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CHINA ENVIRONMENTAL RESOURCES GROUP LIMITED

中國環境資源集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1130)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

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 2022 together with the comparative figures for the corresponding period in 2021. The 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 2022

	Notes	Six months ended 31 December	
		2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Revenue	5	42,787	39,460
Cost of sales		<u>(35,796)</u>	<u>(29,599)</u>
Gross profit		6,991	9,861
Other income, gains and losses		11,157	4,217
Administrative and operating expenses		(19,768)	(19,091)
Fair value loss on investment properties		(787)	(3,267)
Gain arising from changes in fair value less costs to sell of biological assets		1,935	3,756
Net gain on fair value changes in investments at fair value through profit or loss		245	207
Reversal of provision for impairment loss of receivables		<u>100</u>	<u>300</u>
Loss from operations		(127)	(4,017)
Finance costs	6	<u>(1,904)</u>	<u>(1,779)</u>
Loss before tax		(2,031)	(5,796)
Income tax expense	7	<u>(206)</u>	<u>(618)</u>
Loss for the period		(2,237)	(6,414)
Other comprehensive (loss)/income after tax:			
<i>Item that may be reclassified to profit or loss:</i>			
Exchange differences on translation of foreign operations		<u>(11,130)</u>	<u>6,867</u>
Other comprehensive (loss)/income for the period, net of tax		<u>(11,130)</u>	<u>6,867</u>
Total comprehensive (loss)/income for the period		<u><u>(13,367)</u></u>	<u><u>453</u></u>

		Six months ended	
		31 December	
		2022	2021
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Loss for the period attributable to:			
Owners of the Company		(2,849)	(7,809)
Non-controlling interests		612	1,395
		<u>(2,237)</u>	<u>(6,414)</u>
Total comprehensive (loss)/income for the period attributable to:			
Owners of the Company		(13,653)	(1,131)
Non-controlling interests		286	1,584
		<u>(13,367)</u>	<u>453</u>
Loss per share			
	8		
Basic (HK cents per share)		<u>(0.14)</u>	<u>(0.38)</u>
Diluted (HK cents per share)		<u>(0.14)</u>	<u>(0.38)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

		As at 31 December 2022	As at 30 June 2022
	<i>Notes</i>	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
Non-current assets			
Property, plant and equipment	<i>10</i>	8,817	7,789
Right-of-use assets		28,262	33,466
Investment properties		262,230	265,578
Biological assets		259,760	267,079
Loans receivable	<i>12</i>	679	—
Intangible assets		75,649	80,829
Goodwill		1,087	1,087
Investments at fair value through profit or loss		18,468	18,160
		<hr/> 654,952	<hr/> 673,988
Current assets			
Inventories		26,090	29,630
Trade and other receivables	<i>11</i>	38,747	46,501
Loans receivable	<i>12</i>	11,980	12,133
Investments at fair value through profit or loss		898	961
Refundable secured deposit	<i>13</i>	11,000	11,000
Cash and cash equivalents		6,164	6,295
		<hr/> 94,879	<hr/> 106,520
Current liabilities			
Trade and other payables	<i>14</i>	19,887	33,267
Contract liabilities		2,763	4,862
Lease liabilities		681	2,221
Borrowings		73,383	68,215
Current tax liabilities		1,349	377
		<hr/> 98,063	<hr/> 108,942
Net current liabilities		<hr/> (3,184)	<hr/> (2,422)
Total assets less current liabilities		<hr/> 651,768	<hr/> 671,566

	As at 31 December 2022	As at 30 June 2022
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Non-current liabilities		
Lease liabilities	44,814	48,120
Deferred tax liabilities	83,852	86,977
	<u>128,666</u>	<u>135,097</u>
NET ASSETS	<u>523,102</u>	<u>536,469</u>
Capital and reserves		
Share capital	40,731	40,731
Reserves	469,812	483,465
	<u>510,543</u>	<u>524,196</u>
Equity attributable to owners of the Company	510,543	524,196
Non-controlling interests	12,559	12,273
	<u>523,102</u>	<u>536,469</u>
TOTAL EQUITY	<u>523,102</u>	<u>536,469</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 31 December 2022

	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 2021 (audited)	40,731	1,210,501	5,407	76	12,630	57,676	(777,926)	549,095	10,606	559,701
Total comprehensive income/(loss) for the period (unaudited)	—	—	—	—	—	6,678	(7,809)	(1,131)	1,584	453
At 31 December 2021 (unaudited)	<u>40,731</u>	<u>1,210,501</u>	<u>5,407</u>	<u>76</u>	<u>12,630</u>	<u>64,354</u>	<u>(785,735)</u>	<u>547,964</u>	<u>12,190</u>	<u>560,154</u>
At 1 July 2022 (audited)	40,731	1,210,501	5,407	76	12,630	49,520	(794,669)	524,196	12,273	536,469
Total comprehensive (loss)/income for the period (unaudited)	—	—	—	—	—	(10,804)	(2,849)	(13,653)	286	(13,367)
At 31 December 2022 (unaudited)	<u>40,731</u>	<u>1,210,501</u>	<u>5,407</u>	<u>76</u>	<u>12,630</u>	<u>38,716</u>	<u>(797,518)</u>	<u>510,543</u>	<u>12,559</u>	<u>523,102</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 December 2022

	Six months ended	
	31 December	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
NET CASH USED IN OPERATING ACTIVITIES	<u>(2,170)</u>	<u>(10,541)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Refund of deposit paid in relation to acquisition of a subsidiary	—	1,000
Proceeds from disposals of property, plant and equipment	1,064	38
Purchases of property, plant and equipment	<u>(2,135)</u>	<u>(166)</u>
Net cash (used in)/generated from investing activities	<u>(1,071)</u>	<u>872</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings raised	6,772	—
Repayment of borrowings	(1,571)	(2,053)
Repayment of lease liabilities and interests	(1,230)	(3,602)
Lease interests paid	<u>(389)</u>	<u>(57)</u>
Net cash generated from/(used in) financing activities	<u>3,582</u>	<u>(5,712)</u>
Net increase/(decrease) in cash and cash equivalents	341	(15,381)
Effect of foreign exchange rate changes	(472)	139
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>6,295</u>	<u>19,005</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u><u>6,164</u></u>	<u><u>3,763</u></u>
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	<u><u>6,164</u></u>	<u><u>3,763</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2022

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, P.O. Box 309, Grand Cayman, KY1-1104, Cayman Islands. The address of its principal place of business is Unit 2608, 26/F, Greenfield Tower, Concordia Plaza, No.1 Science Museum Road, Tsim Sha Tsui East, Kowloon, 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 2022 are trading of recycle metals, trading of motor vehicles and related accessories, car parking spaces rentals, provision of financial services, hotel business, securities trading and investment and sales and distribution of plantation products, environmental system and plantation materials.

The unaudited condensed consolidated 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 2022. 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 condensed consolidated financial statements and amounts reported for the current and prior periods.

3. BASIS OF PREPARATION

Going concern basis

The Group incurred a loss attributable to owners of the Company of approximately HK\$2,849,000 for the six months ended 31 December 2022 and as at 31 December 2022 the Group had net current liabilities of approximately HK\$3,184,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group’s ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

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

- (i) An executive director and who is also the chairman, chief executive officer and substantial shareholder of the Company has undertaken to provide adequate funds to enable the Group to meet its liabilities and to settle financial obligations to third parties as and when they fall due, so that the Group can continue as a going concern and carry on its business without a significant curtailment of operations for the next twelve months from 31 December 2022;
- (ii) The Group shall continue to implement measures aiming at improving the working capital and cash flows of the Group, including but not limited to the implementation of cost-saving measures to maintain adequate cash flows for the Group's operations; and
- (iii) The directors have carried out a detailed review of the cash flow forecast of the Group prepared by the management of the Company covered a period of not less than twelve months from 31 December 2022, after taking into account the impact of the above-mentioned measures; accordingly, the directors believe that the Group will have sufficient cash resources to satisfy its future working capital and other financing requirements as and when they fall due in the next twelve months from 31 December 2022.

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

These condensed consolidated 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 disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

These condensed consolidated financial statements should be read in conjunction with the 2022 annual financial statements. The accounting policies and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those used in the annual financial statements for the year ended 30 June 2022.

The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective. The application of these new and revised HKFRSs will not have material impact on the condensed consolidated financial statements of the Group.

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.

(a) Disclosures of level in fair value hierarchy at 31 December 2022:

Description	Fair value measurements using:			Total <i>HK\$'000</i> (Unaudited)
	Level 1 <i>HK\$'000</i> (Unaudited)	Level 2 <i>HK\$'000</i> (Unaudited)	Level 3 <i>HK\$'000</i> (Unaudited)	
Recurring fair value measurements:				
Biological assets	—	259,760	—	259,760
Investments at fair value through profit or loss				
— Equity securities listed in Hong Kong	898	—	—	898
— Keyman insurance contract	—	—	18,468	18,468
Investment properties in Hong Kong	—	191,900	—	191,900
Investment properties in the People's Republic of China (the "PRC")	—	70,330	—	70,330
Total recurring fair value measurements	898	521,990	18,468	541,356

Disclosures of level in fair value hierarchy at 30 June 2022:

Description	Fair value measurements using:			Total HK\$'000 (Audited)
	Level 1 HK\$'000 (Audited)	Level 2 HK\$'000 (Audited)	Level 3 HK\$'000 (Audited)	
Recurring fair value measurements:				
Biological assets	—	267,079	—	267,079
Investments at fair value through profit or loss				
— Equity securities listed in Hong Kong	961	—	—	961
— Keyman insurance contract	—	—	18,160	18,160
Investment properties in Hong Kong	—	191,900	—	191,900
Investment properties in the PRC	—	73,678	—	73,678
Total recurring fair value measurements	961	532,657	18,160	551,778

(b) Reconciliation of assets measured at fair value based on level 3:

	As at 31 December 2022 HK\$'000 (Unaudited)	As at 30 June 2022 HK\$'000 (Audited)
Investments at fair value through profit or loss		
— Keyman insurance contract		
At beginning of period/year	18,160	17,203
Total fair value gain recognised in profit or loss ^(#)	308	957
At end of period/year	18,468	18,160
^(#) Include gains or losses for assets held at end of reporting period	308	957

- (c) Disclosures 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	Fair value
			as at 31 December 2022 <i>HK\$'000</i> (Unaudited)	as at 30 June 2022 <i>HK\$'000</i> (Audited)
Biological assets	Market approach	Volume of poplar trees and market price of poplar trees per cubic meter	259,760	267,079
Investment properties in Hong Kong	Direct comparison approach	Market price of car parking space	191,900	191,900
Investment properties in the PRC	Market approach and replacement cost approach	Land: market price per square meter; Buildings: replacement cost per square meter	70,330	73,678
			421,990	434,657

Level 3 fair value measurements

The fair value of the keyman insurance contract purchased for a key management personnel of the Group is determined based on the cash surrender value in accordance with the keyman insurance contract which is not an observable input. Management estimates the fair value based on the latest policy statement of the keyman insurance contract provided by the insurance company.

The unobservable input is the cash surrender value quoted by the insurance company according to the keyman insurance contract. When the cash surrender value is higher, the fair value of the keyman insurance contract will be higher.

During the year ended 30 June 2022 and six months ended 31 December 2022, there were no changes in the valuation techniques used.

5. 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 hotel income from room, food and beverage.

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

Segment profits or losses do not include finance costs and income tax expense. Segment assets do not include goodwill and refundable secured deposit. Segment liabilities do not include deferred tax liabilities and borrowings.

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

	Trading of recycled metals <i>HK\$'000</i> (Unaudited)	Trading of motor vehicles and related accessories <i>HK\$'000</i> (Unaudited)	Property investment <i>HK\$'000</i> (Unaudited)	Provision of financial services <i>HK\$'000</i> (Unaudited)	Sales of golden flower tea products <i>HK\$'000</i> (Unaudited)	Securities trading and investment <i>HK\$'000</i> (Unaudited)	Sales of plantation materials and products <i>HK\$'000</i> (Unaudited)	Hotel business <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
For the six months ended 31 December 2022									
Revenue from external customers	<u>8,667</u>	<u>31,136</u>	<u>2,225</u>	<u>182</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>577</u>	<u>42,787</u>
Segment (loss)/profit comprising:	(1,098)	1,182	1,076	(296)	(30)	(72)	(450)	(1,403)	(1,091)
Gain arising from changes in fair value less costs to sell of biological assets	—	—	—	—	—	—	1,935	—	1,935
Depreciation and amortisation	(1,222)	(288)	(1)	(399)	—	—	(2,362)	(899)	(5,171)
Fair value loss on investment properties	—	—	(787)	—	—	—	—	—	(787)
Net gain/(loss) on fair value changes in investments at fair value through profit or loss	—	308	—	—	—	(63)	—	—	245
Reversal of provision for impairment loss of receivables	100	—	—	—	—	—	—	—	100
At 31 December 2022									
Segment assets (unaudited)	<u>1,663</u>	<u>78,444</u>	<u>262,871</u>	<u>13,557</u>	<u>55</u>	<u>948</u>	<u>335,944</u>	<u>36,291</u>	<u>729,773</u>
Segment liabilities (unaudited)	<u>1,004</u>	<u>5,931</u>	<u>6,448</u>	<u>472</u>	<u>31</u>	<u>467</u>	<u>1,874</u>	<u>45,845</u>	<u>62,072</u>

	Trading of recycled metals <i>HK\$'000</i> (Unaudited)	Trading of motor vehicles and related accessories <i>HK\$'000</i> (Unaudited)	Property investment <i>HK\$'000</i> (Unaudited)	Provision of financial services <i>HK\$'000</i> (Unaudited)	Sales of golden flower tea products <i>HK\$'000</i> (Unaudited)	Securities trading and investment <i>HK\$'000</i> (Unaudited)	Sales of plantation materials and products <i>HK\$'000</i> (Unaudited)	Hotel business <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
For the six months ended 31 December 2021									
Revenue from external customers	9,092	27,365	2,080	923	—	—	—	—	39,460
Segment (loss)/profit comprising:	(1,404)	3,620	(1,584)	444	(68)	(269)	1,189	1,202	3,130
Gain arising from changes in fair value less costs to sell of biological assets	—	—	—	—	—	—	3,756	—	3,756
Fair value loss on investment properties	—	—	(3,267)	—	—	—	—	—	(3,267)
Depreciation and amortisation	(1,757)	(301)	(1)	—	(34)	—	(2,543)	(1,112)	(5,748)
Gain/(loss) on fair value changes on investments at fair value through profit or loss	—	458	—	—	—	(251)	—	—	207
At 30 June 2022									
Segment assets (audited)	5,406	87,199	266,327	14,022	57	1,011	348,463	38,903	761,388
Segment liabilities (audited)	2,338	14,303	6,949	401	—	467	1,945	48,652	75,055

Reconciliations of reportable segment profit or loss:

	Six months ended 31 December	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Total (loss)/profit of reportable segments		
Other profit or loss:	(1,091)	3,130
— Finance costs	(1,904)	(1,779)
— Income tax expense	(206)	(618)
— Other income	8,636	77
Corporate and unallocated loss	(7,672)	(7,224)
Consolidated loss for the period	(2,237)	(6,414)

Disaggregation of revenue from contracts with customers

	Six months ended 31 December 2022			Total <i>HK\$'000</i> (Unaudited)
	Trading of recycled metals <i>HK\$'000</i> (Unaudited)	Trading of motor vehicles and related accessories <i>HK\$'000</i> (Unaudited)	Hotel room income and sales of food and beverage <i>HK\$'000</i> (Unaudited)	
Geographical markets				
The PRC	—	3,304	—	3,304
Hong Kong	8,667	27,495	—	36,162
Macau	—	266	—	266
Taiwan	—	71	—	71
Nepal	—	—	577	577
	<u>8,667</u>	<u>31,136</u>	<u>577</u>	<u>40,380</u>
Timing of revenue recognition				
At a point in time	—	—	121	121
Over time	—	—	456	456
	<u>—</u>	<u>—</u>	<u>577</u>	<u>577</u>

	Six months ended 31 December 2021		
	Trading of recycled metals <i>HK\$'000</i> (Unaudited)	Trading of motor vehicles and related accessories <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Geographical markets			
The PRC	—	6,254	6,254
Hong Kong	9,092	20,623	29,715
Macau	—	488	488
	<u>9,092</u>	<u>27,365</u>	<u>36,457</u>

During the six months ended 31 December 2021, all revenue from contracts with customers are recognised at a point in time.

6. FINANCE COSTS

	Six months ended 31 December	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Leases interests	880	901
Interest on bank loans	<u>1,024</u>	<u>878</u>
	<u>1,904</u>	<u>1,779</u>

7. INCOME TAX EXPENSE

	Six months ended 31 December	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Current tax — Hong Kong Profits Tax		
— Provision for the period	279	248
— Over-provision in prior years	<u>—</u>	<u>(30)</u>
	279	218
Current tax — PRC Enterprise Income Tax	34	97
Deferred tax	<u>(107)</u>	<u>303</u>
Income tax expense	<u>206</u>	<u>618</u>

Under the two-tiered Profits Tax regime, the first HK\$2 million of profits of the qualifying group entity established in Hong Kong will be taxed at 8.25%, and profits above that amount will be subject to the tax rate of 16.5%. The profits of the group entities not qualifying for the two-tiered Profit Tax rate regime will continue to be taxed at a rate of 16.5% (six months ended 31 December 2021: same).

Profits of the group entities established in the PRC will be taxed at the PRC Enterprise Income Tax rate of 25% (six months ended 31 December 2021: 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.

8. 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\$2,849,000 (six months ended 31 December 2021: HK\$7,809,000) and the weighted average number of ordinary shares of 2,036,538,114 (six months ended 31 December 2021: 2,036,538,114) in issue during the period.

Diluted loss per share

The effects of all potential ordinary shares are anti-dilutive for the six months ended 31 December 2022 and 2021.

9. INTERIM DIVIDENDS

The directors have resolved not to declare an interim dividend for the six months ended 31 December 2022 (six months ended 31 December 2021: Nil).

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 31 December 2022, the Group acquired property, plant and equipment of approximately HK\$2,135,000 (six months ended 31 December 2021: HK\$1,166,000).

11. TRADE AND OTHER RECEIVABLES

	As at 31 December 2022 HK\$'000 (Unaudited)	As at 30 June 2022 HK\$'000 (Audited)
Trade receivables	25,686	33,369
Less: provision for impairment loss of trade receivables	<u>(8,225)</u>	<u>(8,231)</u>
	<u>17,461</u>	<u>25,138</u>
Prepayments, deposits and other receivables	21,868	22,059
Less: provision for impairment loss of prepayments, deposits and other receivables	<u>(582)</u>	<u>(696)</u>
	<u>21,286</u>	<u>21,363</u>
Total	<u><u>38,747</u></u>	<u><u>46,501</u></u>

The Group's trading terms with customers are mainly on credit. The credit terms generally range from 30 to 90 (30 June 2022: 30 to 90) 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 2022 <i>HK\$'000</i> (Unaudited)	As at 30 June 2022 <i>HK\$'000</i> (Audited)
0-90 days	7,706	17,169
91-180 days	6,787	5,317
181-360 days	593	114
Over 360 days	<u>2,375</u>	<u>2,538</u>
	<u>17,461</u>	<u>25,138</u>

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

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

	As at 31 December 2022 <i>HK\$'000</i> (Unaudited)	As at 30 June 2022 <i>HK\$'000</i> (Audited)
Balance at beginning of period/year	696	1,000
Impairment loss recognised	—	408
Reversal of impairment loss	(100)	(700)
Exchange differences	<u>(14)</u>	<u>(12)</u>
Balance at end of period/year	<u>582</u>	<u>696</u>

12. LOANS RECEIVABLE

	As at 31 December 2022 <i>HK\$'000</i> (Unaudited)	As at 30 June 2022 <i>HK\$'000</i> (Audited)
Loans receivable	16,692	16,166
Less: provision for impairment loss of loans receivable	<u>(4,033)</u>	<u>(4,033)</u>
	<u>12,659</u>	<u>12,133</u>
Loan receivable, secured	977	1,000
Loans receivable, unsecured	9,262	8,802
Loan interests receivable, secured	2	1
Loan interests receivable, unsecured	<u>2,418</u>	<u>2,330</u>
	<u>12,659</u>	<u>12,133</u>
Analysed as:		
Current assets	11,980	12,133
Non-current assets	<u>679</u>	<u>—</u>
	<u>12,659</u>	<u>12,133</u>

The loans granted are interest bearing at 2%–20% (30 June 2022: 2%–20%) per annum. The loan period is generally 12 to 24 (30 June 2022: 12) months. Loans receivable of approximately HK\$977,000 (30 June 2022: HK\$1,000,000) are secured by watches (30 June 2022: watches). The directors of the Company monitored the collectibility of the loans receivable closely with reference to their respective current creditworthiness and repayment records.

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

	As at 31 December 2022 <i>HK\$'000</i> (Unaudited)	As at 30 June 2022 <i>HK\$'000</i> (Audited)
0–90 days	7,886	—
91–180 days	474	—
181–360 days	—	12,133
over 360 days	<u>4,299</u>	<u>—</u>
	<u>12,659</u>	<u>12,133</u>

The movement in provision for impairment of loans receivable is as follows:

	As at 31 December 2022 HK\$'000 (Unaudited)	As at 30 June 2022 HK\$'000 (Audited)
Balance at beginning of period/year	4,033	4,152
Amounts written off	—	(119)
	<u>4,033</u>	<u>4,033</u>
Balance at end of period/year	<u>4,033</u>	<u>4,033</u>

13. 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 30 June 2021. On 23 August 2021, the Group and the vendor entered into an agreement for the settlement of the remaining refundable deposit of HK\$12,000,000. Pursuant to the agreement, the vendor shall pay HK\$1,000,000 and HK\$11,000,000 with interest as calculated at 1% per annum within 14 days and 24 months, respectively, from the date of agreement signed. During the year ended 30 June 2022, deposit of HK\$1,000,000 was refunded to the Group.

The directors of the Company are of the opinion that no provision for impairment loss is necessary in respect of this balance as the Group obtains collateral from the vendor of which the estimated value is sufficient to cover the outstanding amount in case of default.

14. TRADE AND OTHER PAYABLES

	As at 31 December 2022 <i>HK\$'000</i> (Unaudited)	As at 30 June 2022 <i>HK\$'000</i> (Audited)
Trade payables	2,220	9,121
Other payables and accruals	<u>17,667</u>	<u>24,146</u>
	<u><u>19,887</u></u>	<u><u>33,267</u></u>

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

	As at 31 December 2022 <i>HK\$'000</i> (Unaudited)	As at 30 June 2022 <i>HK\$'000</i> (Audited)
0–90 days	2,111	9,012
181–360 days	—	1
Over 360 days	<u>109</u>	<u>108</u>
	<u><u>2,220</u></u>	<u><u>9,121</u></u>

15. RELATED PARTY TRANSACTIONS

- (a) In addition to the transactions and balances disclosed elsewhere in the condensed consolidated interim financial statements, during the period, the Group entered into the following material related party transactions.

	Six months ended 31 December	
	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Unaudited)
Sales to a related company (<i>note (i)</i>)	<u>40</u>	<u>1</u>

Note:

- (i) Goods were sold to a company of which the director is the spouse of a director of the Company's subsidiary.

(b) Key management personnel remuneration

	Six months ended 31 December	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Directors' remuneration	<u>2,403</u>	<u>2,408</u>

16. APPROVAL OF INTERIM FINANCIAL STATEMENTS

The interim condensed consolidated financial statements were approved and authorised for issue by the Board of Directors on 28 February 2023.

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 31 December 2022 (2021: Nil).

Business and Operation Review

The Group is currently engaged in metal recycle business, motor and motor accessories business, car parking spaces rental, money lending business, hotel business, securities trading and investment business and distribution of plantation products, environmental system and plantation materials. 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 is developing hotel business in Nepal. The Group has been continuing to explore new business opportunities for corporate development and dedicates to develop sustainable current business.

Fair value of the biological asset at Shihezi City, Xinjiang in which the Group through its wholly-owned subsidiary acquired timber cutting right over a plantation land of 30,000 mu was valued at approximately HK\$259,760,000 as at 31 December 2022 (30 June 2022: approximately HK\$267,079,000). During most of the time for the six months ended 31 December 2022, Shihezi City was at a lockdown condition. It was not until after the announcement of the new policy for COVID on 7 December 2022 by the central government, the city became gradually reopened. We are still in the process of gathering all relevant data and information to do a realistic costs and return estimate alongside with other risks and uncertain factors advised.

Fair value of the industrial land and buildings at Longchuanzhou, Renzhou Village, Shatian, Dongguan City was valued at approximately HK\$70,330,000 as at 31 December 2022 (30 June 2022: approximately HK\$73,678,000). The properties are being affected by a new town zoning plan in which part of the land would be used as or affected by an exit and its connected roads from a new highway to Shatian Town. Negotiations with the relevant government authorities are still undergoing. Plans for best use of the land and buildings can only be devised when final results are known.

The car parking space located at Kennedy Town, Hong Kong continued to contribute a stable source of income for the Group. It's value was maintained at approximately HK\$191,900,000 as at 31 December 2022 (30 June 2022: approximately HK\$191,900,000).

Metal Recycle Business

Scrap metal is becoming more valuable because it is now being placed as an essential energy saving decarbonisation tool worldwide. Scrap metal is changing its status, its image, its price and even its name. The quantity of trade restrictions emerging on scrap is an indicator of its growing value. Various countries have announced export restrictions, perceiving the importance of keeping at home more recycled raw materials for steel and metal production. Complex supply-demand dynamics are fostering price volatility. According to Standard and Poor global market intelligence, Turkish import of premium melting scrap fluctuated between US\$665/mt and US\$320/mt in the four months following the start of the Ukraine war. However, the range is still well above the US\$207/mt in March 2020 following the COVID-19 markets slump, as decarbonisation gathers pace.

In Hong Kong, the main source of metal scrap is from construction sites. According to the Census and Statistics Department's publication in December 2022, the gross value of construction works in the third quarter of 2022 was in real terms increased in private sector by 3.4 percentage with a decrease by 5.3% at public sector. However, any increase or decrease was based on the much downslope figure of the year 2021. Scrap source in Hong Kong is becoming more and more difficult, not to mention competition has been increased.

Further, there are negative factors arising from the COVID-19 pandemic that are still affecting the business. On the China market, there had been locations being locked out occasionally and stricter hygienic progress for foreign importation. For China and Southeast Asia countries, logistics are being disrupted by unstable sea freight price, container space booking and ports' operation. All these factors discourage exporters to maintain heavy inventory and adopting a conservative stance on pricing.

For the six months ended 31 December 2022, the Group recorded revenue from metal recycle business of approximately HK\$8,667,000 (2021: approximately HK\$9,092,000).

Motor and motor accessories business

The Group has two segments of business, namely sale of car and motorcycle and sale of motor accessories. On the sale of car and motorcycle segment, we still focus on the disposal of inventories. In view of the downturn of the consumption market, especially the high end market, we are adopting a much more flexible pricing approach to test the level of acceptance.

On the sale of car, manufacturer of BAC Mono has gradually resumed its production in United Kingdom. Some back orders of the super car had completed their delivery. This led to a short term rebound on car sale performance. However, we do not expect long term growth in this area as the domestic economy has yet to regain its momentum and spending on high end supercar is not optimistic in the near future.

On the sale of motor accessories, we are able to maintain a steadily growth. During the year ended 31 December 2022, local consumption market at Hong Kong and Taiwan had maintained a positive growth momentum. Restrictions on overseas travel had forced consumers to local market spendings. Sale of motor accessories, especially “Pirelli” tyres, had maintained and improved generally. In addition, with the effect of Covid-19 pandemic became less restrictive, importation restriction to the PRC was accordingly relaxed. The Group realizes that demand on high-performance tyres exists in PRC and the Group starts to allocate more resource on the PRC market which led to the increase in sales of motor accessories. However, the unstable worldwide logistics both as to container’s space booking and much fluctuation on price have resulted in the supplier being unable to arrange timely shipment and sufficient supply to fulfil our orders.

For the six months ended 31 December 2022, revenue from motor and motor accessories business was approximately HK\$31,136,000 (2021: approximately HK\$27,365,000).

Investment Properties

No business activity was engaged with the industrial buildings located in the PRC. The car parking spaces located in Hong Kong continued to provide a stable revenue and cash flow to the Group. For the six months ended 31 December 2022, rental income increased to approximately HK\$2,225,000 (2021: approximately HK\$2,080,000).

Money Lending Business

The Company 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). The Group has adopted money lending policies and procedures for handling and/or monitoring the money lending business in compliance with the Money Lenders Ordinance.

During the six months ended 31 December 2022, the Group recorded loan interest income of approximately HK\$182,000 (2021: approximately HK\$923,000) from granting loans to both corporate and individual clients. The outstanding principal amount of loan receivables as at 31 December 2022 was approximately HK\$10,239,000 (30 June 2022: approximately HK\$9,802,000). The Group did not recognize any impairment loss for the six months ended 31 December 2022 (2021: Nil).

Securities Trading and Investment Business

During the six months ended 31 December 2022, the market did not perform well with the city’s main benchmarks racking up the worst losses this year. The Group expects that the stock market in Hong Kong remains uncertain and will continue to adopt a cautious approach in making investment decision in securities dealing so as to obtain a balance between risk and return.

For the six months ended 31 December 2022, the Group recorded the net loss on fair value changes on investments at fair value through profit or loss of the invested stocks of approximately HK\$63,000 (2021: approximately HK\$251,000).

As at 31 December 2022, the Group held approximately HK\$898,000 investments at fair value through profit or loss of the invested stocks (30 June 2022: approximately HK\$961,000). Details of the investments are as follows:

Stock Name	Note	Stock Code	Place of incorporation	Net unrealized gain/(losses) on listed securities HK\$'000	Market value HK\$'000	Approximate percentage of investments at fair value through profit or loss %	Approximate percentage to the net assets of the Group %
GoFintech Innovation Limited (formerly known as China Fortune Financial Group Ltd)	1	290	Cayman Islands	12	311	34.6	0.06
Dingyi Group Investment Ltd	2	508	Bermuda	(40)	78	8.7	0.02
Wai Chun Group Holdings Ltd	3	1013	Bermuda	(94)	175	19.5	0.03
Hang Sang (Siu Po) International Holding Co Ltd	4	3626	Cayman Islands	59	334	37.2	0.06
				(63)	898	100	0.17

Notes:

- GoFintech Innovation Limited (formerly known as China Fortune Financial Group Ltd) is a Hong Kong-based investment holding company principally engaged in securities brokerage and margin financing. The Company operates its business through five segments. The Securities Brokerage and Margin Financing segment is engaged in securities brokerage and margin financing in Hong Kong. The Money Lending segment is engaged in the provision of money lending services in Hong Kong. The Corporate Finance segment is engaged in the provision of corporate finance services. The Asset Management segment is engaged in the provision of asset management and advisory services and financial investment management to professional investors. The Consultancy and Insurance Brokerage segment is engaged in the provision of consultancy services and insurance brokerage services in Hong Kong. No dividend was received for the period ended 31 December 2022. According to its latest published financial statements, it had a net asset value of approximately HK\$267,874,000 as at 30 September 2022.

2. Dingyi Group Investment Limited is an investment holding company principally engaged in the business of loan financing. Together with its subsidiaries, the Company operates business through its five segments. The Loan Financing Business segment is involved in the loan financing through its surplus funds. The Properties Development Business segment is involved in the construction and sale of properties. The Food and Beverages Business segment is involved in the operation of a restaurant in Beijing, China. The Securities Trading Business segment is involved in the investment of securities trading business. And the Other Business segment. In addition, the Company is also involved in the trading of wine. No dividend was received for the period ended 31 December 2022. According to its latest published financial statements, it had a net asset value of approximately HK\$1,192,573,000 as at 30 September 2022.
3. Wai Chun Group Holdings Limited is an investment holding company mainly engaged in the sale of mobile phones and electronic components. Along with subsidiaries, the Company operates its business through three segments. The General Trading segment is engaged in the distribution of mobile phones and electronic components. The Service Income segment is involved in the design, consultation and manufacturing of information system softwares and provides related management training services. The Sales and Integrated Services segment is engaged in the sale of computer and communication systems and provides related integration services. In addition, the Company also provides telecommunications infrastructure solution services. No dividend was received for the period ended 31 December 2022. According to its latest published financial statements, it had net liabilities of approximately HK\$211,726,000 as at 30 September 2022.
4. Hang Sang (Siu Po) International Holding Company Limited is an investment holding company. The Company is principally engaged in the manufacturing and sale of apparel labels and packaging printing products. The Company's products include hangtags, size tapes, labels, such as woven labels, heat transfer labels and printed labels, header cards, stickers, price tickets, plastic packaging bags and packaging boxes. Its subsidiaries include Hang Sang (Siu Po) Holding Limited, Hang Sang (Siu Po) Press Company Limited and A W Printing & Packaging Limited. No dividend income was received for the period ended 31 December 2022. According to its latest published financial statements, it had a net asset value of approximately HK\$67,718,000 as at 30 June 2022.

Green Technology

There was no revenue on the green technology for the six months ended 31 December 2022 (2021: Nil).

Plantation Sales Business

The Group has timber cutting right on trees grown on the biological asset at Shihezi City, Xinjiang with which the Group is working prudently to find the best possible use of it. The Group would cautiously consider the actual economic return after gathering all relevant data and information and thoroughly study all risks and uncertain factors before making any investment decision. For the six months ended 31 December 2022, there was no revenue generated from plantation sales business (2021: Nil).

Hotel Business

The Group operates a boutique hotel under the name Waldo Hotel at Kathmandu, Nepal. The hotel has 40 rooms, one Chinese restaurant with capacity of serving 100 guests at one time, one Japanese restaurant with capacity of serving 40 guests at one time and a lobby lounge of serving capacity of 20 guests at one time. Soft opening begun at July 2022 with 28 rooms. Then it gradually extended to Japanese restaurant and lobby lounge. Now the 40 rooms, Japanese restaurant and lobby lounge are fully operational. Moreover, the Chinese restaurant is at trial and soft opening stage.

For the six months ended 31 December 2022, the Group recorded revenue from hotel business of approximately HK\$577,000 (2021 : Nil).

PROSPECTS

We wrote in our prospects published on 30 September 2022 that according to World Health Organisation Director General that we had never been in a better position to end the pandemic although we were not there, the end was in sight. Now six months had lapsed since we last reported and we can comfortably say that the end is really in sight. At least, psychological and physical hardships arising from or connecting with the viruses have been greatly reduced.

In December 2022, China ended its zero-COVID policy. Since then, COVID-19 cases in China increased rapidly. Luckily, worries of new variants might emerge as a result of massive infection do not materialised. COVID-19 cases in China may have peaked after climbing the curve since adopting the new policy. Whilst, according to past experience, a few waves would have been occurred before COVID-19 infection really flattened, outlook for China and Hong Kong to combat the pandemic is encouraging and never at a better position since its outbreak three years ago. Both the Chinese and Hong Kong governments are administering efforts in resuming everything to normal.

The Hong Kong economy continued to register a visible year-on-year contraction in the third and fourth quarter of 2022 of which real GDP declined by 4.6% and 4.2% respectively. For 2022 as a whole, real GDP shrank by 3.5%. Looking ahead, the Hong Kong economy is expected to show some recovery in 2023. Likewise, China's economy is predicted to have a growth of approximately 5% as well. These growths are attributable to the abandonment of zero-COVID lockdown policies. We expect that there shall be more programmes and directives to boost the economy after the new top government leadership appointments are being confirmed at the coming first meeting of the 14th National People's Congress.

The Federal Reserve raised the target range for the fed funds rate by 0.25% to 4.5%-4.75% in its February 2023 meeting. The Federal Reserve maintains a very tough stance on inflation and estimates it will raise the key interest rate at 5.00%-5.25% at the end of 2023 to curb inflation. In that sense, we shall not expect a weak US dollars. A strong US dollars is not good for economy recovery for most of the countries. This is one of the negative consideration in that the costs of money is much higher than that of one year ago and an upward trend is anticipated.

After a year of war in Ukraine, all signs point to more misery with no end in sight. Neither side appears primed for an outright military victory, and progress at the negotiating table seems just as unlikely. The global economy continues to be weakened by the war through significant disruptions in trade, food and fuel price shocks, all of which are contributing to high inflation and subsequent tightening in global financing conditions. China's stance on the Ukraine war is drawing close attention by many nations. China's overall trade with Russia increased by 30% and hit a record high level of US\$190 billion in 2022. We hope that China will take a pragmatic approach in the war without sacrificing its economy recovery plan.

The Group will allocate more resources to expand motor accessories, especially high performance tyres, sales business in PRC. Whilst the China and Hong Kong economy are predicted to have approximately 5% growth, that is set up on a weakened base for three consecutive years. Consolidating existing business operation, exercising more controls over operating costs and overheads, cautiously approaching and considering any new business opportunities will continuously be maintained by the Group.

FINANCIAL REVIEW

For the six months ended 31 December 2022, revenue of the Group increased by 8.4% to approximately HK\$42,787,000 (2021: approximately HK\$39,460,000) and gross profit of the Group decreased by 29.1% to approximately HK\$6,991,000 (2021: approximately HK\$9,861,000). Loss for the six months ended 31 December 2022 decreased to approximately HK\$2,237,000 as compared to loss of approximately HK\$6,414,000 of last corresponding period. The increase in turnover was due to the increase in sales of motor vehicles and related accessories. The decrease in gross profit was due to the increase in cost of products.

The decrease in loss for the period was mainly due to increase in turnover to approximately HK\$42,787,000 as mentioned above, increase in other income to approximately HK\$11,157,000 mainly due to written-off non-recourse liabilities and gain on disposal of property, plant and equipment, and decrease in fair value loss on investment properties to approximately HK\$787,000 during the six months ended 31 December 2022.

For the six months ended 31 December 2022, basic and diluted loss per share were HK cents 0.14 (2021: HK cents 0.38). Gain arising from changes in fair value less costs to sell of biological assets was approximately HK\$1,935,000 (2021: approximately HK\$3,756,000). Fair value loss on investment properties was approximately HK\$787,000 (2021: approximately HK\$3,267,000).

For the six months ended 31 December 2022, the finance costs were approximately HK\$1,904,000 (2021: approximately HK\$1,779,000).

Administrative expenses from operations for the six months ended 31 December 2022 increased to approximately HK\$19,768,000 (2021: approximately HK\$19,091,000). It included major items such as amortisation of intangible assets of approximately HK\$2,362,000, salaries and directors' emoluments of approximately HK\$6,592,000 and short-term lease expenses of approximately HK\$315,000.

Income tax expense was recorded at approximately HK\$206,000 (2021: approximately HK\$618,000).

Exchange loss on translating foreign operations was recorded at approximately HK\$11,130,000 (2021: gain of approximately HK\$6,867,000).

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2022, the total assets of the Group were approximately HK\$749,831,000 (30 June 2022: approximately HK\$780,508,000), including cash and bank balances of approximately HK\$6,164,000 (30 June 2022: approximately HK\$6,295,000).

The Group's total borrowings as at 31 December 2022 were approximately HK\$73,383,000 (30 June 2022: HK\$68,215,000). The Group's gearing ratio (which was expressed as a percentage of total borrowings over total equity) was 14.0% as at 31 December 2022 (30 June 2022: 12.7%).

As at 31 December 2022, the Group's net assets amounted to approximately HK\$523,102,000 (30 June 2022: approximately HK\$536,469,000).

The directors of the Company are of the view that the Group has sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due in the foreseeable future.

CAPITAL COMMITMENT

As at 31 December 2022, there was no material capital commitment.

CAPITAL RAISING AND EXPENDITURE

During the six months ended 31 December 2022, the Group did not have any capital raising activity (2021: Nil).

SHARE CAPITAL

As at 31 December 2022, the total number of issued shares capital of the Company comprised 2,036,538,114 ordinary shares of HK\$0.02 each (30 June 2022: 2,036,538,114 ordinary shares of HK\$0.02 each).

MAJOR ACQUISITION AND DISPOSAL

Save as disclosed above, during the six months ended 31 December 2022, there was no material acquisition or disposal of subsidiaries or associated corporation of the Company (2021: Nil).

EMPLOYMENT AND REMUNERATION POLICY

As at 31 December 2022, the Group had 117 (30 June 2022: 60) employees. The Group implements remuneration policy, bonus and share option scheme to ensure that pay scales of its employees are rewarded on a performance related basis within the general framework of the Group's remuneration.

CHARGES ON THE GROUP ASSETS

As at 31 December 2022, the bank loans of approximately HK\$72,587,000 were secured by (i) the car parking spaces with aggregate carrying amount of approximately HK\$191,900,000; (ii) a deed of assignment of rental income from the car parking spaces; (iii) the keyman insurance contract classified under the investments at fair value through profit or loss with aggregate carrying amount of approximately HK\$18,468,000; and (iv) personal guarantee from a director of the Company.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATE

The Group conducted most of its business in Great British Pound, Euro, Renminbi, United States Dollar, Nepalese Rupee and Hong Kong Dollars for the six months ended 31 December 2022. The Group has transactional currency exposures. Such exposures arise from the business operations in the PRC denominated in RMB. As at 31 December 2022, the Group had a minimal exposure to foreign currency risk as most of its business transactions were principally denominated in the respective functional currencies used by the respective group entities.

The Group does not have a foreign currency hedging policy in respect of its foreign currency assets and liabilities. The Group will closely monitor its foreign currency exposure and will consider using hedging instruments in respect of significant foreign currency exposure as and when appropriate.

CONTINGENT LIABILITIES

As at 31 December 2022, the directors of the Company are not aware of any material contingent liabilities (30 June 2022: Nil).

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 31 December 2022, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities on the Stock Exchange.

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 2022, except the followings: Code provision C.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.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (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 2022.

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 2022. 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.

The condensed consolidated financial information is unaudited, but has been reviewed by ZHONGHUI ANDA CPA Limited, 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, whose independent review report is included in the interim report to be sent to shareholders.

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

Hong Kong, 28 February 2023

As at the date of this announcement, the Board comprises five executive Directors, namely Mr. Yeung Chi Hang, Mr. Leung Kwong Choi, Mr. Wong Po Keung, Mr. Chung Siu Wah and Mr. Chik To Pan; and three independent non-executive Directors, namely Mr. Wong Kwai Sang, Mr. Ong Chi King and Mr. Heung Chee Hang, Eric.