOME

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Interest income from refundable secured deposit	5,830	—
Sponsor income	400	—
Others	447	3
	<u>6,677</u>	<u>3</u>

6. FINANCE COSTS

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Interests on promissory note	<u>161</u>	<u>661</u>

7. INCOME TAX CREDIT

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Current tax — Hong Kong Profits Tax		
Provision for the year	313	373
Over-provision in prior years	(30)	—
Deferred tax	<u>(9,521)</u>	<u>(17,077)</u>
	<u>(9,238)</u>	<u>(16,704)</u>

Hong Kong Profits Tax has been provided at a rate of 16.5% (2016: 16.5%) on the estimated assessable profits for the year ended 30 June 2017.

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 accounting loss at applicable tax rate

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Loss before tax	<u>(58,325)</u>	<u>(123,590)</u>
Tax calculated at applicable tax rate of 25% (2016: 25%)	(14,581)	(30,898)
Effect of different tax rates of the subsidiaries	1,689	6,176
Tax effect of expenses that are not deductible	4,270	1,914
Tax effect of income that are not taxable	(1,767)	(43)
Tax effect of temporary differences not recognised	82	—
Tax over-provision in prior years	(30)	—
Tax effect of tax losses not recognised	<u>1,099</u>	<u>6,147</u>
Income tax credit	<u><u>(9,238)</u></u>	<u><u>(16,704)</u></u>

8. LOSS FOR THE YEAR

This is stated at after charging the following:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Amortisation of intangible assets	4,793	4,996
Auditor's remuneration	850	780
Cost of inventories sold	6,755	8,220
Depreciation	6,838	6,310
Loss on disposals of property, plant and equipment	—	822
Loss on write-off of property, plant and equipment	11	—
Operating lease charges on land and buildings	3,923	5,122
Staff costs (including Directors' remuneration):		
— salaries, bonuses and allowances	10,679	8,123
— retirement benefits scheme contributions	274	312
— equity-settled share-based payments	—	6,923
	<u><u>10,953</u></u>	<u><u>15,358</u></u>

9. LOSS PER SHARE

Basic loss per share

The calculation of basic loss per share attributable to owners of the Company is based on the loss for the year attributable to owners of the Company of approximately HK\$48,277,000 (2016: HK\$106,609,000) and the weighted average number of ordinary shares of 1,697,138,114 (2016: 1,395,685,877) 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 2017 and 2016.

10. DIVIDENDS

The directors do not recommend or declare the payment of any dividend in respect of the years ended 30 June 2017 and 2016.

11. BIOLOGICAL ASSETS

	Standing timbers HK\$'000
At 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 and 1 July 2016	547,224
Loss arising from changes in fair value less costs to sell of biological assets	(33,233)
Exchange differences	(7,969)
	<hr/>
At 30 June 2017	<u>506,022</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 (2016: Nil).

The Group's standing timbers as at 30 June 2017 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 2017 as a basis for calculating the fair value less costs to sell of the biological assets. Roma has adopted the measured merchantable volume of standing timbers as indicated by the forest manager of the Group and also verified the market price per cubic meter of logs by referencing to the market price lists, after taking into account of local timber manufacturing factories as well. The principal assumptions adopted are as follows:

1. no material changes in the existing political, legal, technological, fiscal, economic conditions, climate and any other natural condition;
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 the PRC.

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

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Trade receivables	772	4,873
Prepayments, deposits and other receivables	<u>27,830</u>	<u>17,178</u>
	<u>28,602</u>	<u>22,051</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, is as follows:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
0–90 days	758	177
91–180 days	10	4,696
181–360 days	2	—
Over 360 days	<u>2</u>	<u>—</u>
	<u>772</u>	<u>4,873</u>

As of 30 June 2017, trade receivables of approximately HK\$14,000 (2016: Nil) were past due by 60 to 360 days but not impaired. These relate to a number of independent customers who have no recent history of default and have kept good track records with the Group. The Group does not hold any collateral over these balances. Based on past experience, the management believes that no impairment allowance is necessary in respect of these balances as there are no significant change in their respective credit quality and the balances are still considered fully recoverable.

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Equity securities listed in Hong Kong, at fair value	<u>1,264</u>	<u>5,433</u>

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

14. SHARE CAPITAL

	2017 <i>HK\$'000</i>	2016 <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 ordinary shares of HK\$0.02 each	<u>33,943</u>	<u>33,943</u>

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

	Number of shares	Amount <i>HK\$'000</i>
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, 1 July 2016 and 30 June 2017	<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.

15. EVENTS AFTER THE REPORTING PERIOD

On 21 September 2017, the Group entered into a memorandum of understanding with the issuer in relation to proposed subscription for 70% of the enlarged issued share capital of the issuer upon completion of the issue of the new shares. The memorandum is not legally binding with regard to the proposed subscription. The issuer and its related companies are principally engaged in metal recycle business in Hong Kong and the PRC and are in the course of acquiring several related businesses for horizontal or vertical expansion. Up to the approval date of these consolidated financial statements, a refundable deposit of HK\$5,000,000 has been paid.

BUSINESS AND OPERATION REVIEW

The Group is currently engaged in motor trading, car parking spaces rental, money lending business and securities trading and investment business. 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 through its wholly-owned subsidiary acquired 80% share capital of a company which owns industrial properties which comprise 2 parcels of land with a site area of about 72,335.99 sq. m. and various buildings and ancillary structures erected thereon with a total gross floor area of approximately 28,814.66 sq. m. located at Longchuanzhou, Renzhou Village, Shatian, Dongguan City, Guangdong Province, the PRC on 6 June 2017.

The Group owns 95 car parking spaces located in Kennedy Town, Hong Kong. In view of recent surge in real property market price in Hong Kong, the prospect of car parking spaces in Hong Kong remain positive. The car parking spaces rental provides a stable income to the Group.

The Group has launched its motor trading business on 10 August 2015 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 and an Italian motorcycle brand "Bimota" which creates its motorcycles with finest materials and craftsmanship. During the year, the Group became an authorised distributor of a famous motorcycle component manufacturer "Öhlins" which produces shock absorbers, front forks and steering dampers.

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 2017, turnover of the Group increased by 4.5% to approximately HK\$13.97 million with gross profit of approximately HK\$7.22 million, an increase of 40%. Loss for the year amounted to HK\$49.09 million mainly attributed to gain on deregistration of a subsidiary, other income, the net loss on fair value changes on financial assets at fair value through profit or loss and the loss arising from changes in fair value less costs to sell of biological assets.

BIOLOGICAL ASSETS

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

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

According to 農業資產估值報告 prepared by Forestry Manager, random sampling has been performed on 30 June 2017, 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 = 815,500 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 RMB674 per cubic meter.

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

Absolute Change in Recovery Rate	Applied Recovery Rate	Fair Value of the Biological Asset (RMB)
+10%	90%	494,499,000
+5%	85%	467,027,000
0%	80%	439,555,000
-5%	75%	412,082,000
-10%	70%	384,610,000

% Change in Adopted Market Price	Adopted Market Price (RMB/m³)	Fair Value of the Biological Asset (RMB)
+10%	741	483,510,000
+5%	707	461,532,000
0%	674	439,555,000
-5%	640	417,577,000
-10%	606	395,599,000

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 ended 30 June 2017, the Group recognised aggregate losses arising from the major non-current assets of approximately HK\$38 million (2016: HK\$51 million). This represents the combined effect of the amortisation of intangible assets and the loss arising from changes in fair value less costs to sell of biological assets.

MOTOR TRADING

Trading of Motor was slightly underperformed as compared to last year due to some minor changes on certain specification of BAC Mono and, thus, caused late delivery. The changes were driven specially for the purpose of fulfilment of vehicle examination requirement imposed by Transport Department of HKSAR. BAC Mono successfully obtained vehicle registration license which made BAC Mono officially road legally in Hong Kong. The Group is in the process of applying an importer license so that BAC Mono can directly import from UK to HK through our distribution. The Group is optimistic on the sale of BAC Mono a significant growth in coming future.

As a result of launching marketing campaigns and membership program by the Group, trading of motorcycle was in an uptrend and also had a chain effect of bringing an increase in motorcycle accessories sales.

The Group became an authorized distributor of “Öhlins” which is a very famous and highly recognized motorcycle component manufacturer for shock absorbers, front forks and steering dampers. Sales and trading of “Öhlins” products start in October 2016 and had already demonstrated, being a viable and sustainable business which generated a significant part of revenue in the motorcycles accessories sales.

For the financial year ended 30 June 2017, the revenue from trading of motor vehicles and motorcycles recorded HK\$8.43 million (2016: 9.68 million).

CAR PARKING SPACES RENTAL

The car parking spaces continue to provide a stable income and cash flow to the Group during the year ended 30 June 2017. In view of the continuous appreciation of car parking spaces valuation and rental income in the market, the Group is considering to refurbish the car parking spaces to enhance the value and rental and/or operate the car parking spaces by the Group itself to enhance the rental revenue. For the financial year ended 30 June 2017, rental income recorded was approximately HK\$3.57 million (2016: HK\$3.36 million).

MONEY LENDING BUSINESS

Benefited from the tightened policy of regulated financial institutes in relation to financial service provision, money lender plays an important role to provide financing to the market and as a result, money lending business has recorded significant improvement as compared to 2016. The Group will balance internal resources to different business segment and will continue to operate the money lending business with internally generated cash flow. For the financial year ended 30 June 2017, loan interest income recorded approximately HK\$1.97 million (2016: HK\$0.33 million).

TRADING AND INVESTMENT BUSINESS

For the financial year ended 30 June 2017, the net loss on fair value changes on financial assets at fair value through profit or loss recorded HK\$0.95 million (2016: net loss HK\$33.16 million).

INVESTMENT PROPERTY IN THE PRC

During the year ended 30 June 2017, the Group has acquired industrial properties in Dongguan City, the PRC. The Group considers that the Belt and Road Initiative promoted by the Central Government of the PRC and the Guangdong-Hong Kong-Macao Greater Bay Area concept will support economic development of the Dongguan City as an international trade hub in the Southern China.

Central Government of the PRC has been energetically promoting the Belt and Road Initiative and the recent announcement on the Guangdong-Hong Kong-Macao Greater Bay Area concept speeds up the urban renewal development of industrial area in Guangdong Province after the launch of marco-control in real estate market in last 5 years.

In this regard, Donggun City has actively pursued policies of “三舊改造及工改工” which allow relaxation of restriction of the existing usage of land from industrial usage to a mix of industrial, commercial and residential usage and allow upward adjustment of plot ratio of industrial land. These policies enhance the value of industrial land and increase the flexibility of redevelopment of industrial properties.

The Group is considering to appoint a consultant for conduct a feasibility study on possible redevelopment of the land and the industrial properties and regards this is a good opportunity for the Group to initiate into real estate market in the PRC.

PLANTATION PRODUCT

There was no revenue on the sale of plantation products for the year (2016: Nil).

For the financial year ended 30 June 2017, the growth and the volume of the biological assets were affected by the shortage of underground water in the region. The Group recorded the decrease by 7.5% to approximately HK\$506.02 million (2016: approximately HK\$547.22 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

There was no revenue on the green technology segment for the year (2016: Nil).

PROSPECTS

Looking forward, the economic outlook is still full of uncertainty and world-wide global terrorist attacks and heightened trade barriers make the business environment become challenging.

After years of efforts, motor trading has been on the right track and has grown as part of core businesses of and generates major revenue to the Group. Upon BAC Mono being successfully registered as a road legal supercar in Hong Kong, the Group starts a series of marketing campaign in Hong Kong and the PRC and has initiated process to become a registered importer and distributor in Hong Kong. In view of the huge consumer market in the PRC, the Group will introduce BAC

Mono in the PRC market and make it road legal in the PRC also. The Group is optimistic on the development of BAC Mono and will keep closer cooperation with BAC London and expects a significant increase in sale of BAC Mono.

In the end of 2016, the Group became an authorized distributor of a popular and preferred brand of motorcycle shock absorber “Öhlins” and has been actively involved in the business of installation, repair and sales of this component since earlier of 2017. “Öhlins” is the brand that racing teams or passionate enthusiast riders or drivers are searching for a better functioning suspension unit on his bike and the Group expects continuous growth of sales of component. Being an authorized distributor of “Öhlins” also has a side effect of pushing up on sales in motorcycle and motorcycle accessories.

The Group will continue to introduce different luxury brands of supercar, motorcycle and components in Asian market.

With the effects of Belt and Road initiatives and the recent announcement in the Guangdong-Hong Kong-Macau Greater Bay concept, “三舊改造” and ”工改工” policies offer an opportunity to the Group for a better use of our investment properties and an enhancement of potential valuation of the land. These policies release land resource and relax of restriction of land usage. The number of applications for “三舊改造” and ”工改工” and approved developments in Dongguan and Shenzhen cities has been rapidly increased.

We believe that the Central Government of the PRC keeps offering preferential policies for revival of old town to facilitate the development of the Belt and Road and the Guangdong-Hong Kong-Macau Greater Bay. The Group has conducted an internal study and considered that our investment property at Dogguan falls within the “三舊改造” and ”工改工” policies. The Group is considering to appoint a consultant to conduct a detailed feasibility study and expects concrete development is highly likely in 2018. The Group will take this opportunity to enter into real estate market in the PRC and broaden the business segment of the Group.

The Group had organised a team to review existing resources and material within the Group and to study related market information and condition in order to explore the opportunity to revive the green technology business and to plan a feasible direction on green technology business.

Although the Group adopted a conservative investment approach towards its plantation management, the Group has started a compressive review of various methods in order to have a better use of the plantation asset.

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 2017, the Group recorded a consolidated revenue at approximately HK\$13.97 million (2016: approximately HK\$13.37 million), representing an increase of 4.5% as compared with the year ended 30 June 2016 (the “Previous Year”). The Group’s gross profit increased by 40.2% to approximately HK\$7.22 million (2016: approximately HK\$5.15 million). The increase in both consolidated revenue and gross profit were mainly due to the newly launched motor trading business and money lending business.

The loss for the year decreased to approximately HK\$49.09 million from Previous Year's loss of approximately HK\$106.89 million.

In calculating the Group's consolidated net loss, the administrative and operating expenses of approximately HK\$42.76 million (2016: approximately HK\$49.3 million) included major items, such as staff costs of approximately HK\$10.95 million, depreciation of approximately HK\$6.84 million, amortisation of intangible assets of approximately HK\$4.79 million, auditor's remuneration of approximately HK\$0.85 million, operating leases charges of approximately HK\$3.92 million and forestry maintenance fee of HK\$5 million charged by the Group's forestry manager.

Finance costs of approximately HK\$0.16 million (2016: approximately HK\$0.66 million) were mainly recorded for interests on promissory note. Income tax credit of approximately HK\$9.24 million (2016: approximately HK\$16.70 million) was mainly due to deferred tax credit of approximately HK\$9.52 million (2016: approximately HK\$17.10 million).

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2017, the total assets of the Group was approximately HK\$977.81 million (2016: approximately HK\$998.93 million), including cash and bank balances of approximately HK\$13.02 million (2016: approximately HK\$81.36 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 2017, details of movements in the issued share capital of the Company is stated in note 14.

BUSINESS ACQUISITION AND DISPOSAL

The Group had acquired a target group on 6 June 2017 with a consideration of HK\$60 million which was satisfied by HK\$30 million cash and the issue of HK\$30 million of promissory note by the Company. Full details of the acquisition are set out in the Company's announcement dated 7 June 2017. Save as disclosed above, the Group had neither any material acquisition nor disposal during the year.

EMPLOYMENT AND REMUNERATION POLICY

As at 30 June 2017, the Group had 26 employees (2016: 27 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 2017, there was no charge on the Group's assets (2016: Nil).

DIVIDEND

The directors of the Company do not recommend the payment of any dividend in respect of the year ended 30 June 2017 (2016: Nil).

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The annual general meeting will be held on 8 November 2017. 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 3 November 2017 to 8 November 2017 (both days inclusive), during which period no transfer of share(s) will be effected. In order to be eligible to attend and vote at the annual general meeting, all transfers documents, accompanied by the relevant share certificates, must be lodged with Union Registrars Limited, the branch share registrar and transfer office of the Company in Hong Kong, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for registration not later than 4:30 p.m. on 2 November 2017.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

Since most of the transactions, income and expenditure of the Group are denominated in Great British Pound, Renminbi ("RMB") and HK\$, no hedging or other arrangements to reduce the currency risk have been implemented.

CONTINGENT LIABILITIES

As at 30 June 2017, 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 2017, except the followings:

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

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

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 of the Company confirmed that they have complied with the required standard set out in the Model Code throughout the year ended 30 June 2017.

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 2017.

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 2017 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 2017. 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, 26 September 2017

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.