



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

INTERIM REPORT
2018-2019



CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-Executive Directors

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

AUDIT COMMITTEE, REMUNERATION COMMITTEE AND NOMINATION COMMITTEE

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

INVESTMENT COMMITTEE

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

COMPANY SECRETARY

Mr. Lo Tai On

AUDITOR

ZHONGHUI ANDA CPA Limited

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

REGISTERED OFFICE

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



CORPORATE INFORMATION

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

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

HONG KONG STOCK CODE

1130

SINGAPORE TRADING SYMBOL

CHENV400:SP

WEBSITE

www.cergroup.com.hk



FINANCIAL RESULTS



The board of directors (the “Board”) of China Environmental Resources Group Limited (the “Company”) announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 31 December 2018 together with the comparative figures for the corresponding period in 2017. These interim financial statements have not been audited, but have been reviewed by the audit committee and auditor of the Company.



INDEPENDENT REVIEW REPORT

**TO THE BOARD OF DIRECTORS OF
CHINA ENVIRONMENTAL RESOURCES GROUP LIMITED**
中國環境資源集團有限公司
(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial statements set out on pages 6 to 29, which comprise the condensed consolidated statement of financial position of China Environmental Resources Group Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) as at 31 December 2018 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial statements to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The directors of the Company are responsible for the preparation and presentation of these interim financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these interim financial statements based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



INDEPENDENT REVIEW REPORT

CONCLUSION

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

ZHONGHUI ANDA CPA Limited

Certified Public Accountants

Sze Lin Tang

Practising Certificate Number P03614

Hong Kong, 28 February 2019



CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 31 December 2018

	Notes	Six months ended 31 December	
		2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited) (Restated)
Revenue	6	61,938	41,190
Cost of sales		(54,494)	(35,815)
Gross profit		7,444	5,375
Other income		628	2,023
Administrative and operating expenses		(32,604)	(21,456)
Net loss on fair value changes on investments at fair value through profit or loss		(8,166)	(45)
Fair value gain/(loss) on investment properties		679	(1,058)
Loss arising from changes in fair value less costs to sell of biological assets		(48,404)	(21,022)
Loss on settlement of promissory note		—	(1,144)
Loss from operations		(80,423)	(37,327)
Finance costs	7	(279)	(443)
Loss before tax		(80,702)	(37,770)
Income tax credit	8	12,375	5,704
Loss for the period		(68,327)	(32,066)
Other comprehensive (loss)/income after tax:			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translation of foreign operations		(16,167)	22,468
Other comprehensive (loss)/income for the period, net of tax		(16,167)	22,468
Total comprehensive loss for the period		(84,494)	(9,598)



CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 31 December 2018

	Notes	Six months ended 31 December	
		2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited) (Restated)
Loss for the period attributable to:			
Owners of the Company		(68,453)	(31,205)
Non-controlling interests		126	(861)
		(68,327)	(32,066)
Total comprehensive loss for the period attributable to:			
Owners of the Company		(84,192)	(9,400)
Non-controlling interests		(302)	(198)
		(84,494)	(9,598)
Loss per share			
Basic (HK cents per share)	9	(3.36)	(1.84)
Diluted (HK cents per share)		(3.36)	(1.84)



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	As at 31 December 2018 HK\$'000 (Unaudited)	As at 30 June 2018 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	11	12,240	14,082
Investment properties		275,472	277,866
Biological assets		286,943	348,933
Intangible assets		118,960	125,760
Goodwill		1,087	1,087
		694,702	767,728
Current assets			
Inventories		33,537	40,152
Trade and other receivables	12	69,806	60,183
Loans receivable	13	25,613	25,646
Investments at fair value through profit or loss		7,125	1,098
Refundable secured deposit	14	12,000	12,000
Cash and cash equivalents		2,711	13,027
		150,792	152,106
Current liabilities			
Trade and other payables	15	29,614	22,290
Contract liabilities		557	726
Bank loans and overdrafts		20,180	—
Current tax liabilities		1,120	1,202
		51,471	24,218
Net current assets		99,321	127,888
Total assets less current liabilities		794,023	895,616
Non-current liabilities			
Deferred tax liabilities		95,562	112,661
NET ASSETS		698,461	782,955

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

Notes	As at 31 December 2018 HK\$'000 (Unaudited)	As at 30 June 2018 HK\$'000 (Audited)
Capital and reserves		
Share capital	40,731	40,731
Reserves	645,619	729,811
Equity attributable to owners of the Company	686,350	770,542
Non-controlling interests	12,111	12,413
TOTAL EQUITY	698,461	782,955



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2018

	Attributable to owners of the Company									
	Share capital	Share premium account	Statutory reserve	Capital reserve	Share-based compensation reserve	Foreign currency translation reserve	Accumulated losses	Total	Non-controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 July 2017 (audited)	33,943	1,133,156	5,407	76	6,923	37,587	(397,368)	819,724	12,927	832,651
Total comprehensive loss for the period (unaudited and restated)	—	—	—	—	—	21,805	(31,205)	(9,400)	(198)	(9,598)
At 31 December 2017 (unaudited and restated)	33,943	1,133,156	5,407	76	6,923	59,392	(428,573)	810,324	12,729	823,053
At 1 July 2018 (audited)	40,731	1,210,501	5,407	76	15,843	55,136	(557,152)	770,542	12,413	782,955
Total comprehensive loss for the period (unaudited)	—	—	—	—	—	(15,739)	(68,453)	(84,192)	(302)	(84,494)
At 31 December 2018 (unaudited)	40,731	1,210,501	5,407	76	15,843	39,397	(625,605)	686,350	12,111	698,461



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 December 2018

	Six months ended 31 December	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited) (Restated)
NET CASH USED IN OPERATING ACTIVITIES	(30,253)	(26,153)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(341)	(8,768)
Refund of deposit paid in relation to acquisition of a subsidiary	—	60,000
NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES	(341)	51,232
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	17,000	—
Repayment of promissory note	—	(30,468)
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES	17,000	(30,468)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(13,594)	(5,389)
Effect of foreign exchange rate changes	98	(139)
Cash and cash equivalents at beginning of period	13,027	13,015
CASH AND CASH EQUIVALENTS AT END OF PERIOD	(469)	7,487
Analysis of cash and cash equivalents		
Bank and cash balances	2,711	7,487
Bank overdrafts	(3,180)	—
	(469)	7,487

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 31 December 2018

1. GENERAL INFORMATION

China Environmental Resources Group Limited (the “Company”) is a limited liability company incorporated in the Cayman Islands. The address of its registered office is Ugland House, South Church Street, P.O. Box 309, George Town, Grand Cayman, Cayman Islands, British West Indies. The address of its principal place of business is Room 2811, 28/F West Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong. The Company’s shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and Singapore Exchange Limited.

The principal activities of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 31 December 2018 are trading of recycle metals, trading of motor vehicles and related accessories, car parking spaces rentals, provision of financial services, sales of golden flower tea products, securities trading and investment and sales and distribution of plantation products, environmental system and plantation materials.

The unaudited condensed consolidated interim financial statements (“Interim Financial Statements”) are presented in Hong Kong dollars (“HK\$”) which is the Group’s presentation currency and the functional currency of the Company and its principal operating subsidiaries.

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

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) that are relevant to its operations and effective for its accounting period beginning on 1 July 2018. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Interim Financial Statements and amounts reported for the current and prior periods except as stated below.

HKFRS 15 “Revenue from Contracts with Customers”

HKFRS 15 has been applied retrospectively and resulted in changes in the consolidated amounts reported in the Interim Financial Statements as follows:

	HK\$’000
At 30 June 2018	
Decrease in other payables and accruals	(726)
Increase in contract liabilities	726

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

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 31 December 2018

3. BASIS OF PREPARATION

The Interim Financial Statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the HKICPA and the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The Interim Financial Statements do not include all the information and disclosures required in the full set of financial statements and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 30 June 2018 (“2018 Annual Report”).

The preparation of Interim Financial Statements in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year-to-date basis. Actual results may differ from these estimates.

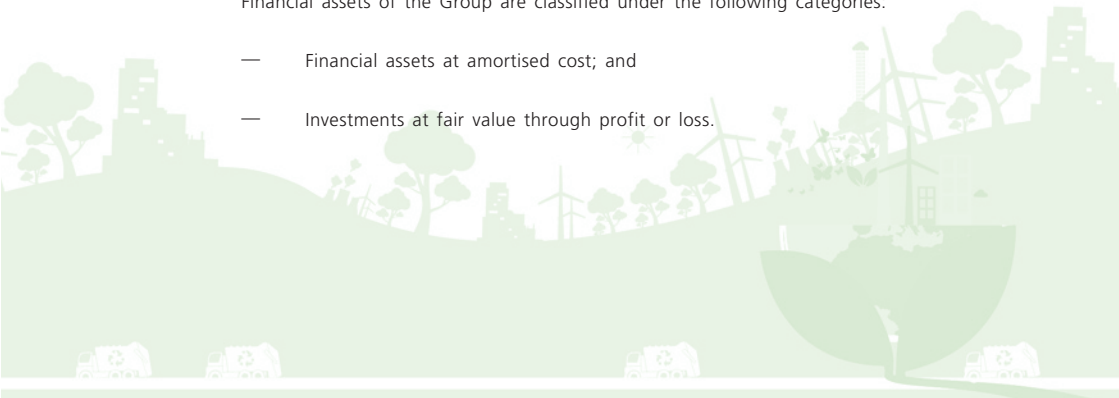
The accounting policies and methods of computation used in the preparation of the Interim Financial Statements are consistent with those used in the 2018 Annual Report except as stated below.

(a) Financial assets

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of an asset is under a contract whose terms require delivery of the asset within the timeframe established by the market concerned, and are initially recognised at fair value, plus directly attributable transaction costs except in the case of investments at fair value through profit or loss. Transaction costs directly attributable to the acquisition of investments at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets of the Group are classified under the following categories:

- Financial assets at amortised cost; and
- Investments at fair value through profit or loss.



NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 31 December 2018

3. BASIS OF PREPARATION (Continued)

(a) Financial assets (Continued)

(i) *Financial assets at amortised cost*

Financial assets (including trade and other receivables) are classified under this category if they satisfy both of the following conditions:

- the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

They are subsequently measured at amortised cost using the effective interest method less loss allowance for expected credit losses.

(ii) *Investments at fair value through profit or loss*

Financial assets are classified under this category if they do not meet the conditions to be measured at amortised cost and the conditions of debt investments at fair value through other comprehensive income unless the Group designates an equity investment that is not held for trading as at fair value through other comprehensive income on initial recognition.

Investments at fair value through profit or loss are subsequently measured at fair value with any gains or losses arising from changes in fair values recognised in profit or loss. The fair value gains or losses recognised in profit or loss are net of any interest income and dividend income. Interest income and dividend income are recognised in profit or loss.

(b) Loss allowances for expected credit losses

The Group recognises loss allowances for expected credit losses on financial assets at amortised cost. Expected credit losses are the weighted average of credit losses with the respective risks of a default occurring as the weights.

At the end of each reporting period, the Group measures the loss allowance for a financial instrument at an amount equal to the expected credit losses that result from all possible default events over the expected life of that financial instrument (“lifetime expected credit losses”) for trade receivables, contract assets and lease receivables, or if the credit risk on that financial instrument has increased significantly since initial recognition.



NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 31 December 2018

3. BASIS OF PREPARATION (Continued)

(b) Loss allowances for expected credit losses (Continued)

If, at the end of the reporting period, the credit risk on a financial instrument (other than trade receivables) has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to the portion of lifetime expected credit losses that represents the expected credit losses that result from default events on that financial instrument that are possible within 12 months after the reporting period.

The amount of expected credit losses or reversal to adjust the loss allowance at the end of the reporting period to the required amount is recognised in profit or loss as an impairment gain or loss.

(c) Revenue from contracts with customers

Revenue is measured based on the consideration specified in a contract with a customer with reference to the customary business practices and excludes amounts collected on behalf of third parties. For a contract where the period between the payment by the customer and the transfer of the promised product or service exceeds one year, the consideration is adjusted for the effect of a significant financing component.

The Group recognises revenue when it satisfies a performance obligation by transferring control over a product or service to a customer. Depending on the terms of a contract and the laws that apply to that contract, a performance obligation can be satisfied over time or at a point in time. A performance obligation is satisfied over time if:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance;
- the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If a performance obligation is satisfied over time, revenue is recognised by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the product or service.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 31 December 2018

4. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES

The Group accounted for investment properties using the cost model in previous years. In order to more accurately reflect the value of the investment properties held by the Group and provide more relevant information to the users of the consolidated financial statements, the directors of the Company have approved changes in the accounting policies of the Group for the investment properties from cost model to fair value model during the year ended 30 June 2018. The Group has adopted the change in accounting policies of investment properties retrospectively.

The effects of the changes in the Group's accounting policies described above on the results for the preceding period by line items presented in the condensed consolidated statement of profit or loss and other comprehensive income are as follows:

	Six months ended 31 December 2017 HK\$'000 (Unaudited)
Impact on total comprehensive loss attributable to owners of the Company	
Decrease in administrative expenses	4,716
Fair value losses	(846)
Increase in exchange differences on translation of foreign operations	1,857
Net decrease in total comprehensive loss attributable to owners of the Company	5,727
Impact on total comprehensive loss attributable to non-controlling interests	
Decrease in administrative expenses	618
Fair value losses	(212)
Increase in exchange differences on translation of foreign operations	663
Net increase in total comprehensive loss attributable to non-controlling interests	1,069



NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 31 December 2018

4. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES (Continued)

	Six months ended 31 December 2017 HK cents
Impact on basic and diluted loss per share	
Basic and diluted loss per share before adjustments	(2.07)
Adjustments arising from changes in accounting policies	0.23
Reported basic and diluted loss per share	(1.84)

5. FAIR VALUE MEASUREMENTS

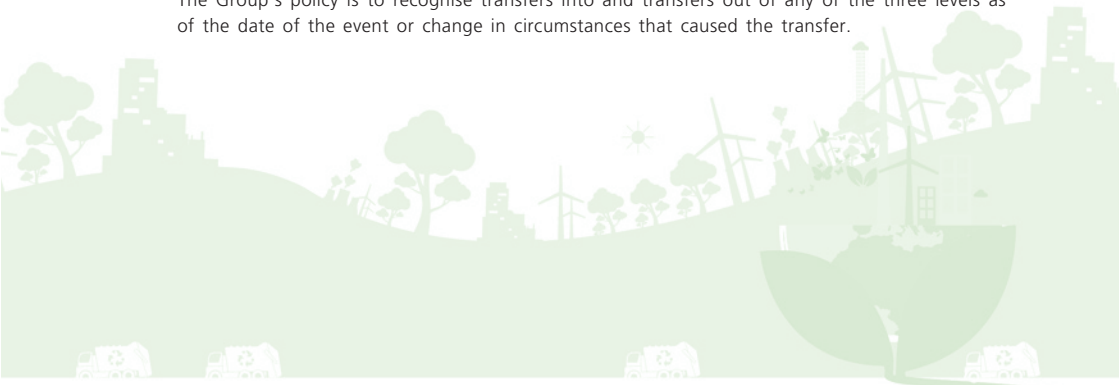
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.



NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 31 December 2018

5. FAIR VALUE MEASUREMENTS (Continued)

(a) Disclosures of level in fair value hierarchy at 31 December 2018:

Description	Fair value measurements using:			
	Level 1	Level 2	Level 3	Total
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Recurring fair value measurements:				
Biological assets	—	286,943	—	286,943
Investments at fair value through profit or loss	7,125	—	—	7,125
Investment properties in Hong Kong	—	200,450	—	200,450
Investment properties in the People's Republic of China (the "PRC")	—	75,022	—	75,022
Total recurring fair value measurements	7,125	562,415	—	569,540

Disclosures of level in fair value hierarchy at 30 June 2018:

Description	Fair value measurements using:			
	Level 1	Level 2	Level 3	Total
	HK\$'000 (Audited)	HK\$'000 (Audited)	HK\$'000 (Audited)	HK\$'000 (Audited)
Recurring fair value measurements:				
Biological assets	—	348,933	—	348,933
Investments at fair value through profit or loss	1,098	—	—	1,098
Investment properties in Hong Kong	—	200,000	—	200,000
Investment properties in the PRC	—	77,866	—	77,866
Total recurring fair value measurements	1,098	626,799	—	627,897



NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 31 December 2018

5. FAIR VALUE MEASUREMENTS (Continued)

- (b) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements:

The Group's management is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes. The management reports directly to the Board of Directors for these fair value measurements. Discussions of valuation processes and results are held between the management and the Board of Directors at least twice a year.

The following table gives information about how the fair values of the Group's biological assets and investment properties carried at fair value are determined.

Level 2 fair value measurements

Description	Valuation technique	Key input	Fair value As at 31 December 2018 HK\$'000 (Unaudited)	Fair value As at 30 June 2018 HK\$'000 (Audited)
Biological assets	Market approach	Market price of poplar trees per cubic meter	286,943	348,933
Investment properties in Hong Kong	Direct comparison approach	Market price of car parking space	200,450	200,000
Investment properties in the PRC	Market approach and replacement cost approach	Land: market price per square meter Buildings: replacement cost per square meter	75,022	77,866

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 31 December 2018

6. REVENUE AND SEGMENT INFORMATION

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

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

Segment profits or losses do not include finance costs, loss on settlement of promissory note and income tax credit. Segment assets do not include refundable secured deposit. Segment liabilities do not include deferred tax liabilities.

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

	Trading of recycled metals	Trading of motor vehicles and related accessories	Property investment	Provision of financial services	Sales of golden flower tea products	Securities trading and investment	Sales of plantation materials and products	Total
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
								(Restated)
For the six months ended 31 December 2018								
Revenue from external customers	34,440	24,288	1,942	1,251	17	—	—	61,938
Segment (loss)/profit comprising:	(4,852)	(2,519)	439	1,241	(4,331)	(8,301)	(50,831)	(69,154)
Loss arising from changes in fair value less costs to sell of biological assets	—	—	—	—	—	—	(48,404)	(48,404)
Fair value gain on investment properties	—	—	679	—	—	—	—	679
Depreciation and amortisation	(1,247)	(377)	—	—	—	—	(2,402)	(4,026)
Proceeds from disposal of listed securities	—	—	—	—	—	7,443	—	7,443
Costs of disposal of listed securities	—	—	—	—	—	(6,782)	—	(6,782)
Net unrealised losses on trading securities	—	—	—	—	—	(8,827)	—	(8,827)
At 31 December 2018								
Segment assets (unaudited)	21,975	81,187	277,152	25,677	25,064	7,278	382,277	820,610
Segment liabilities (unaudited)	2,756	7,325	3,236	361	160	467	4,217	18,522

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 31 December 2018

6. REVENUE AND SEGMENT INFORMATION (Continued)

	Trading of recycled metals HK\$'000 (Unaudited)	Trading of motor vehicles and related accessories HK\$'000 (Unaudited)	Property investment HK\$'000 (Unaudited) (Restated)	Provision of financial services HK\$'000 (Unaudited)	Sales of golden flower tea products HK\$'000 (Unaudited)	Securities trading and investment HK\$'000 (Unaudited)	Sales of plantation materials and products HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
For the six months ended 31 December 2017								
Revenue from external customers	35,650	2,628	1,879	1,033	—	—	—	41,190
Segment profit/(loss) comprising:								
Loss arising from changes in fair value less costs to sell of biological assets	374	(3,559)	(1,490)	1,024	(67)	(52)	(25,308)	(29,078)
Fair value loss on investment properties	—	—	(1,058)	—	—	—	(21,022)	(21,022)
Depreciation and amortisation	—	—	(1,058)	—	—	—	—	(1,058)
Proceeds from disposal of listed securities	(357)	(314)	—	—	—	—	(2,472)	(3,143)
Costs of disposal of listed securities	—	—	—	—	—	2	—	2
Net unrealised losses on trading securities	—	—	—	—	—	(2)	—	(2)
	—	—	—	—	—	(45)	—	(45)
At 30 June 2018								
Segment assets (audited)	28,507	74,503	279,608	25,774	24,114	10,422	450,664	893,592
Segment liabilities (audited)	313	2,985	3,129	565	131	467	4,274	11,864

Reconciliations of reportable segment profit or loss:

	Six months ended 31 December	
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited) (Restated)
Total loss of reportable segments	(69,154)	(29,078)
Other profit or loss:		
Finance costs	(279)	(443)
Loss on settlement of promissory note	—	(1,144)
Income tax credit	12,375	5,704
Corporate and unallocated loss	(11,269)	(7,105)
Consolidated loss for the period	(68,327)	(32,066)

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 31 December 2018

6. REVENUE AND SEGMENT INFORMATION (Continued)

Disaggregation of revenue from contracts with customers

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

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

	Six months ended 31 December 2017		
	Trading of	Trading of	Total
	recycled	motor	
	metals	vehicles and	
	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)
Geographical markets			
The PRC	7,625	—	7,625
Hong Kong	28,025	2,619	30,644
Macau and others	—	9	9
	35,650	2,628	38,278

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



NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 31 December 2018

7. FINANCE COSTS

	Six months ended 31 December	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Interest on promissory note	—	443
Interest on bank loans and overdrafts	279	—
	279	443

8. INCOME TAX CREDIT

	Six months ended 31 December	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Current tax — Hong Kong Profits Tax		
Provision for the period	326	169
Deferred tax	(12,701)	(5,873)
Income tax credit	(12,375)	(5,704)

Hong Kong Profits Tax has been provided at a rate of 16.5% (six months ended 31 December 2017: 16.5%) on the estimated assessable profits for the six months ended 31 December 2018.

No provision for overseas taxation is required since the Group has no assessable profit arisen from its operations outside Hong Kong during the six months ended 31 December 2018 (six months ended 31 December 2017: Nil).

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 31 December 2018

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 period attributable to owners of the Company of approximately HK\$68,453,000 (six months ended 31 December 2017: HK\$31,205,000) and the weighted average of 2,036,538,114 (six months ended 31 December 2017: 1,697,138,114) ordinary shares in issue during the period.

Diluted loss per share

The effects of all potential ordinary shares are anti-dilutive for the periods ended 31 December 2018 and 2017.

10. INTERIM DIVIDENDS

The directors have resolved not to declare an interim dividend for the six months ended 31 December 2018 (six months ended 31 December 2017: Nil).

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 31 December 2018, the Group acquired property, plant and equipment of approximately HK\$341,000 (six months ended 31 December 2017: HK\$8,768,000).

12. TRADE AND OTHER RECEIVABLES

	As at 31 December 2018 HK\$'000 (Unaudited)	As at 30 June 2018 HK\$'000 (Audited)
Trade receivables	30,623	21,424
Prepayments, deposits and other receivables	39,183	38,759
	69,806	60,183

The Group's trading terms with customers are mainly on credit. The credit terms generally range from 30 to 180 (30 June 2018: 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 of the Company.



NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 31 December 2018

12. TRADE AND OTHER RECEIVABLES (Continued)

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

	As at 31 December 2018 HK\$'000 (Unaudited)	As at 30 June 2018 HK\$'000 (Audited)
0–90 days	14,570	20,289
91–180 days	10,906	220
181–360 days	4,894	765
Over 360 days	253	150
	30,623	21,424

13. LOANS RECEIVABLE

	As at 31 December 2018 HK\$'000 (Unaudited)	As at 30 June 2018 HK\$'000 (Audited)
Loans receivable, secured	1,000	2,000
Loans receivable, unsecured	23,208	22,843
Loan interests receivable, secured	2	12
Loan interests receivable, unsecured	1,403	791
	25,613	25,646

The loans granted are interest bearing at 9%–20% (30 June 2018: 9%–15%) per annum. The loan period is generally 1 to 24 (30 June 2018: 3 to 12) months. Loans receivable of approximately HK\$1,000,000 (30 June 2018: HK\$2,000,000) is secured over the properties owned by the borrowers. The directors of the Company monitored the collectibility of the loans receivable closely with reference to their respective current creditworthiness and repayment records.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 31 December 2018

13. LOANS RECEIVABLE (Continued)

The aging analysis of these loans and interests receivable, based on loan commencement or renewal date set out in the relevant contracts, is as follows:

	As at 31 December 2018 HK\$'000 (Unaudited)	As at 30 June 2018 HK\$'000 (Audited)
0–90 days	6,360	19,593
91–180 days	—	—
181–360 days	13,020	6,053
Over 360 days	6,233	—
	25,613	25,646

14. REFUNDABLE SECURED DEPOSIT

The Group entered into a sale and purchase agreement and a supplemental agreement on 27 November 2013 and 16 December 2013, respectively, with an independent third party in relation to the acquisition of 100% equity interest of a target company and its subsidiaries which are mainly engaged in hotel operations in the PRC (the “Proposed Acquisition”). On 23 December 2013, an amount of HK\$150,000,000 was paid by the Group as refundable deposit. The refundable deposit was charged over the entire issued share capital of a Hong Kong subsidiary of the target company and was classified as secured deposit for acquisition of subsidiaries as at 30 June 2014.

According to the Company’s announcement dated 28 October 2014, the Group and the vendor entered into a termination agreement to terminate the Proposed Acquisition because certain conditions precedent of the Proposed Acquisition were not satisfied. Pursuant to the termination agreement, the Group and the vendor agreed that the refundable deposit shall be refunded to the Group by three installments including HK\$60,000,000, HK\$45,000,000 and HK\$45,000,000; repayable on 10 November 2014, 27 January 2015 and 27 April 2015, respectively. The first installment of HK\$60,000,000 was received by the Company on 7 November 2014.

According to the Company’s announcement dated 18 June 2015, the Group and the vendor entered into a supplemental termination agreement to amend certain terms of the termination agreement relating to the refund of the remaining refundable deposit. Pursuant to the supplemental termination agreement, the Group and the vendor have agreed that the remaining refundable deposit shall be refunded to the Group by two installments including HK\$20,000,000 and HK\$70,000,000, together with interest as calculated at 5% per annum, repayable on 18 June 2015 and 19 November 2015, respectively. The second installment of HK\$20,000,000 together with interest was received by the Group on 18 June 2015. During the year ended 30 June 2018, the Group received deposit refund of HK\$58,000,000 together with interest income of HK\$2,000,000. The deposit of HK\$12,000,000 was overdue as at 31 December 2018 (30 June 2018: HK\$12,000,000).

No provision for impairment has been made as the directors of the Company are of the opinion that the outstanding refundable deposit is fully recoverable.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 31 December 2018

15. TRADE AND OTHER PAYABLES

	As at 31 December 2018 HK\$'000 (Unaudited)	As at 30 June 2018 HK\$'000 (Audited) (Restated)
Trade payables	6,753	717
Other payables and accruals	22,861	21,573
	29,614	22,290

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

	As at 31 December 2018 HK\$'000 (Unaudited)	As at 30 June 2018 HK\$'000 (Audited)
0–90 days	3,182	66
91–180 days	1,387	69
181–360 days	1,606	582
Over 360 days	578	—
	6,753	717

16. SHARE-BASED PAYMENTS

Equity-settled share option scheme

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

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 31 December 2018

16. SHARE-BASED PAYMENTS (Continued) Equity-settled share option scheme (Continued)

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

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

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

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

Details of the share options are as follows:

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

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 31 December 2018

17. RELATED PARTY TRANSACTIONS

- (a) In addition to the transactions and balances disclosed elsewhere in the Interim Financial Statements, during the period, the Group entered into the following material related party transactions.

	Six months ended 31 December	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Rental expenses	1,042	1,042

Rental expenses were paid to a company in which the mother of Mr. Yeung Chi Hang, Chairman and Chief Executive Director of the Company, has 50% indirect equity interest.

- (b) Key management personnel remuneration

	Six months ended 31 December	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Directors' remuneration	2,301	2,286

18. APPROVAL OF INTERIM FINANCIAL STATEMENTS

The Interim Financial Statements were approved and authorised for issue by the Board of Directors on 28 February 2019.



MANAGEMENT DISCUSSION AND ANALYSIS

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 31 December 2018 (six months ended 31 December 2017: Nil).

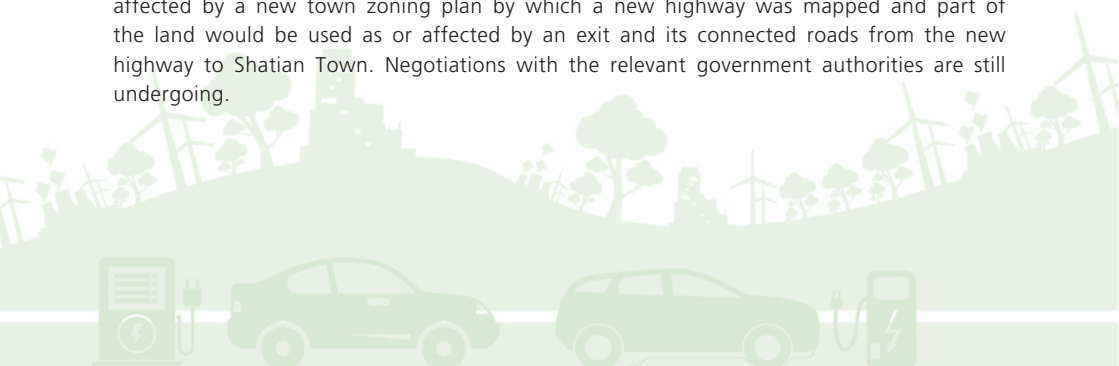
MANAGEMENT DISCUSSION AND ANALYSIS

Review of Operation

The Group is currently engaged in metal recycle business, motor and motor accessories business, car parking spaces rental, money lending business, golden flower tea products trading and securities trading and investment business. The Group also maintains the green businesses of research, development and application of technologies and solutions, manufacture, sale and trading of products, materials, systems and services for green market segments including the environmental markets, agricultural markets, organic markets and green technology markets in the People's Republic of China (the "PRC") and overseas. The Group has been continuing to explore new business opportunities for corporate development and dedicates to develop sustainable current business.

The Group has worked prudently to find the best possible use of the plantation land at Shihezi City, Xinjiang. After Malcolm & Associates Appraisal Limited concluded at their feasibility study report that there was no economic and commercial justification to implement the construction of the plantation land, the Group withheld the construction of the plantation land and the asset swap. However, the Group is of the view that it would be prudent to obtain a second professional study on the plantation land. In November 2018, the Group retained Inside Out Due Diligence Inc. with Mr. Wu Liangru to be appointed to conduct a comprehensive study on the plantation land. Mr. Wu is an Associate Research Fellow of the Chinese Academy of Forestry. The Group is awaiting and shall study the final report from Mr. Wu before making further decision.

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



MANAGEMENT DISCUSSION AND ANALYSIS

With the Guangdong-Hong Kong-Macao Greater Bay Area being elevated from a concept to key national strategic plan, more and more official policies have been promulgated, including an Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area. The Group believes that the investment properties are located in an ideal location in the Greater Bay Area. We shall follow closely the negotiations with relevant Dongguan City and Shatian Town government authorities and also alert to all official policies on the Greater Bay Area in order to make the best use of the investment properties. The Group maintains the view that this is a good opportunity for the Group to initiate into real estate market in the PRC.

The motor and motor accessories business followed the trend of the last report in that revenue from motor trading segment had been slowed down but that from the motor accessories business had moved in a very positive direction. The Group is of the view that in the year 2019, motorcycle components "Öhlins" will maintain their expected sales level and sales of "Pirelli" motorcycle tyres will be able to have further growth. Also, sales in motor trading may be improved in 2019 following the launch by BAC of its new Mono R (Limited Edition) and Mono Supercharge both of which have received good response from the market.

The 95 car parking spaces located in Kennedy Town, Hong Kong remained and contributed a stable source of revenue for the Group.

FINANCIAL REVIEW

For the six months ended 31 December 2018, turnover of the Group increased by 50.40% to approximately HK\$61,938,000 (2017: HK\$41,190,000) and gross profit of the Group increased by 38.50% to approximately HK\$7,444,000 (2017: HK\$5,375,000). Loss for the six months ended 31 December 2018 increased to approximately HK\$68,327,000 as compared to loss of HK\$32,066,000 of corresponding period of last year.

For the six months ended 31 December 2018, basic and diluted loss per share was HK\$3.36 cents (2017: HK\$1.84 cents). Loss from changes in fair value of biological assets was approximately HK\$48,404,000 (2017: HK\$21,022,000).

For the six months ended 31 December 2018, the finance costs were approximately HK\$279,000 (2017: HK\$443,000).

MANAGEMENT DISCUSSION AND ANALYSIS

Administrative and operating expenses for the six months ended 31 December 2018 increased to approximately HK\$32,604,000 (2017: HK\$21,456,000). It included major items such as amortisation of intangible assets of approximately HK\$2,796,000, salaries and directors' emoluments of approximately HK\$9,816,000, operating lease charges on land and buildings of approximately HK\$3,575,000 and legal and professional fees of approximately HK\$1,824,000. Income tax credit was recorded at approximately HK\$12,375,000 (2017: HK\$5,704,000). Exchange loss on translating foreign operations was recorded at approximately HK\$16,167,000 (2017: gain of HK\$22,468,000).

Metal Recycle Business

In August 2018, Hong Kong Government has implemented a Producer Responsibility Scheme ("PRS") on Waste Electrical and Electronic Equipment ("WEEE") to regulate all regulated WEEE be collected, reprocessed and recycled by designated licensed recyclers. This affected our source of waste material and led to the increase of cost of waste material. On the other hand, the globe has been promoting environmental conservation and usage of recycled material. However, most of countries, in contrast, tightened regulations and policies for importation of recycled material especially PRC and Vietnam which are the Group's major and potential markets respectively. These led to an increase in processing cost and fluctuation of price. During the period ended 31 December 2018, this segment recorded a revenue of approximately HK\$34,440,000 (2017: HK\$35,650,000).

Motor and Motor Accessories Business

Revenue under this business was mainly generated by sales of motor accessories, especially "Pirelli" motorcycle tyres. For the six months ended 31 December 2018, this segment recorded a revenue of approximately HK\$24,288,000 (2017: HK\$2,628,000).

Car Parking Spaces Rental

The Group owns 95 car parking spaces located in Kennedy Town, Hong Kong for investment purpose which continued to provide a stable revenue and cash flow to the Group. For the six months ended 31 December 2018, rental income recorded was approximately HK\$1,942,000 (2017: HK\$1,879,000).

Money Lending Business

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



MANAGEMENT DISCUSSION AND ANALYSIS

The Group will continue to balance its internal resources for different business segments and will continue to operate the money lending business with internally generated cash flow.

During the period, the Group recorded loan interest income of approximately HK\$1,251,000 (2017: HK\$1,033,000) from granting loans to both corporate and individual clients, representing a relatively stable development of the money lending segment. The outstanding principal amount of loan receivables as at 31 December 2018 was approximately HK\$24,208,000 (2017: HK\$13,990,000). During the period, the Group did not record any doubtful or bad debt in its money lending business.

Golden Flower Tea Products

The Group had obtained an exclusive right from 廣東南多萬金農業發展有限公司 (“南多萬金”) for the distribution and sale of products associated with its golden flower plantation for a period of 30 years.

The first batch of products has been launched in the market through online sales platform 京東 (www.jd.com) as a pilot point. This batch of products is mainly for market penetration, product positioning and promotion.

During the period ended 31 December 2018, this segment recorded sales of approximately HK\$17,000 (2017: Nil).

Securities Trading and Investment Business

The Group started trading securities in 2014 and its trading securities are measured at fair value, which are based on their quoted prices in the securities market. Due to the Sino-US trade war, the Hong Kong stock market was extremely volatile. The Hang Seng Index reached the record high of 33,154 points in the beginning of 2018 but continuously and persistently slipped to 25,845 points at the end of 2018, representing a drop of 22% from the record high. The volatility of the securities market had adverse effect to the performance of the Group and for the six months ended 31 December 2018, the net loss on fair value changes on investments at fair value through profit or loss was further increased to approximately HK\$8,166,000 (2017: HK\$45,000).

Plantation Sales Business

For the six months ended 31 December 2018, the trading business of plantation products recorded no turnover (2017: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

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.

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.

SHARE CAPITAL

As at 31 December 2018, the total number of issued share capital of the Company comprised 2,036,538,114 ordinary shares of HK\$0.02 each (30 June 2018: 2,036,538,114 ordinary shares of HK\$0.02 each).

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2018, the Group had cash and cash equivalents, which were principally Great British Pound, United States Dollar, Renminbi (“RMB”) and Hong Kong Dollar denominated, of approximately HK\$2,711,000 (30 June 2018: HK\$13,027,000). As at 31 December 2018, the Group’s current assets amounted to approximately HK\$150,792,000 (30 June 2018: HK\$152,106,000) and current liabilities amounted to approximately HK\$51,471,000 (30 June 2018: HK\$24,218,000). The Group’s net current assets, being its current assets minus its current liabilities, amounted to approximately HK\$99,321,000 (30 June 2018: HK\$127,888,000). As at 31 December 2018, the Group had borrowing of approximately HK\$20,180,000 (30 June 2018: Nil) and the gearing ratio of the Group calculated as total borrowings divided by total equity was 2.88% as at 31 December 2018 (30 June 2018: Nil).

As at 31 December 2018, there was no material capital commitment.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

The Group conducted most of its business in Great British Pound, United States Dollar, Renminbi and Hong Kong Dollar for the six months ended 31 December 2018. The Group has transactional currency exposures. Such exposures arise from the business operations in the PRC denominated in RMB. As at 31 December 2018, 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.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group does not have a foreign currency hedging policy in respect of its foreign currency denominated 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.

CHARGE ON THE GROUP'S ASSETS

As at 31 December 2018, the car parking spaces with aggregate carrying amount of HK\$200,450,000 were pledged to a bank to secure bank loans granted to the Company. A deed of assignment of rental income from the car parking spaces was executed in the favour of the bank (30 June 2018: HK\$200,000,000).

CAPITAL RAISING

During the six months period ended 31 December 2018, the Group did not have any capital raising activity.

CONTINGENT LIABILITIES

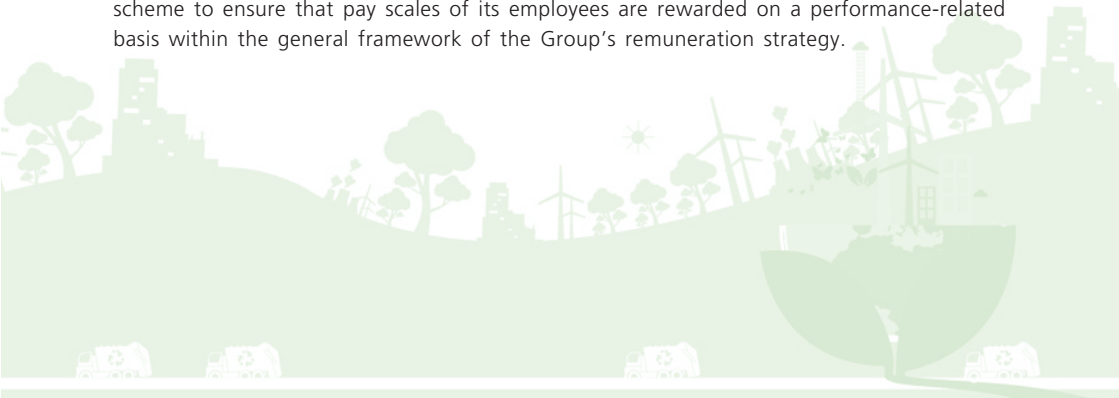
The Group did not have any significant contingent liabilities as at 31 December 2018.

MAJOR ACQUISITION AND DISPOSAL

During the period, there was no material acquisition or disposal of subsidiaries or associated corporation of the Company.

HUMAN RESOURCES AND REMUNERATION POLICY

The Group had approximately 61 employees in Hong Kong and the PRC as at 31 December 2018. 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 strategy.



MANAGEMENT DISCUSSION AND ANALYSIS

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2018, the interests and short positions held by each director and chief executive of the Company and their associates in shares, underlying shares or debentures of the Company or any of its associated corporation, if any, (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company under section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 of the Listing Rules were as follows:

Long Positions in shares and underlying shares of the Company

Name of Director	Capacity in which interests are held	Number of shares/underlying shares held in the Company			Total interests as to % to the issued share capital as at 31 December 2018 (Note)
		Interests in shares	Interests under equity derivatives	Total interests	
Mr. Yeung Chi Hang	Beneficial owner	187,500,000	16,942,817	204,442,817	10.04%
Mr. Wong Po Keung	Beneficial owner	—	16,942,817	16,942,817	0.83%
Mr. Chung Siu Wah	Beneficial owner	—	16,942,817	16,942,817	0.83%
Mr. Chik To Pan	Beneficial owner	—	16,942,817	16,942,817	0.83%
Mr. Leung Kwong Choi	Beneficial owner	—	1,500,000	1,500,000	0.07%
Mr. Ong Chi King	Beneficial owner	—	1,000,000	1,000,000	0.05%
Mr. Wong Kwai Sang	Beneficial owner	—	1,000,000	1,000,000	0.05%
Mr. Heung Chi Hang, Eric	Beneficial owner	—	1,000,000	1,000,000	0.05%

Note: The percentage of shareholding was calculated on the basis of the Company's issued share capital of 2,036,538,114 shares as at 31 December 2018.

Save as disclosed above, as at 31 December 2018, none of the directors, chief executive of the Company or their respective associates had any other personal, family, corporate and other interests or short positions in shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

MANAGEMENT DISCUSSION AND ANALYSIS

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2018, the following persons were interested or had short positions in more than 5% of shares and underlying shares of the Company or its subsidiaries according to the register required to be kept under section 336 of the SFO as follows:

Long positions in shares and underlying shares of the Company

Name of Director	Capacity in which interests are held	Number of shares/underlying shares held in the Company			Total interests as to % to the issued share capital as at 31 December 2018 (Note)
		Interests in shares	Interests under equity derivatives	Total interests	
Mr. Yeung Chi Hang	Beneficial owner	187,500,000	16,942,817	204,442,817	10.04%
Mr. Li Xiaowu	Beneficial owner	186,318,000	—	186,318,000	9.15%
Mr. Chu Ying Man	Beneficial owner	135,000,000	—	135,000,000	6.63%

The percentage of shareholding was calculated on the basis of the Company's issued share capital of 2,036,538,114 shares as at 31 December 2018.

SHARE OPTION SCHEME

The shareholders of the Company approved the adoption of a new share option scheme on 11 November 2015 (the "Share Option Scheme"). The purpose of the Share Option Scheme is to provide the Group with a flexible means of giving incentive to, rewarding, remunerating and or providing benefits to the eligible persons and to provide the eligible persons with all opportunity to acquire a personal stake in the Group and to build common objectives of the Group and the eligible persons for the betterment of business and profitability of the Group and the Shareholders as a whole. The Share Option Scheme shall be valid and effective for a period of 10 years from its adoption. An ordinary resolution was passed at the extraordinary general meeting held on 29 July 2016 to refresh the scheme mandate limit under the Share Option Scheme. Based on 1,697,138,114 shares in issue of the Company as at the date of passing the ordinary resolution, the Company is allowed to grant further options under the Share Option Scheme for subscription of up to a total of 169,713,811 shares, representing 10% of the shares in issue of the Company as at the date of passing the ordinary resolution and as at the date of this report. The particulars relating to the Share Option Scheme and valuation of options are set out in Note 16 to the condensed financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

The following table set out movements in the Company's shares options granted under the Share Options Scheme during the six months ended 31 December 2018:

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

The closing prices of the Company's shares immediately before the date of grant of the options on 22 April 2016 and on 5 June 2018 were HK\$0.202 and HK\$0.320 respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

As at 31 December 2018, options to subscribe for an aggregate of 125,614,085 shares of the Company were outstanding, representing 6.17% of the shares in issue of the Company as at the date of this report.

Save as disclosed above, no option was granted, exercised, cancelled or lapsed during the period.

PURCHASE, SALE AND REDEMPTION OF SHARES

For the six months ended 31 December 2018, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's shares.

CORPORATE GOVERNANCE

The Company has complied with the code provisions as set out in the Corporate Governance Code (the "CG Code") contained in the Appendix 14 of the Listing Rules for the six months ended 31 December 2018, except the followings: Code provision A.2.1 of the CG Code provides that the role of chairman of the board and chief executive should be separate and should not be performed by the same individual. This code provision also stipulate, inter alia, the role and responsibility of the chairman of the board and the chief executive.

Mr. Yeung Chi Hang was appointed as chairman of the Board and the chief executive officer of the Company on 27 January 2015. Thereafter, Mr. Yeung Chi Hang has assumed both roles.

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

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 12 November 2018 due to business trips. Mr. Wong Po Keung, an executive director, was elected and acted as chairman of the said annual general meeting.

MANAGEMENT DISCUSSION AND ANALYSIS

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as the code of conduct regarding securities transactions by directors of the Company. Having made specific enquiry, all directors of the Company confirmed that they have complied with the required standards set out in the Model Code for the six months ended 31 December 2018.

AUDIT COMMITTEE

The Company has an audit committee which was established in compliance with Rule 3.21 of the Listing Rules for the purpose of reviewing and providing supervision over the Group's financial reporting process, internal controls and risk management systems. It has formulated its written terms of reference in accordance with the Listing Rules. The audit committee of the Company has reviewed the unaudited interim financial results for the six months ended 31 December 2018. The audit committee of the Company currently comprises three independent non-executive directors of the Company, namely Mr. Ong Chi King (Chairman), Mr. Wong Kwai Sang and Mr. Heung Chee Hang, Eric.

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

Mr. Heung Chee Hang, Eric resigned as an independent non-executive director of WE Solutions Limited (stock code: 860), the shares of which are listed on the Main Board of the Stock Exchange with effect from 17 December 2018.

By Order of the Board

China Environmental Resources Group Limited
YEUNG CHI HANG

Chairman and Chief Executive Officer

Hong Kong, 28 February 2019

