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 RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 31 DECEMBER 2014

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 2014 together with the comparative figures for the corresponding period in 2013. These interim financial statements have not been audited, but have been reviewed by the audit committee and auditor of the Company.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 31 December 2014

		Six months ended 31 December	
		2014	2013
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Revenue	5	**2,700**	5,142
Cost of sales		**(1,800)**	(2,162)
Gross profit		**900**	2,980
Other income	6	**795**	167
Administrative expenses		**(19,862)**	(21,166)
Other operating losses		**(3,067)**	–
Gain arising from changes in fair value less costs to sell of biological assets		**12,926**	218
Loss from operations		**(8,308)**	(17,801)
Finance costs	7	**(3)**	(3)
Loss before tax		**(8,311)**	(17,804)
Income tax expenses	8	**(2,696)**	(584)
Loss for the period attributable to owners of the Company	9	**(11,007)**	(18,388)
Other comprehensive income after tax:			
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		**102**	(173)
Total comprehensive loss for the period attributable to owners of the Company		**(10,905)**	(18,561)
Loss per share	10		(Restated)
Basic (HK cents per share)		**(1.17)**	(5.04)
Diluted (HK cents per share)		**(1.17)**	(5.04)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Notes	**As at 31 December 2014** **HK$'000** **(Unaudited)**	As at 30 June 2014 HK$'000 (Audited)
Non-current assets			
Property, plant and equipment	12	**2,212**	2,250
Biological assets	13	**723,243**	710,248
Intangible asset	14	**126,807**	129,421
Secured deposit for acquisition of subsidiaries	15	**90,000**	150,000
		942,262	991,919
Current assets			
Trade and other receivables	16	**14,478**	11,036
Financial assets at fair value through profit or loss		**9,015**	3,753
Bank and cash balances		**96,523**	64,157
		120,016	78,946
Current liabilities			
Trade and other payables	17	**8,199**	8,481
Finance lease payables		**–**	47
Current tax liabilities		**7,547**	7,421
		15,746	15,949
Net current assets		**104,270**	62,997
Total assets less current liabilities		**1,046,532**	1,054,916

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Notes	**As at 31 December 2014** *HK$'000* **(Unaudited)**	As at 30 June 2014 *HK$'000* (Audited)
Non-current liabilities			
Finance leases payables		**–**	49
Deferred tax liabilities		**213,748**	211,178
		213,748	211,227
NET ASSETS		**832,784**	843,689
Capital and reserves			
Share capital		**18,857**	18,857
Reserves		**813,927**	824,832
TOTAL EQUITY		**832,784**	843,689

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2014

	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**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
At 1 July 2013 (audited)	3,654	770,757	5,407	76	990	92,491	(162,667)	710,708
Total comprehensive loss for the period	–	–	–	–	–	(173)	(18,388)	(18,561)
Open offer	12,060	145,821	–	–	–	–	–	157,881
At 31 December 2013 (unaudited)	15,714	916,578	5,407	76	990	92,318	(181,055)	850,028
At 1 July 2014 (audited)	**18,857**	**969,958**	**5,407**	**76**	**990**	**80,229**	**(231,828)**	**843,689**
Lapsed of share options	–	–	–	–	(990)	–	990	–
Total comprehensive loss for the period	–	–	–	–	–	102	(11,007)	(10,905)
At 31 December 2014 (unaudited)	**18,857**	**969,958**	**5,407**	**76**	**–**	**80,331**	**(241,845)**	**832,784**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 December 2014

	Six months ended 31 December	
	2014	2013
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
NET CASH USED IN OPERATING ACTIVITIES	**(27,166)**	(7,802)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net proceeds from disposal of property, plant and equipment	**60**	1
Purchase of property, plant and equipment	**(431)**	–
Refund of deposit paid in relation to acquisition of a subsidiary	**60,000**	–
Deposit paid in relation to acquisition of a subsidiary	**–**	(150,000)
NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES	**59,629**	(149,999)
NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES	**(96)**	157,861
NET INCREASE IN CASH AND CASH EQUIVALENTS	**32,367**	60
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(1)**	–
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**64,157**	29,492
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**96,523**	29,552

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 31 December 2014

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 2/F, Shui On Centre, 6-8 Harbour Road, Wanchai, 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 known as the "Group") are sales and distribution of plantation products, environmental system and plantation materials and the provision of green technology services.

2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements ("Interim Financial Statements") have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants (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 prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs"), and should be read in conjunction with the Group's annual financial statements for the year ended 30 June 2014.

The preparation of Interim Financial Statements in conformity with HKAS 34 requires management to make judgments, 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 Group's annual financial statements for the year ended 30 June 2014 except as stated below.

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

In the current period, 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 period beginning on 1 July 2014. 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 Group's financial statements and amounts reported for the current period and prior periods.

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 those 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.

4. 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.

4. FAIR VALUE MEASUREMENTS (Continued)

(a) Disclosures of level in fair value hierarchy at 31 December 2014:

Description	Fair value measurements using: Level 1 *HK$'000* (Unaudited)	Level 2 *HK$'000* (Unaudited)	Level 3 *HK$'000* (Unaudited)	Total 2014 *HK$'000* (Unaudited)
Recurring fair value measurements:				
Biological assets	–	723,243	–	723,243
Financial assets at fair value through profit or loss				
Listed securities in Hong Kong	9,015	–	–	9,015
Total recurring fair value measurements	**9,015**	**723,243**	**–**	**732,258**

Disclosures of level in fair value hierarchy at 30 June 2014:

Description	Fair value measurements using: Level 1 *HK$'000* (Audited)	Level 2 *HK$'000* (Audited)	Level 3 *HK$'000* (Audited)	Total 2014 *HK$'000* (Audited)
Recurring fair value measurements:				
Biological assets	–	710,248	–	710,248
Financial assets at fair value through profit or loss				
Listed securities in Hong Kong	3,753	–	–	3,753
Total recurring fair value measurements	3,753	710,248	–	714,001

4. FAIR VALUE MEASUREMENTS (Continued)

(b) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at the end of the reporting period:

The Group's management is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes, including level 3 fair value measurements. The management reports directly to the directors for these fair value measurements. Discussions of valuation processes and results are held between the management and the Board of Directors annually.

Level 2 fair value measurements

Description	**Valuation technique**	**Inputs**	**Fair value as at 31 December 2014** ***HK$'000*** **(Unaudited)**
Biological assets	Market value approach	Market price per m^3	**723,243**

Description	Valuation technique	Inputs	Fair value as at 30 June 2014 *HK$'000* (Audited)
Biological assets	Market value approach	Market price per m^3	710,248

5. REVENUE AND SEGMENT INFORMATION

The Group's revenue represents sales of goods to customers and fees from advisory service, after allowances for goods returned and trade discounts during the period.

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 interest income, finance costs and income tax expenses. Segment assets do not include deposit for acquisition of subsidiaries and financial assets at fair value through profit or loss. Segment liabilities do not include deferred tax liabilities.

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

	Green technology advisory fee income *HK$'000* (Unaudited)	Sales of plantation materials *HK$'000* (Unaudited)	Sales of plantation products *HK$'000* (Unaudited)	Total *HK$'000* (Unaudited)
For the six months ended 31 December 2014:				
Revenue from external customers	2,700	–	–	2,700
Segment profit/(loss), comprising:	900	(11)	4,368	5,257
Gain arising from changes in fair value less costs to sell of biological assets	–	–	12,926	12,926
Depreciation and amortisation	(2)	–	(2,647)	(2,649)
At 31 December 2014				
Segment assets (unaudited)	2,881	741	856,818	860,440
Segment liabilities (unaudited)	3,705	548	1,204	5,457

5. REVENUE AND SEGMENT INFORMATION (Continued)

Information about reportable segment profit or loss, assets and liabilities (Continued):

	Green technology advisory fee income *HK$'000* (Unaudited)	Sales of plantation materials *HK$'000* (Unaudited)	Sales of plantation products *HK$'000* (Unaudited)	Total *HK$'000* (Unaudited)
For the six months ended 31 December 2013:				
Revenue from external customers	4,612	530	–	5,142
Segment profit/(loss), comprising:	2,962	(5)	(11,939)	(8,982)
Gain arising from changes in fair value less costs to sell of biological assets	–	–	218	218
Depreciation and amortisation	(2)	–	(2,383)	(2,385)
At 30 June 2014				
Segment assets (audited)	6,546	752	840,595	847,893
Segment liabilities (audited)	3,706	548	1,176	5,430

5. REVENUE AND SEGMENT INFORMATION (Continued)

Reconciliations of reportable segment profit or loss:

	Six months ended 31 December	
	2014	2013
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Total profit/(loss) of reportable segments	**5,257**	(8,982)
Other profit or loss:		
Finance costs	**(3)**	(3)
Income tax expenses	**(2,696)**	(584)
Corporate and unallocated loss	**(13,565)**	(8,819)
Consolidated loss for the year	**(11,007)**	(18,388)

6. OTHER INCOME

	Six months ended 31 December	
	2014	2013
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Sub-letting income	**704**	160
Others	**91**	7
	795	167

7. FINANCE COSTS

	Six months ended 31 December	
	2014	2013
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Finance lease interests	**3**	3

8. INCOME TAX EXPENSES

	Six months ended 31 December	
	2014	2013
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current tax		
– Hong Kong Profits Tax	**127**	1,125
– PRC Enterprise Income Tax	**–**	–
Deferred tax	**2,569**	(541)
	2,696	584

Hong Kong Profits Tax has been provided at a rate of 16.5% (six months ended 31 December 2013: 16.5%) on the estimated assessable profits for six months ended 31 December 2014. Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of subsidiaries of the Company in the PRC is 25% (six months ended 31 December 2013: 25%).

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

9. LOSS FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY

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

	Six months ended 31 December	
	2014	2013
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Staff costs (including Directors' remuneration):		
– salaries, bonuses and allowances	**1,994**	1,972
– retirement benefits scheme contributions	**43**	17
Amortisation of intangible assets	**2,647**	2,383
Cost of inventories sold	**–**	512
Depreciation	**428**	351
Net loss on fair value changes of financial assets at fair value through profit or loss	**3,067**	–
Gain on disposal of property, plant and equipment	**19**	–
Operating lease charges on land and buildings	**2,653**	2,220

10. LOSS PER SHARE

Basic loss per share

The calculation of basic loss per share attributable to owners of the Company is based on the loss for the six months period attributable to owners of the Company of approximately HK$11,007,000 (six months ended 31 December 2013: HK$18,388,000) and the weighted average number of ordinary shares of 942,854,508 (six months ended 31 December 2013: 364,589,532) in issue during the period. The weighted average number of ordinary shares for the purpose of calculating the basic loss per share for last period has been adjusted and restated accordingly for the effect of the open offer of the Company during the last period.

Diluted loss per share

No diluted loss per share are presented as the Company did not have any dilutive potential ordinary sharing during the two periods ended 31 December 2014 and 2013.

11. INTERIM DIVIDENDS

The Board of Directors has resolved not to declare an interim dividend for the six months ended 31 December 2014 (six months ended 31 December 2013: Nil).

12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 31 December 2014, the Group acquired furniture, fixtures and equipment of approximately HK$431,000 and disposed of a motor vehicle with carrying amount of approximately HK$41,000.

13. BIOLOGICAL ASSETS

	Six months ended 31 December 2014	Year ended 30 June 2014
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
At beginning of the period/year	**710,248**	750,671
Gain/(loss) arising from changes in fair value less costs to sell of biological assets	**12,926**	(38,962)
Exchange differences	**69**	(1,461)
At end of the period/year	**723,243**	710,248

The Group's biological assets represent standing timbers on plantation land of approximately 30,000 Chinese Mu with 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, willow. During the period, the Group did not harvest or sell any standing timbers (six months ended 31 December 2013: Nil).

13. BIOLOGICAL ASSETS (Continued)

The Group's standing timber volume as at 31 December 2014 was evaluated by an independent forestry operator engaged by the Group. The directors of the Company have adopted market value 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 at 31 December 2014 as a basis for calculating the fair value less costs to sell of the biological assets. 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 growth rate of the price of the timber, the setup fee and maintenance fee for tree plantation will increase as the price index of forestry product in China.

Nature risk

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

14. INTANGIBLE ASSET

The intangible asset represents the operating right in respect of the favorable aspect of the right to use and operate the plantation land of a subsidiary of the Company. The subsidiary was acquired in year ended 30 June 2009. The intangible asset is amortized using straight-line method over the remaining useful life of 24 years. The decrease for the period is due to the amortization charged for the period. The directors of the Company consider the expected recoverable amount of the operating right exceeds its carrying value and thus, no impairment loss is recognized as at the period end date.

15. SECURED DEPOSIT FOR ACQUISITION OF SUBSIDIARIES

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 (collectively refer to the "Target Group") 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 is charged over the entire issued share capital of a Hong Kong subsidiary of the target company.

According to the Company's announcement dated 28 October 2014 (the "Announcement"), the Group and the Vendor entered into a termination agreement (the "Termination Agreement") to terminate the Proposed Acquisition because of certain conditions precedent of the Proposed Acquisition have not been satisfied. Pursuant to the Termination Agreement, the Group and the Vendor have agreed that the refundable deposit shall be refunded to the Group by three instalments 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 instalment of HK$60,000,000 has been received by the Company on 7 November 2014. Regarding the second instalment, subsequent to 31 December 2014 and up to the approval date of these Interim Financial Statements, the second instalment of HK$45,000,000 is still overdue. The Company is in the course of seeking legal advice on the non-repayment.

Since the refundable deposit has been charged over the entire equity interest of a Hong Kong Company of the target company and the Company is under negotiation with the Vendor for the collection of the outstanding amount, the directors of the Company expect the outstanding amount is recoverable and consider it is appropriate not to make any impairment provision in respect of the subject amount in these Interim Financial Statements.

16. TRADE AND OTHER RECEIVABLES

	As at 31 December 2014 *HK$'000* **(Unaudited)**	As at 30 June 2014 *HK$'000* (Audited)
Trade receivables	**3,112**	4,912
Prepayments, deposits and other receivables	**11,366**	6,124
	14,478	11,036

The Group's trading terms with other customers are mainly on credit. The credit terms generally range from 30 to 60 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:

	As at 31 December 2014 *HK$'000* **(Unaudited)**	As at 30 June 2014 *HK$'000* (Audited)
1–30 days	**2,700**	4,500
31–60 days	**–**	412
61–120 days	**–**	–
Over 120 days	**412**	–
	3,112	4,912

17. TRADE AND OTHER PAYABLES

	As at 31 December 2014 *HK$'000* **(Unaudited)**	As at 30 June 2014 *HK$'000* (Audited)
Trade payables	**–**	–
Other payables and accruals	**8,199**	8,481
	8,199	8,481

18. SHARE-BASED PAYMENTS

Equity-settled share option scheme

The existing share option scheme of the Company was approved on 16 December 2005 ("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 6 December 2010. 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.

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.

18. SHARE-BASED PAYMENTS (Continued)

Equity-settled share option scheme (Continued)

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 16 December 2005.

During the six months ended 31 December 2014, no option was granted, exercised or cancelled and all of the outstanding share options have lapsed. Details as follow:

				Number of share options		
Participants	**Date of grant**	**Exercise period**	**Exercise price per share**	**Balance as at 30 June 2014**	**Granted/ Exercised/ Lapsed during the period**	**Balance as at 31 December 2014**
Employees and others in aggregate	**20/7/2011**	**20/7/2011–19/7/2014**	**2.317**	**639,100**	**(639,100)**	**–**
	18/8/2011	**18/8/2011–17/8/2014**	**1.938**	**1,045,800**	**(1,045,800)**	**–**
Total				**1,684,900**	**(1,684,900)**	**–**
Weighted average exercise price (HK$)				**2.08**	**–**	**–**

19. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities at 31 December 2014 and 2013.

20. COMMITMENTS

As at 31 December 2014, the total future minimum lease payments of the Group under non-cancellable operating leases are payable as follows:

	As at 31 December 2014 HK$'000 (Unaudited)	As at 30 June 2014 HK$'000 (Audited)
Within one year	**3,375**	5,337
In the second to fifth years inclusive	**413**	2,153
After five years	**699**	720
	4,487	8,210

21. RELATED PARTY TRANSACTIONS

Compensation of key management personnel of the Group

	Six months ended 31 December	
	2014	2013
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Directors' remuneration	**912**	567

22. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current period's presentation. The changes included the reclassification of subcontracting charges previously classified under cost of sales to administrative expenses and the certain direct cost in relation to Green technology advisory fee segment previously classified under administrative expenses to cost of sales. The new classification of the accounting items was considered to provide a more appropriate presentation of the state of affairs of the Group.

23. APPROVAL OF INTERIM FINANCIAL STATEMENTS

The Interim Financial Statements were approved and authorised for issue by the Board of Directors on 24 February 2015.

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 31 December 2014 (six months ended 31 December 2013: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Operation

The Group is currently engaged in the green businesses of research, development and application of technologies and solutions, manufacture, sale and trading of products, materials, systems and services for green market segments including the environmental markets, agricultural markets, organic markets and green technology markets in the PRC market and overseas. The Group has been continuing to explore new business opportunities for corporate development and dedicates to develop, sustainable and viable green businesses serving both the mankind and the environment.

Most developed countries' economies continued to remain sluggish. Drastic turbulences in global financial markets will still cloud the economic development of PRC in next few years. Due to global climatic change, the world and the PRC had experienced non-stopped natural disasters on unprecedented scale and damage during last few years and the weather will become extremely unpredictable for business activities in near future. The financial market turbulences coupled with the increasing natural disasters on huge scale and damage, the Group expected to face extreme uncertainties and risks in its business activities.

The PRC's economic growth has declined steadily since 2010 as a slump in global demand battered its exporters and PRC government's economic strategy of tightened lending and investment curbs. The PRC economy grew by 7.5% in year 2014, down from 7.7% in year 2013. The number of natural disasters occurring in China has been significantly increasing, with earthquakes occurring much more frequently than anticipated.

With specific to the Group's operating Plantation Land of approximately 30,000 mu (Chinese Mu) in Shihezi City. In 2013 and 2014, the southern and northern parts of Xinjiang Region experienced frequent occurrence of heavy rains, floods, landslides, earthquakes and other natural disasters.

Expecting extreme uncertainties and risks in its plantation business activities affected by worsening economic conditions and unstable natural factors, the Group continued its protective business approach during the financial year ended 30 June 2014. The protective business approach included tight credit control and pricing measures to corporate clients, trading of plantation materials, transfer the operating right of new plantation activities and protection of existing biological assets.

For the six months ended 31 December 2014, turnover of the Group decreased by 47% to HK$2,700,000 (2013: HK$5,142,000) and gross profit of HK$900,000 (2013: HK$2,980,000) was recorded. Loss for the six months ended 31 December 2014 arrived at HK$11,007,000 as compared to loss of HK$18,388,000 of corresponding period of last year.

For the six months ended 31 December 2014, basic and diluted loss per share was HK$1.17 cents (2013: HK$5.04 cents). Gain from changes in fair value of biological assets was HK$12,926,000 (2013: HK$218,000). Finance costs for the six months ended 31 December 2014 was approximately HK$3,000 (2013: HK$3,000). Administrative expenses from operations for the six months ended 31 December 2014 decreased to approximately HK$19,862,000 (2013: HK$21,166,000). It included major items such as amortization of intangible assets of approximately HK$2,647,000, salaries and directors' emoluments of approximately HK$2,037,000, operating lease charges on land and buildings of approximately HK$2,653,000, legal and professional fee and consultancy fee of approximately HK$2,060,000, forest plantation maintenance fee of approximately HK$6,750,000 and others of HK$3,715,000. Income tax expense was recorded at HK$2,696,000 (2013: income tax expenses of HK$584,000). Exchange differences on translating foreign operations was recorded at HK$102,000 (2013: translation exchange losses of HK$173,000).

Plantation Materials

The trading business of plantation materials recorded no turnover for the six months ended 31 December 2014 (2013: approximately HK$530,000).

Plantation Products

Considering the risks and uncertainties involved with unprecedented varieties and scale of natural disasters in the world and in PRC, the Group scaled down its original plan of herbal crops plantation of approximately 10,000 Chinese Mu Unplanted Land to approximately 1,450 Chinese Mu for organic herbal crops of Chinese wolfberry. The revised plantation plan reduced the risks and uncertainties of the adverse impact on the newly grown saplings which are highly vulnerable to natural disasters and availed more resources for protection of the Group's existing poplar trees assets on the Plantation Land Zone D against weather natural disasters.

There was no turnover on the sale of plantation products for the six months period ended 31 December 2014 (2013: Nil).

Green Technology

The green technology segment comprises the research and development, project establishment, application and sale of green and environmental product, technology, service and related products for sustainable development. The green technology segment commanded higher gross profit margin of about 33% for the period and contributed the major turnover and profit for the Group. For the six months ended 31 December 2014, technology income recorded approximately HK$2,700,000 (2013: HK$4,612,000), representing the Group's major source of revenue.

Money Lending Business

On 18 December 2014, the Group obtained the money lenders license. The Directors consider it will be beneficial to the Company to explore new opportunities in the money lending business to broaden its source of income and expand the business operations in order to generate profits and return for the Company and the Shareholders.

PROSPECTS

China has a population of approximately 1.3 billion, which is accounted for 22% of the world's population. In contrast, the cultivable land in China is only 1.826 billion Chinese Mu, which is accounted for 7% of world's total cultivable land. The PRC Government continuously placed strategic importance on the "Three Rural Issues". The <Twelfth Five-Year Plan for National Economic and Social Development>, formulating the next phase of economic growth for 2011-2015, reiterated the modernization of agriculture and accelerated establishment of modern agricultural village. Regarding environmental aspect, the average growth rate of energy consumption were approximately 10% per annum for last five years. The Chinese government would continue to commit to environmental improvements for energy saving and low-carbon economy. The <Twelfth Five-Year Plan for National Economic and Social Development> targeted to achieve 16% decrease in energy consumption of production by 2015 as compared to 2010.

Having based on the above sectors blessed by China' prioritized policies, the Group will continue to capitalize the green business opportunities stimulated by supportive government policies and uprising green markets. However, the sluggish economies of most developed countries' economies, global financial markets turbulences and slowing PRC economic growth will continue to cloud the economic development of PRC in next few years. In addition, the scale, intensity, frequency and related economic loss of natural disasters in the world as well as in PRC caused by the global climatic change will continue to become extreme uncertainties and risks for the Group's operating activities.

To maximize the return for shareholders, the Group will edge on its technology competence, forefront market experience, proactive business strategy and nationwide Chinese business network to continuously explore investment opportunity to diversify its business areas for higher return.

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 2014, the total number of issued shares capital of the Company comprised 942,854,508 ordinary shares of HK$0.02 each (30 June 2014: 942,854,508 ordinary shares of HK$0.02 each).

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2014, the Group had cash and cash equivalents, which were principally Renminbi and Hong Kong Dollar denominated, of approximately HK$96,523,000 (30 June 2014: approximately HK$64,157,000). As at 31 December 2014, the Group's current assets amounted to approximately HK$120,016,000 and current liabilities amounted to approximately HK$15,746,000. The Group's net current assets, being its current assets minus its current liabilities, amounted to approximately HK$104,270,000 (30 June 2014: HK$62,997,000).

As at 31 December 2014, there was no capital commitment.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

The Group conducted most of its business in Renminbi and Hong Kong Dollars for the six months period ended 31 December 2014. The Group was not exposed to any substantial risk in foreign exchange fluctuations. In general, the Group mainly used its Renminbi income receipt for operating expenses in China and did not use any financial instruments for hedging purpose.

CHARGE ON THE GROUP'S ASSETS

As at 31 December 2014, there was no charge on the Group's assets (30 June 2014: Nil).

CAPITAL RAISING

As at 31 December 2014, there was no capital raising for the Group's capital.

CONTINGENT LIABILITIES

There has been no material change in the Group's contingent liabilities since its last published annual report for the year ended 30 June 2014.

MAJOR ACQUISITION OR DISPOSAL

No major acquisition or disposal was undertaken by the Group during the six months ended 31 December 2014.

HUMAN RESOURCES AND REMUNERATION POLICY

The Group had approximately 24 employees in Hong Kong and the PRC as at 31 December 2014. 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.

PURCHASE, SALE AND REDEMPTION OF SHARES

For the six months ended 31 December 2014, 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 2014, except the followings.

Code provisions A.2.1 to A.2.9 of the CG Code provide that the roles of chairman of the board and chief executive should be separate and should not be performed by the same individual. These code provisions also stipulate, inter alia, the role and responsibility of the chairman of the board and the chief executive.

During the period, the positions of the Chairman of the Board and the Chief Executive Officer had been vacant. On 27 January 2015, Mr. Yeung Chi Hang was appointed as chairman of the board and the chief executive officer of the Company. Thereafter, Mr. Yeung Chi Hang has therefore 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 A.2.7 of the CG Code stipulates that the chairman of the board should at least annually hold meeting with non-executive directors (including independent non-executive directors) without executive directors present. As the position of the Chairman of the Board had been vacant, meeting between the Chairman of the Board with Independent Non-executive Directors without Executive Directors present could not be held during the period.

Code provision E.1.2 of the CG Code stipulates that the chairman of the board should attend the annual general meeting. As the position of the Chairman of the Board had been vacant, Mr. Leung Kwong Choi, an Executive Director, was elected and acted as Chairman of the annual general meeting held on 19 November 2014.

Code provision F.1.3 of the CG Code stipulates that the company secretary should report to the chairman of the board and/or the chief executive. As the position of the Chairman of the Board and the Chief Executive Officer have been vacant, the company secretary reported to the Executive Directors during the period.

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 2014.

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 and internal controls. 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 2014. 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.

By Order of the Board
China Environmental Resources Group Limited
YEUNG CHI HANG
Chairman and Chief Executive Officer

Hong Kong, 24 February 2015

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 Sui Wah and Mr. Chen Yuyang; and three independent non-executive Directors, namely Mr. Wong Kwai Sang, Mr. Ong Chi King, and Mr. Heung Chi Hang Eric.