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

2011 Annual Report

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Ms. Kam Yuen (Chairman and Chief Executive Officer)
Mr. Leung Kwong Choi
Mr. Kwok Wai, Wilfred

Independent Non-Executive Directors

Mr. Cheung Ngai Lam
Mr. Wong Kwai Sang
Mr. Christopher David Thomas

AUDIT COMMITTEE AND REMUNERATION COMMITTEE

Mr. Cheung Ngai Lam (Chairman)
Mr. Wong Kwai Sang
Mr. Christopher David Thomas

COMPANY SECRETARY

Mr. Lo Tai On

AUDITORS

Lau & Au Yeung C.P.A. Limited

HONG KONG OFFICE

Rooms 2003-06
Shui On Centre
6-8 Harbour Road
Wanchai
Hong Kong

REGISTERED OFFICE

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fulcrum Group (Cayman) Limited
Butterfield House
Fort Street, P.O. Box 705
George Town
Grand Cayman
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
17M Floor
Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

PRINCIPAL BANKERS

Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited
The Bank of East Asia Limited

HONG KONG STOCK CODE

1130

SINGAPORE TRADING SYMBOL

CHENV400: SP

WEBSITE

http://www.cergreen.com

Biographical Details of Directors

DIRECTORS

Executive Directors

Ms. KAM Yuen, aged 42, was appointed as Executive Director and Chief Executive Officer of the Company on 4 June, 2009 and was appointed as chairman of the Company on 14 May, 2010. Ms. Kam is responsible for business development strategies and overall management of the Group. Ms. Kam was graduated in 1991 from the University of Hong Kong with a Bachelor Degree in Social Sciences (Economics) and subsequently received her MBA from the Hong Kong University of Science & Technology. She is also a holder of Bachelor of Laws (LLB) with the Manchester Metropolitan University and Chartered Financial Analysts. She has over 17 years working experience in selling and relationships management in various financial institutions such as Credit Suisse, Rabobank and Standard Chartered Bank. Having served the managerial positions in China market, Ms. Kam develops sophisticated management experiences and acquires extensive connections in China.

Mr. LEUNG Kwong Choi, aged 55, was appointed as an Executive Director of the Company on 6 October 2008. Mr. Leung holds a Bachelor of Social Science Degree from the Chinese University of Hong Kong. He had been working for 10 years in the marketing department of Hang Lung Development Ltd. since graduation. Mr. Leung had also served the positions of executive director of Top Glory Holdings Ltd., China Food Ltd. and Cheung Tai Hong Holdings Ltd., all of which are companies with shares listed on The Stock Exchange of Hong Kong Limited. Mr. Leung has over 28 years of real estate and business experience in Hong Kong and the PRC concentrating in property investment and development, acquisition and merger, deal marking and investment projects arrangement.

Mr. KWOK Wai, Wilfred, aged 38, was appointed as an Executive Director of the Company on 7 April 2009. Mr. Kwok possesses over 10-year frontier experiences in business and marketing in China. Mr. Kwok served the publicly listed Vertex group and introduced international media projects into China market in 2002. In 2003, Mr. Kwok partnered the publicly listed King Fook group to form exclusive Hong Kong company serving privileged airport ground services in major Chinese airports. Mr. Kwok has a decade of green business development. With strong connection in China, he specialises in project merge and acquisition and negotiation with central government, local governments and corporations.

Biographical Details of Directors

Independent Non-Executive Directors

Mr. CHEUNG Ngai Lam, aged 42, was appointed as an Independent Non-executive Director of the Company on 4 July 2008 and is the chairman of the audit committee and remuneration committee of the Company. Mr. Cheung is a member of the American Institute of Certified Public Accountants and CPA Australia. Mr. Cheung obtained a Bachelor Degree in Social Sciences from the University of Hong Kong in 1991, a Master of Accounting Degree from Curtin University of Technology, Perth, Australia in 1997 and a Master of Science (Investment Management) Degree in Finance from the Hong Kong University of Science and Technology in 2001. He was an Independent Non-executive Director of Mascotte Holdings Limited (Stock Code: 136), a Hong Kong listed company, during the period from 9 March 2005 to 7 April 2008. Mr. Cheung currently works as the Corporate Development Director for Profound Heavy Industrial Limited before that he was engaged by Norstar Automobile Industrial Holding Limited. He is also an Independent Non-executive Director of Hong Long Holdings Limited (Stock Code: 1383), a Hong Kong listed company since January 2007. Mr. Cheung has extensive experience in accounting and capital markets; he served at Deloitte Touche from 1991 to 1994, and he was the Vice President and Executive Vice President of Daiwa Securities and Japan Asia Securities from 1994 to 2002 and 2002 to 2005 respectively. Mr. Cheung also worked as the Corporate Finance Director of Grant Thornton from 2005 to 2008.

Mr. WONG Kwai Sang, aged 59, appointed as an Independent Non-executive Director of the Company on 2 March 2009 and is a member of the audit committee and remuneration committee of the Company. He is a property consultant. Mr. Wong had been an Independent Non-executive Director, member of audit committee and member of remuneration committee of the Company since 3 July 2002. He resigned on 4 July 2008 as he himself had a long term personal assignment stationed in Shanghai. Mr. Wong has now completed his assignment in Shanghai and returned to Hong Kong. He holds a Bachelor of Social Sciences degree from the University of Hong Kong. He is a fellow member of the Hong Kong Institute of Real Estate Administrators and the Australian Institute of Building respectively.

Mr. Christopher David THOMAS, aged 33, was appointed as an Independent Non-executive Director of the Company on 4 May 2009 and is a member of the audit committee and remuneration committee of the Company. Mr. Thomas graduated from Johns Hopkins University School of Advanced International Studies with a Master Degree in International Relations — Concentration in International Finance and Asian Studies. Mr. Thomas joined Deutsche Bank in 2001 to serve as the Analyst in Telecommunication Investment Banking. From 2002 to 2004, Mr. Thomas worked as an Analyst in Media and Technology Mergers and Acquisitions for Signal Hill Capital Group LLC, the boutique investment bank founded by former Global Head of Telecommunications at Deutsche Banc Alex. Brown, Inc. Mr. Thomas is currently the Regional Vice President (North America Division) of Snowland Tibetan Medicine Company which is a leading Tibetan medicine company in the herbal medicine market. Mr. Thomas has over 6 years experience in clientele development, sales and marketing to nationwide distributors and individual customers.

Chairman's Statement

On behalf of the board of directors (the "Board") of China Environmental Resources Group Limited (the "Company"), I am pleased to present the Annual Report 2011 and the audited consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 30 June 2011.

BUSINESS AND OPERATION REVIEW

The Group was listed in 1997 with business focuses on garment and property businesses in the People's Republic of China ("PRC"). Due to keen competition and rising cost of the garment and property businesses, the Group diversified into green business in late 2008 to maximize shareholders' return.

During the financial year ended 30 June 2011, the Group had disposed all subsidiaries which have been principally engaged in the apparel manufacturing business, renting business and property development business. The disposal recorded a net gain of HK$33,957,000 for the Group and enables the Group to realize the value of the apparel manufacturing and property development and rental businesses and to concentrate its resources on cultivating the green business in the PRC.

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, green medical 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.

For the financial year ended 30 June 2011, turnover of the Group increased by 18.5% to HK$331,555,000 (2010: HK$279,703,000) with gross profit of HK$40,837,000 (2010: HK$92,337,000). Loss for the year amounted to HK$54,484,000 for continuing operation (2010: Profit of HK$72,024,000), mainly attributable to the HK$109.39 million impairment of goodwill arising from the acquisitions of subsidiaries and HK$60.37 million impairment of intangible assets of technology patents. The Group considers that the impairments are non-cash in nature and will not have material adverse effect on the financial position of the Group.

ENVIRONMENTAL SYSTEM

In 2009, the Group successfully developed the waste-to-value "O-Live Organic Waste Treatment System" ("O-Live System") which is an automatic machine utilizing high temperature micro-organisms technology for environmental treatment of animal manures of livestock farms. Within 24 hours, O-Live System kills animal influenza and common disease bacteria and converts animal manures into raw materials for producing microbial organic fertilizer. The System reached sale plateau in its product development cycle and recorded turnover of HK$28,539,000 (2010: HK$38,639,000), representing approximately 8.6% of the Group's total turnover.

Chairman's Statement

PLANTATION MATERIAL

The Group utilizes the organic waste treated by O-Live System to be the organic raw materials for producing plantation material of organic fertilizer. In early 2011, the Group's organic fertilizer product brand (Tian Mi Mi) was awarded the 2010 leading brand in the industry of organic fertilizer market.

The sales of plantation materials rose by 52% HK$273,776,000 (2010: HK$180,012,000) for the financial year, representing 82.57% of total turnover of the Group. During the financial year ended 30 June 2011, China's agricultural sector encountered continuous natural disasters of huge scale and damage, including a prolonged droughts and snowstorms over 8 provinces in northern China and series of flooding over 13 provinces in southern China. These natural disasters had unavoidably hard-hit most agricultural operators. To support the long term customers, the Group offered significant discounts deepen the long term amicable relationship with its corporate clients. The discount strategy resulted in gross loss from plantation material to HK$8,414,000 (2010: gross profit of HK$47,249,000).

In anticipation of the uncertainties and risks of increasing natural disasters on agricultural sector, the Group streamlined its product range of organic fertilizer mainly for general applications to save cost and to contain risk in diversified stocks management of specialty fertilizers. Impairment of HK$60.37 million was thus provided for the intangible assets value of technology patents in specialty fertilizer during the financial year. The Group considers that the impairment is non-cash in nature and will not have material adverse effect on the financial position of the Group.

PLANTATION PRODUCT

Having utilized its plantation material and technology, the Group engages in ecological plantation of timber resources, organic herbs and crops on the Plantation Land in Shihezhi City, Xinjiang Region, the PRC. As timber resources were in the growth cycle pending for next major harvest, the sales of plantation products thus dropped to HK$15,740,000 (2010: HK$52,023,000), representing 4.75% of total turnover of the Group.

The Plantation Land in Shihezhi City, Xinjiang Region, the PRC consisted of approximately 60,000 mu (Chinese Mu) of land. As at 30 April 2011, approximately 30,000 Chinese mu of land has already been cultivated with poplar trees (the "Planted Land") while the development, including, amongst others, the construction of infrastructure such as the building of roads, construction of water pipes and power supply connections, of the remaining approximately 30,000 Chinese mu of land (the "Unplanted Land") has not yet been completed. Up to 30 April 2011, the development of approximately 10,000 Chinese mu of the Unplanted Land has almost been completed and total costs incurred for such development up to 30 April 2011 amounted to approximately HK$59.8 million (the "Construction In Progress"). The Group forecasted that the development of the remaining approximately 20,000 Chinese mu of the Unplanted Land would take approximately 2-3 years. In order to better utilize its resources, the Group sold on 28 June 2011 the Ample Rich group of subsidiaries holding the Construction In Progress to the local operator who will develop the Unplanted Land and provide related plantation service for the Group.

Due to global climate change, the world and the PRC experienced non-stopped natural disasters on unprecedented scale and damage during last few years and the weather will become extremely unpredictable for agricultural activities in near future. To protect the interest of shareholders, the Group's strategy will weight toward trading of plantation materials from capital-intensive production of plantation materials. Furthermore, utilizing its edges of forefront market information, extensive agricultural networks and international expertise, the Group will allocate resources for agricultural technology development, consultancy service and operation commodity trading in addition to agricultural plantation and operation.

GREEN MEDICAL APPLICATION

On 13 October, 2010, the Group completed the acquisition of the 100% equity interest in Ally Goal Limited ("Ally Goal"). Ally Goal's wholly owned subsidiary is a company operating in the PRC which engages in the research and development, application and sale of herbal product, biotechnology, green medical application and related products.

The total consideration for the Acquisition is HK$70,400,000 and the Group had paid cash of HK$20,000,000 and issued 200,000,000 Consideration Shares (before 5 to 1 share consolidation) at the price of HK$0.072 per Consideration Share to the Vendor. The balance of 500,000,000 Consideration Shares (before 5 to 1 share consolidation) shall be issued to the Vendor upon Ally Goal's achievement of the relevant Profit Guarantee(s) during the two Profit Guarantee Period(s). The "First Guaranteed Period" is the period commencing from 1 July 2010 and ending on 30 June 2011 with 200,000,000 Consideration Shares (before share consolidation) shall be issued to the Vendor for Ally Goal's achieving the "First Period Guaranteed Profit" of HK$30,000,000 net profit for the First Guaranteed Period. The "Second Guaranteed Period" is the period commencing from 1 July 2011 and ending on 30 June 2012 with 300,000,000 Consideration Shares (before share consolidation) shall be issued to the Vendor for Ally Goal's achieving the "Second Period Guaranteed Profit" of HK$45,000,000 net profit for the Second Guaranteed Period.

During the financial year ended 30 June 2011, Ally Goal's wholly owned PRC subsidiary had signed the agreement with Research Institute of Chinese Medical Mathematical Engineering of Dongguan Guangzhou Chinese Medicine University (東莞廣州中醫藥大學中醫藥數理工程研究院) for research and development and promotion of anti-hand, foot and mouth disease (抗手足口病) product. Extended timeframe was required for research, development and commercialization of the anti-hand, foot and mouth disease product. The "First Period Guaranteed Profit" was not met during the "First Guaranteed Period" and the 200,000,000 Consideration Shares (before share consolidation) had not been issued to the Vendor. As the research, development and commercialization of the product were not expected to be completed in near future, impairment of goodwill of HK$53,673,000 was recorded for the acquisition of Ally Goal. The Group considers that the impairment is non-cash in nature and will not have material adverse effect on the financial position of the Group.

GREEN TECHNOLOGY

For the financial year ended 30 June 2011, technology sales and service income recorded approximately HK$13,500,000 (2010: HK$9,029,000), representing approximately 4.07% of the Group's total turnover.

On 28 January 2011, the Group completed the acquisition of the 100% equity interest in Bright Delight Group Limited ("Bright Delight"). The Vendor engages in the research and development, project establishment, application and sale of green and environmental product, technology, service and related products for sustainable development.

The total consideration for the Acquisition is HK$67,040,000, within which HK$47,040,000 shall be satisfied by the issue of 735,000,000 Consideration Shares (before 5 to 1 share consolidation) at the price of HK$0.064 per Consideration Share and the balance of HK$20,000,000 shall be payable in cash by two equal installments. The issued Consideration Shares were deposited in escrow by the Group's lawyer and shall be released to and the cash shall be paid to the Vendor upon the fulfillment of the Guarantee Profit(s) during the Guarantee Period(s).

Chairman's Statement

The "First Guaranteed Period" is the period commencing from 28 January 2011 and ending on 30 June 2011. The "First Period Deposit Shares" of 367,500,000 Consideration Shares (before share consolidation) shall be released to and HK$10,000,000 cash shall be paid to the Vendor for Bright Delight's achieving the "First Period Guaranteed Profit" of HK$33,500,000 net profit for the First Guaranteed Period. The "Second Guaranteed Period" is the period commencing from 1 July 2011 and ending on 30 June 2012. The "Second Period Deposit Shares" of 367,500,000 Consideration Shares (before share consolidation) shall be released to and HK$10,000,000 cash shall be paid to the Vendor for Bright Delight's achieving the "Second Period Guaranteed Profit" of HK$33,500,000 net profit for the Second Guaranteed Period.

During the financial year ended 30 June 2011, Bright Delight had signed technology transfer and technical consultancy agreement for fee of HK$38.5 million. The technology development and technical service company was established in Macau and its operation was approved by Macau government till 9 June 2011. The "First Period Guaranteed Profit" was not met during the "First Guaranteed Period" and the 367,500,000 "First Period Deposit Shares" (before share consolidation) had not been released to and the cash of HK$10 million had not been paid to the Vendor. In view of the uncertainties and risks of developed countries' sluggish economies and turbulent global financial markets affecting the economic development of PRC in next few years, the Group adopts conservative strategy on green technology business development. Impairment of goodwill of HK$ 55,721,000 was thus recorded for the acquisition of Bright Delight. The Group considers that the impairment is non-cash in nature and will not have material adverse effect on the financial position of the Group.

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. In the past five years, the PRC Government continuously placed strategic importance on the "Three Rural Issues" and spent aggregate amount of approximately RMB2,910.7 billion in the agricultural sector.

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. On 8 December 2010, the Ministry of Agriculture announced, during the Twelfth Five-Year Plan, that national policy will continue to favor agricultural sector and to encourage foreign enterprises to invest in high value added agricultural modernization and related infrastructural establishments.

Regarding environmental aspect, the average growth rate of energy consumption were approximate 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, most developed countries' economies remained sluggish and drastic turbulences in global financial markets will cloud the economic development of PRC in next few years. Coupled with the increasing natural disasters on huge scale and damage, the Group expects to face extreme uncertainties and risks in the agricultural sector which currently accounts for 87.32% of its total turnover. To minimize the risk of single sector reliance and to maximize the return for shareholders, the Group will edge on its technology competence, forefront market experience and nationwide Chinese business network to continuously explore investment opportunity to diversify its business areas.

FINANCIAL REVIEW

For the year ended 30 June 2011, the Group recorded a consolidated turnover of continuing operations at approximately HK$331.6 million (2010: HK$279.7 million), representing an increase of 18.5% compared with the year ended 30 June 2010 (the "Previous Year"). The Group's gross profit decreased by 55% to approximately HK$40.84 million (2010: HK$92.34 million). The gross profit margin decreased from 33.0% in 2010 to 12.3% in 2011, mainly due to the significant discount offered to client hard-hit by natural disasters. The sales of plantation material of HK$273.78 million accounted for 82.57% of total turnover of the Group but recorded gross loss of HK$8.41 million against Previous Year's gross profit of HK$47.25 million.

The loss for the year arrived at HK$54.48 million from Previous Year's profit of HK$67.9 million, mainly attributable to the HK$109.39 million impairment of goodwill arising from the acquisitions of subsidiaries and HK$60.37 million impairment of intangible assets of technology patents. Its basic and diluted loss per share from continuing operations for the year was HK0.94 cents (2010: basic and diluted earnings per share were HK5.01 cents and HK4.58 cents respectively).

After taking into account the impairment loss on goodwill of HK$109.39 million and impairment on intangible assets of technology patents of HK$60.37 million, gain on changes in fair value of biological assets of HK$112.3 million, gain on disposal of subsidiaries of HK$34 million and changes in fair value of purchase consideration payable of HK$27 million, exchange loss of HK$2.6 million and minor expenses totaling HK$0.56 million, other gains significantly dropped to HK$0.5 million from Previous Year's HK$151.6 million.

In calculating the Group's consolidated net profit, the administrative and other operating expenses of approximately HK$74.09 million (Year 2010: approximately HK$111.03 million) included major items, such as other taxes of HK$19.1 million, rent of HK$7.3 million, agency and professional fee of HK$8.1 million, amortization of intangible assets of HK$23.2 million. In Year 2010, equity settled share-based payment expense of approximately HK$42.1 million was recorded and no such expenses occurred during the financial year, resulting in the 33.26% decrease in administrative and other operating expenses.

Finance costs of continuing operations of approximately HK$4.99 million were also recorded (Year 2010: HK$10.93 million). Such expense was not related to operation in nature, it represented the effective interest expense on convertible notes issued by the Company in 2008. Income tax expenses for continuing operations were approximately HK$17.2 million (Year 2010: HK$49.36 million). The decrease in income tax expense was mainly due to the loss incurred from sale of plantation material and thus the tax expenses for the financial year were relatively lower.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2011, the Group's cash and cash equivalents, which were principally Renminbi and Hong Kong Dollar denominated, totally amounted to approximately HK$3.74 million (2010: HK$23.37 million). 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.

As at 30 June 2011, the Group's current assets amounted to approximately HK$27.14 million and current liabilities amounted to approximately HK$91.99 million. The Group's net current liabilities, being its current assets minus its current liabilities, amounted to approximately HK$64.84 million.

Included in the current liabilities, there were purchase consideration payables of HK$52.46 million. The payment of purchase consideration will be subject to the achievement of profit guarantee and HK$42.46 million in form of Consideration Shares and HK$10 million in form of cash. The major shareholder of the Group made available an unsecured and interest-free revolving loan facility totaling HK$30 million to the Group till 31 March 2013 for standby basis. In view of increasing uncertainties and risks in global and the PRC economic development, the Group performed conservative strategy in credit and receivable management to trim down trade receivable balance significantly to HK$0.7 million as at 30 June 2011 (2010: HK$112 million).

Gearing ratio, defined as total borrowings divided by the total equity as at 30 June 2011 was not applicable to the Group as there was no borrowings as at 30 June 2011 (2010: 9.9%).

CHARGE ON THE GROUP'S ASSETS

As at 30 June 2011, the Group did not have pledged assets to secure general banking facilities.

CAPITAL RAISING AND EXPENDITURE

During the year ended 30 June 2011, the Group did not carry out any equity fund raising activities except for the conversion of convertible notes and exercise of share options.

EMPLOYEES AND RETIREMENT BENEFIT SCHEME

The Group had approximately 56 employees in Hong Kong and the PRC as at 30 June 2011. 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.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my sincere appreciation to our shareholders for their continued support and to my fellow directors, the management and staff for their continuing contributions and effort.

Kam Yuen
Chairman

Hong Kong, 30 September 2011

Report of the Directors

The Board have pleasure present their annual report together with the audited consolidated financial statements of the Group for the year ended 30 June 2011.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Group is principally engaged in the business of research, development and application of technologies and solutions, manufacture, sale, trading and distribution of products, materials systems and services for green market segments including the environmental markets, agricultural markets, organic markets, green medical markets and green technology markets in the PRC market and overseas.

RESULTS

The results of the Group for the year ended 30 June 2011 are set out in the consolidated statement of comprehensive income on page 24 and 25.

DIVIDEND

The Board does not recommend the payment of a dividend for the year ended 30 June 2011 (2010: Nil).

SEGMENTS INFORMATION

An analysis of the Group's revenue and contribution to results by operating segments for the financial year is set out in Note 10 to the consolidated financial statements.

SHARE CAPITAL

As approved by the shareholders at an extraordinary general meeting of the Company, the ordinary shares of the Company were consolidated on 17 January 2011. Details of the share consolidation and exercise of share options during the year are set out in note 42 to the consolidated financial statements.

RESERVES

Details of movements in reserves of the Group during the year are set out in the consolidated statement of changes in equity on pages 28 and 29.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company at 30 June 2011 amounted to HK$890,280,000. Under section 34 of the Companies Law (Revised) of the Cayman Islands, the share premium is available for distribution to shareholders subject to the provisions of the Articles of Association of the Company, and no distribution may be paid to shareholders out of the Company's share premium unless the Company shall be able to pay its debt as they fall due in the ordinary course of business.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment during the year are set out in Note 21 to the consolidated financial statements.

Report of the Directors

DIRECTORS

The directors of the Company during the financial year and up to date of this report were:

Executive Directors

Ms. Kam Yuen
Mr. Leung Kwong Choi
Mr. Kwok Wai, Wilfred

Independent Non-Executive Directors

Mr. Cheung Ngai Lam
Mr. Wong Kwai Sang
Mr. Christopher David Thomas

In accordance with the Company's articles of association, Ms. Kam Yuen and Mr. Christopher David Thomas shall retire, and being eligible, offer themselves for re-election at the forthcoming annual general meeting.

No director of the Company being proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

The Company has received, from each of the independent non-executive director, a written annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules"). The Company considers that all the independent non-executive directors are independent.

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2011, the interests and short positions held by each director and chief executive of the Company and their associates in shares, underlying shares or debentures of the Company or any of its associated corporations, if any, (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company under Section 352 of the SFO or otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Listing Rule were as follows:

Long positions in shares and underlying shares of the Company

		Number of shares/underlying shares held in the Company			
Name of Directors	***Capacity in which interests are held***	***Interests in shares***	***Interests under equity derivatives***	***Total interests***	***Total interests as to % to the issued share capital of the Company as at 30 June 2011*** *(Note 1)*
Ms. Kam Yuen	Deemed interest and Beneficial owner	304,104,000	36,000,000	340,104,000 *(Note 2)*	15.67%
Mr. Leung Kwong Choi	Beneficial owner	—	12,480,000	12,480,000 *(Note 3)*	0.57%
Mr. Kwok Wai, Wilfred	Beneficial owner	—	12,480,000	12,480,000 *(Note 3)*	0.57%
Mr. Cheung Ngai Lam	Beneficial owner	—	4,252,000	4,252,000 *(Note 3)*	0.20%

Notes:

1. The percentage of shareholding was calculated on the basis of the Company's issued share capital of 2,170,517,800 shares as at 30 June 2011.
2. This represents 36,000,000 share options granted to Ms. Kam Yuen and interest in 304,104,000 shares held by Capital Master International Limited. The entire issued share capital of Capital Master International Limited is beneficially owned by Mr. Choi Ping Fai, the spouse of Ms. Kam Yuen. Accordingly, Ms. Kam Yuen is deemed to have interests in the shares and underlying shares.
3. The relevant interests are share options granted pursuant to the Company's share option scheme adopted on 16 December 2005.
4. Every 5 issued and unissued shares of HK$0.01 each of the Company were consolidated into one share of HK$0.05 each on 17 January 2011.

Save as disclosed above, as at 30 June 2011, none of the Company's directors, chief executive or their respective associates had any other personal, family, corporate and other interests or short positions in shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEME

The detailed disclosures relating to the Company's share option scheme and valuation of options are set out in Note 43 to the consolidated financial statements.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2011, the following persons, other than a director of the Company were interested or had short positions in more than 5% of shares and underlying shares of the Company or its subsidiaries according to the register required to be kept under Section 336 of the SFO as follows:

Long positions in shares and underlying shares of the Company

		Number of shares/underlying shares held in the Company			
Name of Shareholders	***Capacity in which interests are held***	***Interests in shares***	***Interests under equity derivatives***	***Total interests***	***Total interests as to % to the issued share capital of the Company as at 30 June 2011*** *(Note 1)*
Choy Ping Fai	Beneficial owner	304,104,000	–	304,104,000 *(Note 2)*	14.01%
Capital Master International Limited	Beneficial owner	304,104,000	–	304,104,000 *(Note 2)*	14.01%
The Cathay Investment Fund, Limited	Beneficial owner	263,920,000	–	263,920,000	12.16%

Notes:

1. The percentage of shareholding was calculated on the basis of the Company's issued share capital of 2,170,517,800 shares as at 30 June 2011.

2. These include 304,104,000 shares held by Capital Master International Limited. The entire issued share capital of Capital Master International Limited is beneficially owned by Mr. Choy Ping Fai. Accordingly, Mr. Choy Ping Fai is deemed to have interests in the shares.

3. Every 5 issued and unissued shares of HK$0.01 each of the Company were consolidated into one share of HK$0.05 each on 17 January 2011.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance, to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

The Board is of the opinion that during the year ended 30 June 2011, the directors of the Company had no interests in any businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group.

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

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities on the Stock Exchange.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, the sales to the Group's five largest customers accounted for approximately 97% of the total sales of continuing operations for the year and the sales to the largest customer included therein amounted to 29%. Purchases from the Group's five largest suppliers accounted for approximately 82% of the total purchases for the year and the purchase from the largest supplier included therein amounted to approximately 22%.

None of directors of the Company, any of their associates or any substantial shareholders of the Company (which, to the best knowledge of the directors of the Company, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or five largest suppliers.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association, or the companies law of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

EVENTS AFTER THE END OF REPORTING PERIOD

Details of the significant events after the end of reporting period are set out in Note 52 to the consolidated financial statements.

PUBLIC FLOAT

As at the date of this report, the Company has maintained a sufficient public float under the Listing Rules, based on the information that is publicly available to the Company and within the knowledge of its directors.

AUDITORS

On 18 June 2010, BDO Limited resigned as auditors of the Group. On 24 June 2010 Shinewing (HK) CPA Limited was appointed auditors of the Group. On 7 October 2010, Shinewing (HK) CPA limited resigned as auditors of the Group and Zhonglei (HK) CPA Company Limited was appointed as auditors of the Group. On 28 June 2011, Zhonglei (HK) CPA Company Limited resigned as auditors of the Group and Lau & Au Yeung C.P.A. Limited was appointed as auditors of the Group. A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint Lau & Au Yeung C.P.A. Limited as auditors of the Group.

On behalf of the Board
China Environmental Resources Group Limited
Kam Yuen
Chairman

Hong Kong, 30 September 2011

The Board is committed to maintain and ensure high standards of corporate governance practice. The Company stresses the importance of maintaining the quality of the Board by ensuring that the directors of the Company possess a wide range of expertise and the effective implementation of an accountability system, so as to ensure that business activities and decision making processes are regulated in a proper manner.

The Company has complied with all applicable code provisions as set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Listing Rules throughout the year ended 30 June 2011 except for deviation disclosed herein:

THE BOARD

The Board is charged with the responsibility of the leadership and control of the Group. The Board promotes the success of the Group and makes decisions objectively in the best interests of the Group. The Board's role is mainly to direct and supervise the affairs of the Group, establishing its strategic direction and setting objectives and business development plans. In addition, the Board has also delegated various responsibilities to the Board committees.

BOARD COMPOSITION

The Board currently comprises six directors of the Company, with three executive directors and three independent non-executive directors.

During the year ended 30 June 2011, the Board held 4 regular Board meetings. The directors of the Company participated in persons or through electronic means of communication. The attendance of each director of the Company is set out as follows:

Name of Directors	**Number of Board meetings attended/eligible to attend**
Executive Directors	
Ms. Kam Yuen (Chairman and Chief Executive Officer)	3/4
Mr. Leung Kwong Choi	3/4
Mr. Kwok Wai, Wilfred	4/4
Independent Non-Executive Directors	
Mr. Cheung Nga Lam	4/4
Mr. Wong Kwai Sang	4/4
Mr. Christopher David Thomas	2/4

Directors of the Company are provided with relevant information to make informed decisions. The Board and each director of the Company have separate and independent access to the Company's management for information and making enquires if necessary. A director of the Company who considers it necessary to seek independent professional advice in order to perform his/her duties as a director of the Company may convene, or request the company secretary of the Company to convene a meeting of the Board to approve the consultation of independent legal or other professional advisor for advice. For regular Board meetings, an agenda and accompanying board papers of the meeting are sent in full to all directors of the Company at least three days before the intended date of meeting.

Every director of the Company is entitled to have access to the advice and services of the company secretary of the Company with a view to ensure that the Board procedures, and all applicable rules and regulations, are complied with. All minutes are kept by the Company and are open for inspections by any director of the Company during normal office hours by giving reasonably advance notice. Minutes of the Board meetings and the Board committees meetings record in sufficient details the matters considered in the meetings and decisions reached. Draft and final versions of minutes of the Board meetings have been sent to all directors of the Company for their comments and record respectively within a reasonable time after the relevant meeting was held.

If a director of the Company has a conflict of interest in a matter before the Board, the matter will be dealt with in accordance with applicable rules and regulations and, if appropriate, an independent board committee will be set up to deal with the matter.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Company has adopted all the CG Code as set out in the Appendix 14 of the Listing Rules. In the opinion of the directors of the Company, the Company has met the code provisions of the CG Code during the year ended 30 June 2011 except the following.

Code provision A.2.1 stipulates that the roles of the chairman and chief executive officer should be separate and should not be performed by the same individual.

Ms. Kam Yuen, an executive director, was appointed as chief executive officer on 4 June, 2009 and was appointed as chairman on 14 May, 2010. Therefore, she currently assumes both roles. The Board believes that the vesting of the roles of chairman and chief executive officer in the same person provides the Group with strong and consistent leadership and allows for more effective planning and execution of long-term busienss strategies, as well as ensuring effective oversight of management. The Board also believes that the Company already has a strong corporate governance structure and as such the present structure is considered to be appropriate under the circumstances.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

In accordance with the CG Code and the Company's articles of association, all directors of the Company (including independent non-executive directors) are subject to retirement by rotation once every three years. Composition of the Board will be reviewed regularly to ensure that it covers a balance of expertise, skills and experience appropriate for the requirements of the business of the Company.

The independent non-executive directors of the Company are appointed for a specific term, subject to retirement by rotation under the Company's articles of association. Mr. Cheung Ngai Lam, an independent non-executive director, has appropriate accounting or related financial management expertise as required under Rule 3.10 of the Listing Rules. The Board has received from each independent non-executive director of the Company a written annual confirmation of his independence and is satisfied with his independence in accordance with the Listing Rules. The Company considers that all independent non-executive directors of the Company meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") currently comprises three independent non-executive directors of the Company, namely, Mr. Cheung Ngai Lam, Mr. Wong Kwai Sang and Mr. Christopher David Thomas.

The Audit Committee shall meet at least twice a year. 5 Audit Committee meetings were held during the year. The attendance of each member is set out as follows:

Name of Audit Committee Members	Number of Audit Committee meetings attended/eligible to attend
Mr. Cheung Ngai Lam	5/5
Mr. Wong Kwai Sang	3/5
Mr. Christopher David Thomas	3/5

The primary duties of the Audit Committee are:

1. to recommend to the Board on the appointment, re-appointment and removal of the external auditors and to approve the remuneration and terms of engagement of the external auditors, and any questions of resignation or dismissal of such auditors;

2. to consider and discuss with the external auditors the nature and scope of each year's audit;

3. to review and monitor the external auditors' independence and objectivity;

4. to review the interim and annual financial statements before submission to the Board and to discuss any problem and reservation arising therefrom; and

5. to review the Group's financial controls, internal control and risk management systems.

During the year, the Audit Committee reviewed and discussed the financial reporting matters, including the review of the interim and annual consolidated financial statements and the changes of auditors.

REMUNERATION COMMITTEE

The Board has established a remuneration committee of the Company (the "Remuneration Committee"), comprising three independent non-executive directors of the Company. The role and function of the Remuneration Committee include formulation of the remuneration policy, review and recommending to the Board the annual remuneration policy, and determination of the remuneration of the executive directors of the Company.

Set out below is the summary of work of the Remuneration Committee done for the year ended 30 June 2011:

– to review of the remuneration policy for 2010/2011; and

– to review of the remuneration of the directors of the Company.

The Remuneration Committee should meet at least once a year. During the year, one meeting was held by the Remuneration Committee and attended by all members.

The Company's emolument policy is to ensure that the remuneration offered to employees, including executive directors and senior management, is based on the skills, knowledge, responsibilities and involvement in the Company's affairs. The remuneration packages are also determined by reference to the Company's performance and profitability, remuneration level in the industry and the prevailing market conditions. The emolument policy for independent non-executive directors, mainly comprising directors' fees, is subject to annual assessment with reference to the market standard. Individual director and senior management would not be involved in deciding their own remuneration.

Details of the directors' emoluments are set out in Note 18 to the consolidated financial statement.

NOMINATION COMMITTEE

The Board has not established a nomination committee of the Company. According to the articles of association of the Company, the Board has the power from time to time and at any time to appoint any person as a director of the Company either to fill a casual vacancy or as an addition to the Board. In assessing nomination of new directors, the Board will take into consideration of the nominee's qualification, ability and potential contributions to the Company. There was no change in the composition of the Board during the year under review.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules for securities transactions by the directors of the Company. Having made specific enquiry, all directors of the Company confirmed that they have complied with the required standard set out in the Model Code throughout the year ended 30 June 2011.

ACCOUNTABILITY AND AUDIT

The directors of the Company acknowledge their responsibility for preparing, with the support from the finance department, taken charge by the qualified accountant of the Company, the consolidated financial statements for each financial year which give true and fair view of the state of affairs of the Group in presenting the interim and annual consolidated financial statements, and announcements to shareholders of the Company (the "Shareholders"). The directors of the Company aim to present a clear and understandable assessment of the Group's position and prospects. The Board acknowledges its responsibility to present a clear and understandable assessment in the Company's annual and interim reports, other price-sensitive announcement and other financial disclosures required under the Listing Rules, and reports to the regulators.

The Group had incurred losses of approximately HK$54,484,000 for the year ended 30 June 2011 and had net current liabilities of approximately HK$64,842,000 as at 30 June 2011. The ongoing operation of the Group is dependent on:

– the performance of the operating businesses; and/or

– the Group raising additional fundings from its shareholders or other parties.

The directors have prepared cash flow projections that support the ability of the Group to continue as a going concern. These cash flow projections assume that the Group is able to obtain sufficient additional fundings from its major shareholders. A major shareholder of the Company has confirmed to provide an unsecured and interest free revolving loan facility of an amount of HK$30,000,000 to the Group. This facility is available to be drawn down by the Group at any time until 31 March 2013. The directors thus believe that the Group has sufficient cash flows to meet its liabilities and financial obligations as and when they fall due and to carry on its businesses without a significant curtailment of operations in the coming twelve months from the date of these financial statements.

The responsibility of the external auditors with respect to the financial reporting and their audit opinion are set out in the section "Independent Auditor's Report" on pages 22 to 23.

INTERNAL CONTROLS

The Board has, through the Audit Committee, conducted review of the effectiveness of the internal control system of the Group covering the financial, operational, procedural compliance and risk management functions and also the Company's accounting and financial reporting function. The internal control system is designed to provide reasonable but not absolute, assurance of no material misstatement or loss and to manage rather than eliminate risks of failure in operational systems and achievements of the Group's objectives.

REMUNERATION OF THE AUDITORS

The remuneration in respect of audit and other services provided by auditors of the Group, Lau & Au Yeung C.P.A. Limited, for the year ended 30 June 2011 is HK$870,000 and HK$198,000 respectively. The Company also paid to Zhonglei (HK) CPA Company Limited a total audit and other service fees of HK$93,000 prior to their resignation as auditors of the Group on 28 June 2011.

COMMUNICATIONS WITH SHAREHOLDERS

The Board recognises the importance of good communication with the Shareholders. Information in relation to the Group is disseminated to the Shareholders in a timely manner through a number of formal channels, which include interim and annual reports, announcements and circulars of the Company.

The Company's general meetings are valuable forum for the Board to communicate directly with the Shareholders. The Shareholders are encouraged to attend the general meetings of the Company.

An annual general meeting of the Company was held on 6 December 2010 ("2010 AGM"). A notice convening the 2010 AGM in the circular dated 29 October 2010 was despatched to the Shareholders together with the 2010 Annual Report. The Chairman of the Board and delegates duly appointed by members of all committees attended the 2010 AGM to answer the questions from the Shareholders. All the resolutions proposed at the 2010 AGM were passed by the Shareholders. The results of the poll were published on the websites of the Stock Exchange and the Company.

An extraordinary general meeting was held on 14 January 2011 to consider an ordinary resolution in respect of share consolidation. The resolution was put to the vote of the Shareholders at the extraordinary general meeting and passed by way of poll. The results of the poll were published on the websites of the Stock Exchange and the Company.

The forthcoming annual general meeting of the Company will be held on 28 November 2011. A notice convening an annual general meeting will be published on the websites of the Stock Exchange at www.hkexnews.hk and the Company at www.cergreen.com and despatched to the Shareholders as soon as practicable.

Independent Auditor's Report

LAU
AU YEUNG
劉歐陽會計師事務所有限公司
LAU & AU YEUNG C.P.A. LIMITED

Lau & Au Yeung C.P.A. Limited
21/F, Tai Yau Building
181 Johnston Road
Wanchai, Hong Kong

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

We have audited the consolidated financial statements of China Environmental Resources Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 24 to 109, which comprise the consolidated statement of financial position as at 30 June 2011, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Report

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 30 June 2011, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of Hong Kong Companies Ordinance.

LAU & AU YEUNG C.P.A. LIMITED
Certified Public Accountants
Franklin Lau Shiu Wai
Practising Certificate Number: P01886

Hong Kong
30 September 2011

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2011

	Notes	2011 HK$'000	2010 HK$'000
Continuing operations			
Turnover	9	**331,555**	279,703
Cost of sales		**(290,718)**	(187,366)
Gross profit		**40,837**	92,337
Other gains and losses	11	**508**	151,607
Other income	12	**822**	391
Selling and distribution expenses		**(137)**	(996)
Administrative and other operating expenses		**(74,094)**	(111,027)
Share of result of an associate		**(223)**	—
Finance costs	13	**(4,990)**	(10,926)
(Loss)/profit before tax		**(37,277)**	121,386
Income tax expense	14	**(17,207)**	(49,362)
(Loss)/profit for the year from continuing operations		**(54,484)**	72,024
Discontinued operations			
Loss for the year from discontinued operations	15	**—**	(4,126)
(Loss)/profit for the year	16	**(54,484)**	67,898
Other comprehensive income			
Exchange differences arising on translation of foreign operations		**49,250**	—
Total comprehensive (loss)/income for the year		**(5,234)**	67,898
(Loss)/profit for the year attributable to:			
Owners of the Company		**(54,117)**	68,102
Non-controlling interests		**(367)**	(204)
		(54,484)	67,898

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2011

	Notes	2011 HK$'000	2010 HK$'000
Total comprehensive (loss)/income attributable to:			
Owners of the Company		**(4,867)**	68,102
Non-controlling interests		**(367)**	(204)
		(5,234)	67,898
(Loss)/earnings per share from continuing and discontinued operations			
– Basic (cents per share)	19	**(0.94)**	4.72
– Diluted (cents per share)	19	**(0.94)**	4.35
(Loss)/earnings per share from continuing operations			
– Basic (cents per share)	19	**(0.94)**	5.01
– Diluted (cents per share)	19	**(0.94)**	4.58

Consolidated Statement of Financial Position

At 30 June 2011

	Notes	2011 *HK$'000*	2010 *HK$'000*
Non-current assets			
Property, plant and equipment	21	**2,906**	1,455
Prepaid lease payment	22	**1,041**	—
Construction in progress	23	**763**	28,173
Biological assets	24	**933,542**	785,556
Goodwill	25	**36,281**	36,281
Intangible assets	26	**212,997**	296,558
Long-term prepayment	27	**73,206**	—
Interest in an associate	28	**—**	—
		1,260,736	1,148,023
Current assets			
Inventories	29	**1,787**	11,549
Trade and other receivables	30	**19,702**	100,822
Amount due from non-controlling interest	31	**1,911**	—
Amount due from a director	36	**—**	9
Cash and bank balances	32	**3,743**	23,365
		27,143	135,745
Assets classified as held for sale	33	**—**	19,239
		27,143	154,984
Current liabilities			
Trade and other payables	34	**36,546**	59,836
Purchase consideration payable	35	**52,461**	—
Amount due to a related party	37	**101**	738
Tax payable		**2,877**	28,839
Bank overdraft	38	**—**	4,990
		91,985	94,403
Liabilities classified as held for sale	33	**—**	50,196
		91,985	144,599
Net current (liabilities)/assets		**(64,842)**	10,385
Total assets less current liabilities		**1,195,894**	1,158,408

Consolidated Statement of Financial Position

At 30 June 2011

	Notes	2011 *HK$'000*	2010 *HK$'000*
Non-current liabilities			
Convertible notes	39	**—**	75,379
Deferred tax liabilities	40	**274,458**	271,770
Advance from a related party	41	**11,515**	—
		285,973	347,149
NET ASSETS		**909,921**	811,259
Capital and reserves			
Share capital	42	**108,526**	87,464
Non-controlling interests		**4,251**	489
Reserves		**797,144**	723,306
TOTAL EQUITY		**909,921**	811,259

The consolidated financial statements on pages 24 to 109 were approved and authorised for issue by the Board of Directors on 30 September 2011 and are signed on its behalf by:

Kam Yuen
Executive Director

Leung Kwong Choi
Executive Director

Consolidated Statement of Changes in Equity

For the year ended 30 June 2011

	Equity attributable to owners of the Company											
	Share capital HK$'000	Share premium HK$'000 (Note a)	Shares held by escrow agent for settlement of acquisition consideration HK$'000 (Note b)	Capital reserve HK$'000 (Note c)	Employee share-based compensation reserve HK$'000 (Note d)	Convertible notes equity reserve HK$'000 (Note e)	Statutory surplus reserve fund HK$'000 (Note f)	Foreign exchange revaluation reserve HK$'000 (Note g)	Retained earnings/ (Accumulated losses) HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 July 2009	62,404	408,563	—	—	—	13,473	5,402	11,414	(30,452)	470,804	—	470,804
Profit for the year	—	—	—	—	—	—	—	—	68,102	68,102	(204)	67,898
Other comprehensive income for the year	—	—	—	—	—	—	—	—	—	—	—	—
Total comprehensive income for the year	—	—	—	—	—	—	—	—	68,102	68,102	(204)	67,898
Issue new shares for acquisition of patents	14,250	142,500	—	—	—	—	—	—	—	156,750	—	156,750
Capital contribution from shareholders	—	—	—	30	—	—	—	—	—	30	13	43
Capital contribution from minority shareholders	—	—	—	—	—	—	—	—	—	—	680	680
Conversion of convertible notes	9,375	57,301	—	—	—	(6,219)	—	—	—	60,457	—	60,457
Recognition of equity-settled share-based payments	—	—	—	—	42,144	—	—	—	—	42,144	—	42,144
Exercise of share options	1,435	15,397	—	—	(4,349)	—	—	—	—	12,483	—	12,483
At 30 June 2010	87,464	623,761	—	30	37,795	7,254	5,402	11,414	37,650	810,770	489	811,259

Consolidated Statement of Changes in Equity

For the year ended 30 June 2011

	Equity attributable to owners of the Company											
	Share capital HK$'000	Share premium HK$'000 *(Note a)*	Shares held by escrow agent for settlement of acquisition consideration HK$'000 *(Note b)*	Capital reserve HK$'000 *(Note c)*	Employee share-based compensation reserve HK$'000 *(Note d)*	Convertible notes equity reserve HK$'000 *(Note e)*	Statutory surplus reserve fund HK$'000 *(Note f)*	Foreign exchange revaluation reserve HK$'000 *(Note g)*	Retained earnings/ (Accumulated losses) HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 30 June 2010	87,464	623,761	–	30	37,795	7,254	5,402	11,414	37,650	810,770	489	811,259
Loss for the year	–	–	–	–	–	–	–	–	(54,117)	(54,117)	(367)	(54,484)
Other comprehensive income for the year	–	–	–	–	–	–	–	49,250	–	49,250	–	49,250
Total comprehensive loss for the year	–	–	–	–	–	–	–	49,250	(54,117)	(4,867)	(367)	(5,234)
Transfer between reserves	–	–	–	–	(4,385)	–	5	(5)	4,385	–	–	–
Issue new shares	9,350	39,771	–	–	–	–	–	–	–	49,121	–	49,121
Exercise of share options	774	7,149	–	–	(1,935)	–	–	–	–	5,988	–	5,988
Conversion of convertible notes	10,938	76,649	–	–	–	(7,254)	–	–	–	80,333	–	80,333
Shares issued for business acquisition	–	–	(35,721)	–	–	–	–	–	–	(35,721)	–	(35,721)
Capital contribution from shareholders	–	–	–	46	–	–	–	–	–	46	20	66
Capital contribution from minority shareholders	–	–	–	–	–	–	–	–	–	–	4,109	4,109
At 30 June 2011	108,526	747,330	(35,721)	76	31,475	–	5,407	60,659	(12,082)	905,670	4,251	909,921

Notes:

(a) The share premium is an amount subscribed for share capital in excess of nominal value. Under the Bye-Laws of the Company, the amount is distributable subject to certain restrictions.

(b) As further set out in Note 42(f), the Company issued shares for acquisition of Bright Delight Group Limited in 2011. At the balance sheet date, these shares were held by escrow agent and would be released to the vendor in future years upon fulfillment of the guarantee profits during the guarantee periods. These shares amounting to HK$35,721,000 valued at the published price available at the date of acquisition, are presented as "Shares held by escrow agent for settlement of acquisition consideration" and deducted from total equity.

(c) Capital reserve represents the difference between the capital injection made by the Company and the non-controlling interests over the nominal value of the registered capital of the PRC subsidiaries.

(d) Employee share-based compensation reserve represent cumulative expenses recognised on the granting and in writing off the fair value of share options granted to the employees over the vesting period.

(e) Convertible notes equity reserve represents the amount of proceeds on issue of convertible notes relating to the equity component (i.e. option to covert the debt into share capital).

(f) According to the relevant enterprises regulations in the PRC, certain subsidiaries in the PRC are required to transfer not less than 10% of their profit after taxation, as determined under accounting principles generally accepted in the PRC, to the statutory surplus reserve fund until the balance reaches 50% of their registered capital. While the rest of the PRC subsidiaries can make appropriation of their profit after taxation to the statutory surplus reserve fund on a discretionery basis. The statutory surplus reserve fund can be used to make up for previous year's losses, expand the existing operations or convert into additions capital of those PRC subsidiaries.

(g) The foreign exchange revaluation reserve has been set up and dealt with in accordance with the translation of the financial statements of foreign subsidiaries and operations.

Consolidated Statement of Cash Flows

For the year ended 30 June 2011

	Notes	2011 HK$'000	2010 HK$'000
OPERATING ACTIVITIES			
(Loss)/profit before tax			
– from continuing operations	15	**(37,277)**	121,386
– from discontinued operations		**—**	(4,126)
		(37,277)	117,260
Adjustments for:			
Interest income		**(19)**	(15)
Finance costs		**36**	—
Equity-settled share-based payments		**—**	42,144
Depreciation of property, plant and equipment		**278**	85
Amortisation of prepaid lease payments		**19**	—
Share of result of an associated company		**223**	—
Impairment on interest in an associated company		**532**	—
Loss on disposal of intangible assets		**28**	—
Impairment loss on trade and other receivables		**3,995**	—
Impairment loss on goodwill		**109,394**	—
Impairment loss on patents		**60,366**	—
Amortisation of intangible assets		**23,195**	9,895
Gain on changes in fair value of biological assets less estimated point-of-sale costs		**(112,314)**	(151,607)
Gain on disposal of subsidiaries		**(34,056)**	—
Changes in fair value of purchase consideration payable		**(27,068)**	—
Harvested timber transferred from biological assets		**13,038**	42,174
Imputed interests on convertible notes and promissory notes		**4,954**	10,926
		5,324	70,862
Operating cash flows before movements in working capital			
Decrease/(increase) in inventories		**9,843**	(2,704)
Increase in trade and other receivables		**(32,049)**	(71,930)
Decrease/(increase) in amount due from a director		**9**	(9)
Increase in trade and other payables		**34,998**	34,945
Decrease in amounts due to directors		**—**	(2,013)
Increase/(decrease) in amount due to a related party		**10,225**	(3,157)
Increase in amount due from non-controlling interest		**(1,911)**	—
		26,439	25,994
Cash generated from operations			
Income tax refunded outside Hong Kong		**—**	151
NET CASH FROM OPERATING ACTIVITIES		**26,439**	26,145

Consolidated Statement of Cash Flows

For the year ended 30 June 2011

	Notes	2011 HK$'000	2010 HK$'000
INVESTING ACTIVITIES			
Purchases of property, plant and equipment		**(2,677)**	(1,595)
Payments for construction in progress		**(32,147)**	(26,851)
Acquisition of subsidiaries, net cash outflow	44	**(17,683)**	(18)
Capital injection from non-controlling interests		**4,109**	693
Capital injection from shareholders		**66**	30
Interest received		**19**	15
Payments for prepaid lease payments		**(1,060)**	—
Capital injections to an associated company		**(755)**	—
Net proceeds from disposal of intangible assets		**972**	—
Net cash outflow arising on disposal of subsidiaries		**(105)**	—
NET CASH USED IN INVESTING ACTIVITIES		**(49,261)**	(27,726)
FINANCING ACTIVITIES			
Net proceeds from exercise of share options		**5,988**	12,483
Interest paid		**(36)**	—
NET CASH FROM FINANCING ACTIVITIES		**5,952**	12,483
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(16,870)**	10,902
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**20,420**	9,518
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**193**	—
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**3,743**	20,420
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Represented by:			
Bank balances, deposit and cash		**3,743**	23,365
Bank overdraft		**—**	(4,990)
Cash and cash equivalents included in assets classified as held for sale		**—**	2,045
		3,743	20,420

1. GENERAL

China Environmental Resources Group Limited (the "Company") is a public limited company incorporated in the Cayman Island and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and Singapore Exchange Limited.

The address of the registered office is Ugland House, South Church Street, P.O. Box 309, George Town, Grand Cayman, Cayman Islands, British West Indies and the address of the principal place of business is Rooms 2003 - 2006, Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong.

Other than those subsidiaries established in the People's Republic of China (the "PRC"), whose functional currency is Renminbi ("RMB"), the functional currency of the Company and the other subsidiaries is Hong Kong Dollars ("HK$"). The consolidated financial statements are presented in Hong Kong Dollars ("HK$") for the convenience of users of the consolidated financial statements as the Company is listed in Hong Kong.

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 proivision of green technology services. The Group was also engaged in property development for sales, which was classified as discontinued operations during the year ended 30 June 2010 (Note 33).

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following new and revised standards, amendments to Standards and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which are or have become effective.

HKFRSs (Amendments)	Improvements to HKFRSs 2009
HKFRSs (Amendments)	Improvements to HKFRSs 2010[1]
HKAS 32 (Amendment)	Classification of Rights Issues
HKFRS 1 (Amendments)	Additional Exemptions for First-time Adopters
HKFRS 1 (Amendments)	Limited Exemption from Comparative
HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
HK (IFRIC) - Int 19	Extinguishing Financial Liabilities with Equity Instruments

1 Amendments that are effective for annual periods beginning on or after 1 July 2010

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

The adoption of the above new and revised HKFRSs had no material effect on the reported results or financial position of the Group for both the current and prior reporting periods.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs 2010 [1]
HKFRS 7 (Amendments)	Disclosures - Transfers of Financial Assets [1]
HKFRS 9	Financial Instruments [2]
HKFRS 10	Consolidated Financial Statements [2]
HKFRS 11	Joint arrangements [2]
HKFRS 12	Disclosure of Interests in Other Entities [2]
HKFRS 13	Fair Value Measurements [2]
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income [4]
HKAS 12 (Amendments)	Deferred tax: Recovery of Underlying Assets [3]
HKAS 19 (Revised 2011)	Employee Benefits [2]
HKAS 24 (Revised)	Related Party Disclosure[1]
HKAS 27 (Revised 2011)	Separate Financial Statements [2]
HKAS 28 (Revised 2011)	Investments in Associates and Joint Ventures [2]
HK (IFRIC) - Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement [1]

1 Effective for annual periods beginning on or after 1 January 2011
2 Effective for annual periods beginning on or after 1 January 2013
3 Effective for annual periods beginning on or after 1 January 2012
4 Effective for annual periods beginning on or after 1 July 2012

The Group is assessing the impact of these revised standards, amendments and interpretations. The adoption of these revised standards, amendments and interpretations does not have significant impact on the Group's financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments and biological assets, which are measured at fair values and revalued amounts as explained in the accounting policies set out below.

The Group had incurred losses of approximately HK$54,484,000 for the year ended 30 June 2011 and had net current liabilities of approximately HK$64,842,000 as at 30 June 2011. The ongoing operation of the Group is dependent on:

— the performance of the operating businesses; and/or

— the Group raising additional fundings from its shareholders or other parties.

The directors have prepared cash flow projections that support the ability of the Group to continue as a going concern. These cash flow projections assume that the Group is able to obtain sufficient additional fundings from its major shareholders. A major shareholder of the Company has confirmed to provide an unsecured and interest free revolving loan facility of an amount of HK$30,000,000 to the Group. This facility is available to be drawn down by the Group at any time until 31 March 2013. The directors thus believe that the Group has sufficient cash flows to meet its liabilities and financial obligations as and when they fall due and to carry on its businesses without a significant curtailment of operations in the coming twelve months from the date of these financial statements. Accordingly, the directors considered it is appropriate to prepare these financial statements on a going concern basis.

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the equity of the owners of the Company.

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Prior to 1 July 2009, losses applicable to the non-controlling interests in excess of the non-controlling interests in the subsidiary's equity were allocated against the interests of the Group except to the extent that the non-controlling interests had a binding obligation and were able to make an additional investment to cover the losses.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 (2008) are recognised at their fair values, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits respectively*;
- liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with HKFRS 2 *Share-based Payment*; and
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after assessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquires's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

Where the consideration the Group transfers in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and considered as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments being made against goodwill or gain on bargain purchase. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period about facts and circumstances that existed as of the acquisition date. Measurement period does not exceed one year from the acquisition date.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Business combinations *(Continued)*

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets,* as appropriate, with the corresponding gain or loss being recognised in profit or loss.

Where a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss.

Changes in the value of the previously held equity interest recognised in other comprehensive income and accumulated in equity before the acquisition date are reclassified to profit or loss when the Group obtains control over the acquiree.

(c) Goodwill

Goodwill arising on an acquisition of a business is carried at cost less any accumulated impairment losses and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

(d) Non-current assets held-for-sale

Non-current assets or disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probably and the assets or disposal groups are available for immediate sale in their present condition.

Non-current assets or disposal groups classified as held for sale are measured at the lower of the assets' or disposal groups' previous carrying amount and fair value less costs to sell.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful lives the principal annual rates used by this purpose are as follows:

Leasehold improvements	Over the shorter of 20% - 33% or over the remaining unexpired terms of the leases
Plant and machinery	20%
Furniture, fixtures and office equipment	19%-33%
Motor vehicles	10%-20%
Buildings	5%

The assets' residual values, depreciation methods and estimated useful lives are reviewed and adjusted if appropriate, at the end of each reporting period.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognised.

(f) Prepaid lease payments

Prepaid lease payments representing prepaid land costs are stated at cost less subsequent accumulated amortisation and accumulated impairment losses. Prepaid lease payment is amortised to the consolidated income statement over the term of relevant land leases.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Intangible assets

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are measured at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Patents

Patent is carried at cost less accumulated amortisation (where the estimated useful life is other than indefinite) and impairment losses. Amortisation of patent is charged to profit or loss on a straight line basis over its estimated useful life unless such life is indefinite. The patent is amortised from the date they are available for use and its estimated useful life is 7 to 10 years.

(h) Biological assets

A biological asset is defined as a living plant managed by an enterprise which is involved in the agricultural activity of the transformation of biological assets for sale, into agricultural produce, or into additional biological assets.

Biological assets comprise standing timber in the PRC, which are stated at fair value less costs to sell at initial recognition and at the end of each reporting period. The gain or loss arising on initial recognition, and subsequent change in fair values less costs to sell of biological assets is recognised in profit or loss in the reporting period in which it arises. (Costs to sell are the incremental costs directly attributable to the disposal of an asset, excluding finance cost and taxes, standby timber is transferred to inventory at its fair value less costs to sell at the date of harvest.)

(i) Construction in progress

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Investments in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associates. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of impairment loss· is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases. When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease.

The Group as lessor

Rental income from operating leases is recognised in the consolidated statement of comprehensive income on a straight-line basis over the term of the relevant lease.

Leasehold land and building for own use

The land and building elements of a lease of land and buildings are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as a finance lease and accounted for as property, plant and equipment. To the extent the allocation of the lease payments can be made reliably, leasehold interest in land is accounted for as operating leases and amortised over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model.

(l) Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified as loans and receivables. These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables and cash and cash equivalents) are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Financial instruments *(Continued)*

Impairment loss on financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade and other receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period of approximately 90 days, observable changes in national or local economic conditions that correlate with default on the receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade and other receivables is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The Group's financial liabilities are generally classified as other financial liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Financial instruments *(Continued)*

Impairment loss on financial assets (Continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Other financial liabilities

Other financial liabilities including trade and other payables, amounts due to directors, amount due to a related party and liability component of convertible notes issued by the Company are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire or, when the financial assets are transferred, the Group has transferred substantially all the risks and rewards of ownership of the financial assets. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continue to recognised the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Financial instruments *(Continued)*

Convertible notes

Convertible notes issued by the Company that contain both the liability and conversion option components are classified separately into respective items on initial recognition. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the gross proceeds of the issue of the convertible notes and the fair value assigned to the liability component, representing the conversion option for the holder to convert the loan notes into equity, is included in equity (convertible notes equity reserve).

At the end of the report period, the liability component of the convertible notes is carried at amortised cost using the effective interest method. The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in the convertible notes equity reserve until the embedded option is exercised (in which case the balance stated in convertible notes equity reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible notes equity reserve will be released to the accumulated losses. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible notes using the effective interest method.

(m) Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where effect is material).

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) Inventories

Organic fertilisers

Materials held for production of organic fertilisers are carried at costs. Organic fertilisers are carried at the lower of cost and net realisable value. Cost comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the first-in-first-out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

Harvested biological assets

Agricultural produce harvested is measured at its fair value less estimated point-of-sale costs at the point of harvest.

(o) Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured it reliably on the following basis:

Sales of plantation materials and environmental system

Revenue from sales of plantation materials and environmental system is recognised on transfer of risks and rewards of ownership, which is at the time of delivery and the title is passed to customers.

Sales of plantation products

Revenue for harvested sales of plantation is recognised on transfer of risks and reward of ownership, which generally coincides with the time the products are delivered to customers and title has passed or when the contract of sales is executed.

Green technology income

Green technology income is recognised in the consolidated statement of comprehensive income in the period when services are rendered.

Interest income

Interest income is accrued on a time basis on the principal outstanding at the applicable interest rate.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(p) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable and deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in to profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity, respectively.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK$) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (under the heading of foreign exchange revaluation reserve). Such exchange differences previously accumulated in the foreign exchange revaluation reserve is reclassified to profit or loss in the period in which the foreign operation is disposed of.

(r) Employee benefits

(i) Paid leave carried forward

The Group provides paid annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken as at the end of the reporting period is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the end of the reporting period for the expected future cost of such paid leave earned during the year by the employees and carried forward.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) Employee benefits *(Continued)*

(ii) Defined contribution retirement plan

As stipulated by the labour regulations of the PRC, the Group participates in various defined contribution retirement plans organised by municipal and provincial governments for its employees. The Group is required to make contributions to the retirement plans at a specified percentage of the eligible employees' salaries. The Group has no other obligation for the payment of its employees' retirement and other post-retirement benefits other than contributions described above.

The Group also operates a Mandatory Provident Fund Scheme ("the MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance and not previously covered by the defined contribution retirement plans as mentioned above. The MPF Scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$20,000. The Group employer contributions vest fully with the employees when contributed into the MPF Scheme.

Contributions to defined contribution retirement plans are recognised as an expenses in the income statement when services are rendered by the employees.

(iii) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(s) Equity-settled share-based payment transactions

Share options granted to directors and employees

The fair value of services received is determined by reference to the fair value of the share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (employee share-based compensation reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss, with a corresponding adjustment to employee share-based compensation reserve.

At the time when the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to accumulated losses.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) Equity-settled share-based payment transactions *(Continued)*

Share options granted to consultants

Share options issued in exchange for services provided by consultants are measured at the fair values of the services received, unless that fair value cannot be reliably measured, in which case services received are measured by reference to the fair value of the share options granted. The fair values of the services received are recognised as expenses, with a corresponding increase in equity (employee share-based compensation reserve), when the counterparties render services, unless the services qualify for recognition as assets.

(t) Impairment loss on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. In addition, intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

(u) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(v) Related parties

A party is considered to be related to the Group if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

(d) the party is a member of the key management personnel of the Group or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

(w) Shares held by escrow agent for settlement of acquisition consideration

In relation to certain business combinations, the Company issued shares to escrow agents for the settlement of acquisition consideration payables to the vendors in future years. The shares, valued at the agreed upon issue price, are presented as “shares held by escrow agent for settlement of acquisition consideration” and deducted from total equity. The number of shares held by escrow agents for settlement of acquisition consideration would be eliminated against the corresponding number of share capital issued in the calculation of the earnings per share for profit attributable to the shareholders of the Company.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(a) Determining whether an arrangement contains a lease

One of the subsidiaries entered into a concession agreement for the right to use and operate 60,000 mu Chinese plantation land for 30 years at a total consideration of RMB81.32 million payable by instalments over the operating period. The Group has adopted HK(IFRIC)-Int 4 "Determining whether an arrangement contains a lease", which prescribes that the determination of whether an arrangement contains a lease shall be based on the substance of the arrangement. It requires an assessment of whether the fulfilment of the arrangement is dependent on the use of specific assets and the arrangement conveys a right to use such assets. The right to use and operate the plantation land is classified as an operating lease. The application of HK(IFRIC)-Int 4 has resulted in lease accounting being applied, a number of judgments have been made in accordance with the minimum lease payments, implicit interest rates, the residual value of the assets at the end of the contract period.

(b) Fair values of biological assets

Management estimates the current market prices less estimated point-of-sale costs of biological assets of standing timber at the end of the reporting period, with reference to market prices and professional valuations.

Management considers that there are presently an absence of effective financial instruments for hedging against the pricing risks with the underlying agricultural produce. Un-anticipated volatile changes in market prices of the underlying agricultural produce could significantly affect the fair values of these biological assets in future accounting periods.

The Group's plantation business is subject to the usual agricultural hazards from fire, wind and insects. Forces of nature such as temperature and rainfall may also affect harvest efficiency. Management considers adequate preventive measures are in place and the relevant legislation under forestry laws in the PRC will assist in minimising exposure. Nevertheless, to the extent that un-anticipated factors affecting harvestable agricultural produce may result in re-measurement or harvest losses in future accounting periods.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

(c) Determination of fair values of identifiable intangible assets arising from the business combination

The acquired identifiable assets and liabilities and contingent liabilities assumed had to be measured at their respective fair values as at the date of acquisition. The difference between the cost of acquisition and the fair value of the Group's share of net assets so acquired should be recognised as goodwill on the end of the reporting period date or recognised in the consolidated statement of comprehensive income. In the absence of an active market for the business combination / acquisition transactions undertaken by the Group, in order to determine the fair values of assets acquired and liabilities assumed, the directors of the Company had made their estimates according to valuation results produced by external valuers.

(d) Impairment on goodwill

Determining whether goodwill is impaired requires an estimation of the value is use of the cash-generating unites to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

The carrying amount of goodwill at the end of reporting period was approximately HK$36,281,000 (2010: HK$36,281,000) with impairment loss of approximately HK$109,394,000 for the year (2010: Nil).

(e) Impairment on trade and other receivables

The policy for impairment of trade and other receivables of the Group is based on the evaluation of collectability and aging analysis of the trade receivables and on management's judgment for certain other receivables. A considerable amount of judgment is required in assessing the ultimate realisation of these trade and other receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional impairment may be required.

(f) Estimates of current tax

The Group is subject to taxation in various jurisdictions. Significant judgment is required in determining the amount of provision for taxation and the timing of payment of the related taxation. Where the final tax outcome is different from the amount that was initially recorded, such differences would impact the income tax provisions in the period in which such determination were made.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

(g) Contingent considerations of acquisitions

Certain of the Group's business acquisitions involved post-acquisition performance-based contingent considerations. HKFRS 3 (Revised) is effective prospectively to business combinations for which acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. The Group follows the requirement of HKFRS 3 (Revised) to recognize the fair value of those contingent considerations for acquisitions in current year, as of their respective acquisition dates as part of the consideration transferred in exchange for the acquired subsidiaries/businesses. These fair value measurements required, among other things, significant estimation of post-acquisition performance of the acquired subsidiaries/business and significant judgment on time value of money. Contingent considerations shall be re-measured at their fair value resulting from events or factors emerge after the acquisition date, with any resulting gain or loss recognized in the consolidated profit and loss account in accordance with HKFRS 3 (Revised).

5. CAPITAL RISK MANAGEMENT

The Group's objective when managing capital is to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders. The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares, or sell assets to reduce debt.

6. FINANCIAL INSTRUMENTS

Categories of financial instruments

The carrying amounts of each of the categories of financial instruments at the end of the reporting period are as follows:

	2011	2010
	HK$'000	*HK$'000*
Financial assets		
Loan and receivables (including cash and cash equivalents)		
Trade receivables, net of allowances	**664**	81,920
Deposits and other receivables, net of allowances	**2,118**	4,510
Amount due from a director	**—**	9
Cash and cash equivalents	**3,743**	23,365
	6,525	109,804
Financial liabilities		
Other financial liabilities measured at amortised cost		
Trade payables	**70**	4,857
Other payables and accruals	**36,476**	54,979
Purchase consideration payable	**52,461**	—
Amount due to a related party	**101**	738
Convertible notes	**—**	75,379
Bank overdraft	**—**	4,990
Advance from a related party	**11,515**	—
	100,623	140,943

7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include trade receivables, deposits and other receivables, amount due from non-controlling interest, amount due from a director, cash and bank balances, trade payables, other payables and accruals, amount due to a related party, advance from a related party and liabilities component of convertible notes.

Details of these financial instruments are disclosed in respective notes.

Management monitors and manages the financial risks relating to the Group through internal risk assessment which analyses exposures by degree and magnitude of risks. These risks include market risk (including interest rate risk and currency risk), credit risk and liquidity risk. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. There has been no change to the Group's exposure to these kinds of risks or the manner in which it manages and measures the risks from the prior year.

Liquidity risk

In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate to finance the Group's operations, investment opportunities, expected expansion and to meet its debt obligations as they fall due. The Group finances its working capital requirements mainly by the funds generated from its operations.

The following table details the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flow and the earliest date that Group can be required to pay.

7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk *(Continued)*

	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total undiscounted cash flow	Carrying amounts
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 30 June 2011					
Non-derivative financial liabilities					
Trade payables	**70**	**—**	**—**	**70**	**70**
Other payables and accruals	**36,476**	**—**	**—**	**36,476**	**36,476**
Amount due to a related party	**101**	**—**	**—**	**101**	**101**
Balance of purchase consideration to be settled by cash	**10,000**	**—**	**—**	**10,000**	**10,000**
Balance of purchase consideration to be settled by shares	**6,740**	**—**	**—**	**6,740**	**6,740**
Advance from a related party	**—**	**11,515**	**—**	**11,515**	**11,515**
	53,387	**11,515**	**—**	**64,902**	**64,902**
At 30 June 2010					
Non-derivative financial liabilities					
Trade payables	4,857	—	—	4,857	4,857
Other payables and accruals	54,979	—	—	54,979	54,979
Amount due to a related party	738	—	—	738	738
Convertible notes	—	75,379	—	75,379	75,379
	60,574	75,379	—	135,953	135,953

7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Currency risk

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in Hong Kong dollars and Renminbi which are the functional currencies of the principal operating entities of the Group. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to its variable-rate bank balances as detailed in Note 32. It is the Group's policy to keep it at floating rate of interest so as to minimise the fair value interest rate risk. If interest rates had been 50 basis points higher or lower and all other variables were held constant, the Group's profit for the year would decrease or increase by approximately HK$28,000 (2010: HK$919,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank balances.

Credit risk

At 30 June 2011, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

Management has a credit policy in place and exposure to credit risk is monitored through regular reviews of receivables and follow-up enquiries on overdue accounts. The maximum exposure to the credit risk of the Group is represented by the carrying amount of trade and other receivables presented in the consolidated statement of financial position.

The credit risk on liquid funds is limited because the counterparties are banks in Hong Kong with high credit ratings assigned by international credit rating agencies and authorised banks in the PRC with high credit ratings.

The Group's concentration of credit risk by geographical locations is mainly in China, including Hong Kong. The Group has no concentration of credit risk as none (2010: 18% and 60% respectively) of the total trade receivables due from the Group's largest customer and the five largest customers.

8. FAIR VALUE

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

– Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

– Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

– Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Liabilities				
Purchase consideration payables (Note 35)	—	—	6,740	6,740

The fair values of the purchase consideration payables that are not traded in an active market are determined by using valuation techniques. The key assumptions used for the valuation are set out in Note 35. Please refer to Note 4(g) for details of changes in these unobservable and subject input assumptions and their impact on the fair values estimate of purchase consideration payables.

The following table presents the changes in level 3 instruments for the year ended 30 June 2011:

	Purchase consideration payable
	HK$'000
Initial fair value at the date of acquisition of Ally Goal Group	23,808
Fair values recognised in the consolidated statement of comprehensive income	(17,068)
Closing balance	6,740

The fair values of financial assets and financial liabilities (including derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their corresponding fair values.

9. TURNOVER

Turnover represents the sales value of goods supplied to customers, after allowances for goods returned and trade discounts and the value of services rendered during the year by the Group. The amounts of each significant category of revenue during the year from continuing operation are as follows:

	2011	2010
	HK$'000	*HK$'000*
Sales of plantation materials	**273,776**	180,012
Sales of environmental system	**28,539**	38,639
Sales of plantation products	**15,740**	52,023
Green technology income	**13,500**	9,029
	331,555	279,703

10. SEGMENT INFORMATION

The Group has adopted HKFRS 8 "Operating Segments" which requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to segments and to assess their performance. The chief operating decision maker is the Company's executive directors.

The Group determines its operating segments based on the reports reviewed by the chief operating decision maker, being the chief executive officer, for making strategic decisions. The segments are managed separately as each business offers different products which vary in materials used, design and technology and services which require different production / service information to formulate different marketing strategies. The following summary describes the operations in each of the Group's reportable segments under HKFRS 8:

(i) Sales of plantation materials

(ii) Sales of environmental system

(iii) Sales of plantation products

(iv) Green technology income

For the divisions of apparel manufacturing, property development and property rental, these segments were discontinued during the year ended 30 June 2010. Further details of discontinued operations are set out in Note 15.

The accounting policies of the reporting segment are identical to the Group's accounting policies. Segment results represent the profit/(loss) attributable to each segment without allocation of central administration costs, interest income, finance costs and income tax expense. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and performance assessment.

10. SEGMENT INFORMATION *(Continued)*

Information regarding the above segment is reported below.

(a) Segment revenues and results

The following is an analysis of the Group's turnover and results by reportable segments:

For the year ended 30 June 2011

	Continuing operations					Discontinued operations				
	Green technology income	Sales of plantation materials	Sales of environmental system	Sales of plantation products	Sub-total	Apparel manufacturing	Property development	Property rental	Sub-total	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:										
– External sales	13,500	273,776	28,539	15,740	331,555	–	–	–	–	331,555
Segment results before change in fair value of biological assets	12,115	(8,414)	2,096	(1,044)	4,753	–	–	–	–	4,753
Gain on change in fair value of biological assets less estimated point-of-sale costs	–	–	–	112,314	112,314	–	–	–	–	112,314
Segment results	12,115	(8,414)	2,096	111,270	117,067	–	–	–	–	117,067
Unallocated results										(149,373)
Interest income										19
Finance costs										(4,990)
Loss before tax										(37,277)
Income tax expense										(17,207)
Loss for the year										(54,484)

10. SEGMENT INFORMATION *(Continued)*

(a) Segment revenues and results *(Continued)*

For the year ended 30 June 2010

	Continuing operations					Discontinued operations				
	Green technology income	Sales of plantation materials	Sales of environmental system	Sales of plantation products	Sub-total	Apparel manufacturing	Property development	Property rental	Sub-total	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:										
– External sales	9,029	180,012	38,639	52,023	279,703	—	3,931	—	3,931	283,634
Segment results before change in fair value of biological assets	4,994	47,249	(6,011)	(546)	45,686	(2,229)	(1,207)	(604)	(4,040)	41,646
Gain on change in fair value of biological assets less estimated point-of-sale costs	—	—	—	151,607	151,607	—	—	—	—	151,607
Segment results	4,994	47,249	(6,011)	151,061	197,293	(2,229)	(1,207)	(604)	(4,040)	193,253
Unallocated results										(65,082)
Interest income										15
Finance costs										(10,926)
Profit before tax										117,260
Income tax expense										(49,362)
Profit for the year										67,898

10. SEGMENT INFORMATION *(Continued)*

(b) Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segments:

At 30 June 2011

	Continuing operations					Discontinued operations				
	Green technology income	Sales of plantation materials	Sales of environmental system	Sales of plantation products	Sub-total	Apparel manufacturing	Property development	Property Rental	Sub-total	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment assets	4	120,961	–	1,068,572	1,189,537	–	–	–	–	1,189,537
Unallocated corporate assets										98,342
Total assets										1,287,879
Segment liabilities	–	233	–	1,550	1,783	–	–	–	–	1,783
Unallocated corporate liabilities										376,175
Total liabilities										377,958

At 30 June 2010

	Continuing operations					Discontinued operations				
	Green technology income	Sales of plantation materials	Sales of environmental system	Sales of plantation products	Sub-total	Apparel manufacturing	Property development	Property Rental	Sub-total	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment assets	5,614	174,517	61,598	992,761	1,234,490	2,283	16,885	–	19,168	1,253,658
Unallocated corporate assets										49,349
Total assets										1,303,007
Segment liabilities	1,664	38,217	684	18,956	59,521	43,980	1,299	4,842	50,121	109,642
Unallocated corporate liabilities										382,106
Total liabilities										491,748

10. SEGMENT INFORMATION *(Continued)*

(b) Segment assets and liabilities *(Continued)*

For the purpose of monitoring segment performances and allocating resources between segments:

– all assets other than unallocated assets (mainly comprising goodwill, other receivables and cash and cash equivalents) are allocated to reportable segments; and

– all liabilities other than unallocated liabilities (mainly comprising other payables and accruals, convertible notes and deferred tax liabilities) are allocated to reportable segments.

(c) Other segment information

Amounts included in the measure of segment profit or loss or segment assets:

For the year ended 30 June 2011

	Continuing operations					Discontinued operations				
	Green technology income	Sales of plantation materials	Sales of environmental system	Sales of plantation products	Sub-total	Apparel manufacturing	Property development	Property Rental	Sub-total	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Other segment information:										
Depreciation of property, plant and equipment	1	277	–	–	278	–	–	–	–	278
Amortisation of intangible assets	–	18,263	–	4,932	23,195	–	–	–	–	23,195
Impairment of intangible assets	–	60,366	–	–	60,366	–	–	–	–	60,366
Capital expenditure incurred during the year	6	4,505	–	31,384	35,895	–	–	–	–	35,895

10. SEGMENT INFORMATION *(Continued)*

(c) Other segment information *(Continued)*

For the year ended 30 June 2010

	Continuing operations					Discontinued operations				
	Green technology income	Sales of plantation materials	Sales of environmental system	Sales of plantation products	Sub-total	Apparel manufacturing	Property development	Property Rental	Sub-total	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Other segment information:										
Depreciation of property, plant and equipment	—	73	—	—	73	12	—	—	12	85
Amortisation of intangible assets	—	4,963	—	4,932	9,895	—	—	—	—	9,895
Capital expenditure incurred during the year	5	1,035	342	26,665	28,047	399	—	—	399	28,446

Geographical information

The Group's revenue from continuing and discontinued operations from external customers and information about its segment assets and capital expenditure by geographical location of the assets are detailed below:

	Mainland China		**Hong Kong**		**Total**	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Turnover from external customers	**273,776**	112,200	**57,779**	171,434	**331,555**	283,634
Segment assets	**1,283,309**	1,246,992	**4,570**	56,015	**1,287,879**	1,303,007
Capital expenditure						
– property, plant and equipment	**2,682**	1,578	**6**	17	**2,688**	1,595
– construction in progress	**32,147**	26,851	**—**	—	**32,147**	26,851
– prepaid lease payments	**1,060**	—	**—**	—	**1,060**	—
	35,889	28,429	**6**	17	**35,895**	28,446

10. SEGMENT INFORMATION *(Continued)*

Information about major customers

Turnover from customers of the corresponding years contributing over 10% of the total turnover of the Group are as follows:

Customer	**Details**	**2011** *HK$'000*	2010 *HK$'000*
A	Sales of plantation materials and environmental system	**95,887**	55,754
B	Sales of plantation materials	**95,887**	—
C	Sales of plantation materials	**87,991**	55,510
D	Sales of plantation materials and plantation products	**—**	59,323
E	Sales of plantation materials	**—**	49,389

11. OTHER GAINS AND LOSSES

	2011 *HK$'000*	2010 *HK$'000*
Continuing operations		
Gain on changes in fair value of biological assets less estimated point-of-sale costs	**112,314**	151,607
Gain on disposal of subsidiaries	**34,056**	—
Changes in fair value of purchase consideration payable	**27,068**	—
Exchange loss, net	**(2,610)**	—
Impairment loss on goodwill	**(109,394)**	—
Impairment loss on intangible assets	**(60,366)**	—
Impairment loss on interest in an associate	**(532)**	—
Loss on disposal of intangible assets	**(28)**	—
	508	151,607

12. OTHER INCOME

	2011 *HK$'000*	2010 *HK$'000*
Continuing operations		
Sales of organic fruits	**—**	350
Interest income	**19**	7
Others	**803**	34
	822	391

13. FINANCE COSTS

	2011	2010
	HK$'000	*HK$'000*
Continuing operations		
Effective interest expenses on convertible notes	**4,954**	10,926
Other finance charges	**36**	—
	4,990	10,926

14. INCOME TAX EXPENSE

	2011	2010
	HK$'000	*HK$'000*
Continuing operations		
Current tax		
– Hong Kong	**1,984**	—
– PRC Enterprise Income Tax ("EIT")	**11,642**	23,236
Under-provision in prior year		
– Hong Kong	**893**	—
Deferred tax		
– current year	**2,688**	26,126
Income tax expense	**17,207**	49,362

No provision for profits tax for group entities in the Cayman Islands or the British Virgin Islands has been made as these entities had no income assessable for the profits tax in these jurisdictions for current and prior years.

Hong Kong profits tax is calculated at 16.5% of the estimated assessable profits for both years.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries are 25% from 1 January 2008 onwards.

Xinjiang Gold Vantage Forestry Limited ("XJGV"), a then wholly-owned subsidiary of the Company, was disposed on 28 June 2011. XJGV operated in forestry business in the PRC and it was subjected to corporate income tax rate of 15% pursuant to relevant preferential tax treatment.

14. INCOME TAX EXPENSE *(Continued)*

The income tax expense for the year can be reconciled to the (loss)/profit before tax per the consolidated statement of comprehensive income, based on the income tax rate of most of the Group's profit under assessments as follows:

	2011	2010
	HK$'000	*HK$'000*
(Loss)/profit before tax		
– from continuing operations	**(37,277)**	121,386
– from discontinued operations	**—**	(4,126)
	(37,277)	117,260
Tax calculated at applicable PRC tax rate of 25% (2010: 25%)	**(9,319)**	29,315
Tax effect of expenses not deductible for tax purpose	**16,619**	25,068
Origination and reversal of temporary differences	**8,399**	—
Utilisation of tax losses previously not recognised	**—**	(6)
Effect of different tax rates of group companies operating in jurisdictions other than PRC	**615**	(5,015)
Under-provision in prior year	**893**	—
Income tax expense	**17,207**	49,362

15. DISCONTINUED OPERATIONS

On 5 November 2010, the Company entered into a sale and purchase agreement with Hangfull Limited, an independent third party, in relation to the disposal of entire issued share capital of Benefun (BVI) Limited and its subsidiaries regarding apparel manufacturing business, property development and renting business for a consideration of HK$3,000,000. For the year ended 30 June 2010, the assets and liabilities attributable to those businesses were classified as discontinued operations in the consolidated statement of comprehensive income accordingly.

The sales, results and cash flow of the discontinued operations for the year ended 30 June 2010, which had been included in the consolidated statement of comprehensive income were as follows.

15. DISCONTINUED OPERATIONS *(Continued)*

	2010
	HK$'000
Turnover	3,931
Cost of sales	(4,519)
Gross loss	(588)
Other income	8
Distribution costs	(76)
Administrative and other operating expenses	(3,470)
Loss for the year	(4,126)

Loss for the year from discontinued operations included the following:

	2010
	HK$'000
Staff costs including director's emoluments	2,565
Depreciation of property, plant and equipment	12
Cost of inventories recognised as an expense	4,519
Auditor's remuneration - current year	25
Operating leases charges on property rentals	72

16. (LOSS)/PROFIT FOR THE YEAR

(Loss)/profit for the year from continuing operations is arrived at after charging:

	2011	2010
	HK$'000	*HK$'000*
Continuing operations		
Staff costs including directors' emoluments *(Note 17)*	**4,698**	30,734
Depreciation of property, plant and equipment	**278**	73
Amortisation of intangible assets	**23,195**	9,895
Cost of inventories recognised as an expense	**290,718**	187,366
Auditor's remuneration		
– under-provision in prior years	**68**	733
– current year	**1,093**	815
Operating leases charges on property rentals	**1,460**	625
Impairment loss on trade and other receivables recognised	**3,995**	—
Equity-settled share-based payment expense	**—**	42,144

17. STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	2011	2010
	HKD'000	*HKD'000*
Continuing operations		
Salaries, wages and other benefits	**4,652**	4,946
Contributions to defined contribution retirement plans	**46**	23
Equity-settled share-based payment expense	**—**	25,765
	4,698	30,734

Hong Kong

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme ("MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$20,000 and are charged to the consolidated statement of comprehensive income as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully.

The PRC

The Group also participates in a defined contribution retirement scheme organised by the government in the PRC. The Group is required to contribute a specific percentage of the payroll of its employees to the retirement scheme. The contributions are charged to the consolidated statement of comprehensive income as they become payable in accordance with the rules of the retirement scheme. No forfeited contributions may be used by the employers to reduce the existing level of contributions.

18. DIRECTORS' EMOLUMENTS

(a) Directors' emoluments

The emoluments paid or payable to each of six (2010: eight) directors during the year were as follows:

For the year ended 30 June 2011

Name of director	Fees	Salaries, wages and other benefits	Equity-settled share-based payment expense	Contributions to defined contribution retirement plans	Total 2011
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors:					
Mr. Leung Kwong Choi	**180**	**—**	**—**	**—**	**180**
Ms. Kam Yuen	**2,160**	**—**	**—**	**—**	**2,160**
Mr. Kwok Wai, Wilfred	**180**	**—**	**—**	**—**	**180**
Independent non-executive directors:					
Mr. Wong Kwai Sang	**60**	**—**	**—**	**—**	**60**
Mr. Cheung Ngai Lam, Martin	**120**	**—**	**—**	**—**	**120**
Mr. Christopher David Thomas	**60**	**—**	**—**	**—**	**60**
	2,760	**—**	**—**	**—**	**2,760**

18. DIRECTORS' EMOLUMENTS *(Continued)*

(a) Directors' emoluments *(Continued)*

For the year ended 30 June 2010

Name of director	Fees	Salaries, wages and other benefits	Equity-settled share-based payment expense	Contributions to defined contribution retirement plans	Total 2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors:					
Mr. Tan Sim Chew (Note i)	—	785	—	—	785
Mr. Lo King Fat (Note ii)	—	253	1,914	7	2,174
Mr. Leung Kwong Choi	180	—	2,596	—	2,776
Ms. Kam Yuen	2,160	—	7,488	—	9,648
Mr. Kwok Wai, Wilfred	180	—	2,596	—	2,776
Independent non-executive directors:					
Mr. Wong Kwai Sang	60	—	—	—	60
Mr. Cheung Ngai Lam, Martin	120	—	884	—	1,004
Mr. Christopher David Thomas	60	—	—	—	60
	2,760	1,038	15,478	7	19,283

Notes:

(i) Mr. Tan Sim Chew was resigned on 14 May 2010.

(ii) Mr. Lo King Fat was resigned on 19 January 2010.

18. DIRECTORS' EMOLUMENTS *(Continued)*

(a) Directors' emoluments *(Continued)*

No director has waived or agreed to waive any emoluments during the two years ended 30 June 2011 and 2010.

During the years ended 30 June 2011 and 2010, no emolument was paid by the Group to the directors as an inducement to join or upon joining the Group, or as compensation for loss of office.

(b) Senior management's emoluments

Of the five individuals with the highest emoluments in the Group, three (2010: three) were directors of the Company and none (2010: two) were ex-directors of the Company. Their emoluments is detailed in note 18(a).

The emoluments fall within the following band:

	Number of individuals	
	2011	2010
Nil – HK$2,000,000	**4**	—
HK$2,000,001 – HK$4,000,000	**1**	4
HK$6,000,001 – HK$8,000,000	**—**	—
HK$8,000,001 – HK$10,000,000	**—**	1

19. (LOSS)/EARNINGS PER SHARE

The calculation of the basic and diluted (loss)/earnings per share attributable to owners of the Company is based on the following data:

For continuing and discontinued operations

	2011	2010
(Loss)/earnings	***HK$'000***	*HK$'000*
(Loss)/earnings for the purpose of basic earnings per share	**(54,117)**	68,102
Effect of dilutive potential ordinary shares:		
Interest on convertible notes, net of tax	**—**	9,123
(Loss)/earnings for the purposes of diluted earnings per share	**(54,117)**	77,225

	2011	2010
	'000	*'000*
Number of shares *(note)*		*(Restated)*
Weighted average number of ordinary shares for the purposes of basis earnings per share	**5,777,223**	1,442,412
Effect of dilutive potential ordinary shares:		
Convertible notes and share options	**—**	333,606
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**5,777,223**	1,776,018

Note: The weighted average of ordinary shares for the purpose of calculating basic and diluted (loss)/earnings per share for both years have been retrospectively adjusted for the effect of share consolidation completed in January 2011.

No diluted losses per share have been presented for the year because the purchase consideration payables to be settled in shares and the share options outstanding had an anti-dilutive effect in the calculation of diluted loss per share.

19. (LOSS)/EARNINGS PER SHARE (Continued)

For continuing operations

	2011 HK$'000	2010 HK$'000
(Loss)/earnings for the purpose of basic earnings per share for continuing and discontinued operations	**(54,117)**	68,102
Add: Loss for the year from discontinued operations	**—**	4,126
(Loss)/earnings for the purposes of basic earnings per share for continuing operations	**(54,117)**	72,228
Effect of dilutive potential ordinary shares:		
Interest on convertible notes, net of tax	**—**	9,123
(Loss)/earnings for the purposes of diluted earnings per share for continuing operations	**(54,117)**	81,351

The denominators used are the same as those detailed above for both basic and diluted earnings per share.

For discontinued operations

For the year ended 30 June 2010, basic loss per share for the discontinued operations was HK0.29 cents per share and diluted loss per share was not presented as it was anti-dilutive to the Group. The calculation was based on the loss for the year from the discontinued operations of approximately HK$4,126,000. The denominators for basic and diluted earnings were approximately 1,442,412,000 shares and 1,776,018,000 shares respectively as detailed above.

20. DIVIDEND

The Board does not recommend the payment of any dividend for the year ended 30 June 2011 (2010: Nil).

21. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	Building	Plant and machinery	Furniture, fixtures and office equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
COST						
At 1 July 2009	147	—	256	6	—	409
Additions	—	—	1,037	83	475	1,595
Assets reclassified as held for sale	—	—	—	—	(399)	(399)
At 30 June 2010 and 1 July 2010	147	—	1,293	89	76	1,605
Acquired on acquisition of subsidiaries	—	—	—	11	—	11
Additions	—	1,184	574	762	157	2,677
Disposals of subsidiaries	(147)	—	(560)	(656)	—	(1,363)
Exchange realignment	—	—	55	4	5	64
At 30 June 2011	—	1,184	1,362	210	238	2,994
ACCUMULATED DEPRECIATION						
At 1 July 2009	76	—	—	1	—	77
Provided for the year	71	—	—	2	12	85
Assets reclassified as held for sale	—	—	—	—	(12)	(12)
At 30 June 2010 and 1 July 2010	147	—	—	3	—	150
Provided for the year	—	19	111	139	9	278
Disposals of subsidiaries	(147)	—	(90)	(103)	—	(340)
Exchange realignment	—	—	—	—	—	—
At 30 June 2011	—	19	21	39	9	88
CARRYING VALUES						
At 30 June 2011	—	1,165	1,341	171	229	2,906
At 30 June 2010	—	—	1,293	86	76	1,455

22. PREPAID LEASE PAYMENT

	2011	2010
	HK$'000	*HK$'000*
COST		
At the beginning of the year	**—**	—
Addition	**1,060**	—
At the end of the year	**1,060**	—
ACCUMULATED AMORTISATION		
At the beginning of the year	**—**	—
Amortisation for the year	**(19)**	—
At the end of the year	**(19)**	—
CARRYING VALUE		
At the end of the year	**1,041**	—

The Group's prepaid lease payment comprise :

	2011	2010
	HK$'000	*HK$'000*
Leasehold land outside Hong Kong under medium-term lease	**1,041**	—

23. CONSTRUCTION IN PROGRESS

	2011	2010
	HK$'000	*HK$'000*
At 1 July	**28,173**	1,322
Additions	**32,147**	26,851
Disposal of subsidiaries	**(59,750)**	—
Exchange realignment	**193**	—
At 30 June	**763**	28,173

24. BIOLOGICAL ASSETS

	Standing timber *HK$'000*
At 30 June 2009 and 1 July 2009	**676,123**
Harvested timber transferred to inventories and sold	**(42,174)**
Gain on changes in fair value less estimated point-of-sale costs	**151,607**
At 30 June 2010 and 1 July 2010	**785,556**
Harvested timber transferred to inventories and sold	**(13,038)**
Gain on changes in fair value less estimated point-of-sale costs	**112,314**
Exchange realignment	**48,710**
At 30 June 2011	**933,542**

The Group's biological assets represent standing timber on plantation land of approximately 60,000 Chinese Mu with lease term of 30 years, expiring in 2038. Approximately 13,476 cubic meter timber, which had a fair value less estimated point-of-sale costs of approximately HK$13,038,000 were harvested and sold in the year ended 30 June 2011.

The Group's standing timber at 30 June 2011 were independently valued by Ascent Partners Transaction Service Limited ("Ascent Partners"). Ascent Partners has adopted market value approach for the valuation of standing timber. The method uses the present market value in terms of price per unit cubic meter of round logs and the total merchantable volume of timber in the forest at 30 June 2011 as basis for coming up the fair value less estimated point-of-sale costs. 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, and the new terms of the concession fee 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 wood on the plantation land and the growth of the trees on the plantation land may be affected by unfavourable local weather conditions and natural disasters. Weather conditions such as earthquakes, 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 in the plantations, 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.

25. GOODWILL

	HK$'000
Cost:	
At 1 July 2009	—
Arising on acquisition of subsidiary	36,281
At 30 June 2010 and 1 July 2010	36,281
Arising on acquisition of subsidiaries (Note 44(a) and (b))	109,394
At 30 June 2011	145,675
Accumulated impairment losses:	
At 1 July 2009, 30 June 2010 and 1 July 2010	—
Impairment loss recognised in the year	109,394
At 30 June 2011	109,394
Carrying values:	
At 30 June 2011	36,281
At 30 June 2010	36,281

Impairment testing on goodwill

Goodwill has been allocated for impairment testing to the following cash generating units.

– plantation materials
– green medical application
– green technology

Before recognition of impairment losses, the carrying amount of goodwill was allocated to cash-generated units as follows:

	2011	2010
	HK$'000	*HK$'000*
Plantation materials	**36,281**	36,281
Green medical application	**53,673**	—
Green technology	**55,721**	—
	145,675	36,281

25. GOODWILL *(Continued)*

The recoverable amount of the relevant Cash Generated Units ("CGUs") has been determined on the basis of value in use calculation. The key assumptions for the value in use calculation are those regarding the discount rates, growth rates and expected changes to revenue and direct costs during budgeted period. The management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. Changes in revenue and direct costs are based on past practices and expectations of future changes in the market.

Plantation materials

During the year ended 30 June 2011, the Group performed impairment review for goodwill based on cash flow forecasts derived from the most recent financial budget for the next five years approved by the management using a discount rate of 14%. As the recoverable amount of the relevant CGUs exceeds the carrying value of goodwill, no impairment shall be recognised.

Green medical application

During the year ended 30 June 2011, the Group performed impairment review for goodwill based on cash flow forecasts derived from the most recent financial budget for the next five years approved by the management.

Due to the uncertainties in the commercialisation of the products, the future budgeted sales cannot be estimated reliably at the year end. The directors consider that the carrying amount of goodwill for green medical application in the amount of approximately HK$53,673,000 should be fully impaired during the year ended 30 June 2011.

Green technology

During the year ended 30 June 2011, due to the cash-generated unit has not yet commenced business and there are uncertainties in the operating environments, the directors consider that the carrying amount of goodwill of approximately HK$55,721,000 should be fully impaired during the year ended 30 June 2011.

26. INTANGIBLE ASSETS

	Operating rights	Patents	Total
	HK$'000	***HK$'000***	***HK$'000***
	(Note a)	***(Note b)***	
COST			
At 1 July 2009	147,958	—	147,958
Acquisition on acquisition of subsidiaries (Note 44)	—	161,559	161,559
At 30 June 2010 and 1 July 2010	147,958	161,559	309,517
Acquisition on acquisition of subsidiaries (Note 44)	—	1,000	1,000
Disposal	—	(1,000)	(1,000)
At 30 June 2011	**147,958**	**161,559**	**309,517**
ACCUMULATED AMORTISATION AND IMPAIRMENT			
At 1 July 2009	(3,064)	—	(3,064)
Amortisation for the year	(4,932)	(4,963)	(9,895)
At 30 June 2010 and 1 July 2010	(7,996)	(4,963)	(12,959)
Amortisation for the year	(4,932)	(18,263)	(23,195)
Impairment loss recognised during the year	—	(60,366)	(60,366)
At 30 June 2011	**(12,928)**	**(83,592)**	**(96,520)**
CARRYING VALUES			
At 30 June 2011	**135,030**	**77,967**	**212,997**
At 30 June 2010	139,962	156,596	296,558

Notes:

(a) The intangible assets to the favourable aspect of the right to use and operate the plantation land of a subsidiary of the Company as lessee, which in substance is an operating lease (Note 44). The subsidiary was acquired in year ended 30 June 2009 and the fair value on acquisition was determined based on a valuation report prepared by an independent valuer using discount cash flow method at the date of acquisition and the estimated present value of payments due under the agreement entered into by the subsidiary. The intangible assets are amortised using straight-line method over the remaining lease term of 30 years.

(b) The intangible assets relate to the intellectual property rights to increasing crop yield, decreasing plantation cost and enhancing crop quality and were owned by a subsidiary acquired through an acquisition in year ended 30 June 2010. The intangible assets are amortized using straight-line method over the estimated lease term of 7 to 10 years.

27. LONG-TERM PREPAYMENT

	2011	2010
	HK$'000	*HK$'000*
Prepayments of subcontracting fees	**87,573**	—
Less: current portion of long-term prepayment	**(14,367)**	—
	73,206	—

The amount represents the prepayment of subcontracting fees for the period from 1 July 2011 to 30 June 2014.

28. INTEREST IN AN ASSOCIATE

	2011	2010
	HK$'000	*HK$'000*
Cost of unlisted investment in an associate	**755**	—
Share of post-acquisition loss and other comprehensive expense	**(223)**	—
Impairment loss on investment in an associate	**(532)**	—
	—	—

Note:

On 2 July 2010, the Group entered into a sale and purchase agreement in relation to the acquisition of a 38% equity interest in TAO Environmental Engineering Co., Limited (道恒環保科技（北京）有限公司) for an aggregate consideration of HK$755,000 in cash. TAO Environmental Engineering Co., Limited is engaged in research and development of organic technology in environmental products, fertilizers, machineries and consultancy service. The acquisition was completed for the year ended 30 June 2011. On the date of acquisition, the fair value of the attributable net assets of TAO Environmental Engineering Co., Limited approximated to HK$393,000. The goodwill arising from the acquisition of the associated company was therefore amounted to HK$362,000, which was included in the cost of investments in the associated company.

At the end of reporting period, TAO Environment Engineering Co., Limited was loss making and this results in the Group's attributable share of loss of associate of HK$223,000 for the year ended 30 June 2011. Full impairment is provided.

Particulars of the Group's associate as at 30 June 2011 is set out as follows:

Name of associate	**Place of incorporation/ establishment and operation**	**Group equity interest**		**Proportion of voting power held**		**Principal activity**
		2011	2010	**2011**	2010	
TAO Environmental Engineering Co., Limited	The People's Republic of China ("PRC")	**38%**	—	**38%**	—	Research and development of organic technology in environmental products, fertilizers, machineries and consultancy service

The summarised financial information in respect of the Group's associate is set out below:

	2011	2010
	HK$'000	*HK$'000*
Total assets	**510**	—
Total liabilities	**(233)**	—
Net assets	**277**	—
Group's share of net assets of associate	**105**	—
Revenue	**223**	—
Loss for the year	**(586)**	—
Other comprehensive loss	**—**	—
Group's share of loss and other comprehensive loss of associate for the year	**(223)**	—

29. INVENTORIES

	2011	2010
	HK$'000	*HK$'000*
Organic fertilisers		
Raw materials	**967**	7,670
Finished goods	**820**	—
Environmental machineries	**—**	3,879
	1,787	11,549

30. TRADE AND OTHER RECEIVABLES

	2011	2010
	HK$'000	*HK$'000*
Trade receivables	**664**	111,966
Prepayments, deposits and other receivables	**19,038**	18,902
	19,702	130,868
Less: Allowances for doubtful debts	**—**	(30,046)
	19,702	100,822

The movements in allowances for doubtful debts of trade and other receivables are as follows:

	2011	2010
	HK$'000	*HK$'000*
At 1 July	**30,046**	30,046
Impairment loss recognised during the year	**3,995**	—
Written off as uncollectible during the year	**(30,046)**	—
Elimination on disposal of subsidiaries	**(3,995)**	—
At 30 June	**—**	30,046

30. TRADE AND OTHER RECEIVABLES (Continued)

At the end of the reporting period, the ageing analysis of trade and other receivables that were past due but not impaired are as follows:

	2011	2010
	HK$'000	*HK$'000*
Less than 1 month past due	**—**	340
1 to 3 months past due	**—**	8,114
More than 3 months but less than 12 months past due	**—**	37,001
More than 12 months past due	**—**	—
Amount past due at the end of the reporting period but not impaired	**—**	45,455

Trade and other receivables that were neither past due nor impaired relate to a wide range of customers who has no recent history of default.

Trade and other receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

The Group generally allows a credit period of approximately 90 days to its trade customers and based on the financial strengths of individual customers. In order to effectively manage the credit risks associated with trade receivables, credit evaluations of customers are performed periodically.

Included in trade and other receivables in the consolidated statement of financial position are mainly the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	2011	2010
	'000	*'000*
RMB	**100**	67,559

31. AMOUNT DUE FROM NON-CONTROLLING INTEREST

Amount due from non-controlling interest is unsecured, interest-free and repayable on demand.

32. CASH AND BANK BALANCES

Cash and bank balances include the following components:

	2011	2010
	HK$'000	*HK$'000*
Cash at banks and on hand	**3,743**	18,365
Pledged bank deposits	**—**	5,000
	3,743	23,365

For the year ended 30 June 2010, pledged bank deposits represent deposits pledged bank secure banking facilities granted to the Group. Deposits amounting to approximately HK$5,000,000 have been pledged to secure bank overdrafts (Note 38).

33. ASSETS/LIABILITIES CLASSIFIED AS HELD FOR SALE

On 5 November 2010, the Company entered into a sale and purchase agreement with Hangfull Limited, an independent third party, in relation to the disposal of entire issued share capital of Benefun (BVI) Limited and its subsidiaries regarding apparel manufacturing business and property development and renting business for a consideration of HK$3,000,000. For the year ended 30 June 2010, the assets and liabilities attributable to those businesses, were classified as a disposal group held for sale and are presented separately in the consolidated statement of financial position accordingly. On 26 November 2010, the Group completed the disposal of entire issued share capital of Benefun (BVI) Limited and its subsidiaries.

The major classes of assets and liabilities classified as held for sale at 30 June 2010, which have been presented separately in the consolidated statement of financial position, are as follows:

	2010
	HK$'000
Property, plant and equipment	**387**
Trade and other receivables	**16,807**
Cash and cash equivalents	**2,045**
Total assets classified as held for sale	**19,239**
Trade and other payables	**50,196**
Total liabilities classified as held for sale	**50,196**
Net liabilities classified as held for sale	**30,957**

The net liabilities of Benefun (BVI) Limited at the date of disposal were as follows:

	HK$'000
Net liabilities disposed of	(30,957)
Gain on disposal	33,957
Total consideration, satisfied by cash	3,000

34. TRADE AND OTHER PAYABLES

	2011	2010
	HK$'000	*HK$'000*
Trade payables	**70**	4,857
Other payables and accruals	**36,476**	54,979
	36,546	59,836

An ageing analysis of trade payables based on the invoice date at the end of the reporting period is as follows:

	2011	2010
	HK$'000	*HK$'000*
Within 30 days	**70**	2,080
31 - 90 days	**—**	—
91 - 180 days	**—**	—
Over 180 days	**—**	2,777
	70	4,857

The average credit period on purchases is 90 days. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

Trade and other payables are expected to be settled within one year. The fair values approximate to their respective carrying amounts at the end of the reporting period due to their short-term maturity.

Included in trade and other payables in the consolidated statement of financial position are mainly the following amounts denominated in currencies other than the functional currency of the entity to which they relate.

	2011	2010
	'000	*'000*
RMB	**12,060**	18,296

35. PURCHASE CONSIDERATION PAYABLES

	Notes	2011 HK$'000	2010 HK$'000
Initial fair values of purchase consideration payables at the date of acquisition of Ally Goal Group (Note 44(a))	(a)	**23,808**	—
Initial fair values of purchase consideration payables at the date of acquisition of Bright Delight Group (Note 44(b))	(b)	**55,721**	—
Fair value adjustment (Note 11)		**(27,068)**	—
Fair values of purchase consideration payables at 30 June 2011		**52,461**	—
Represented by:			
Balance of purchase consideration to be settled by cash		**10,000**	—
Balance of purchase consideration to be settled by shares issued and held by escrow agent		**35,721**	—
Balance of purchase consideration to be settled by shares		**6,740**	—
		52,461	—

Notes:

(a) Pursuant to the acquisition agreement as set out in Note 44, as part of the consideration, 500 million of shares shall be issued to the vendor upon Ally Goal Group's achievement of the relevant profit guarantees during the relevant profit guarantee periods. The actual numbers of shares to be issued will be subject to the net profits reported by Ally Goal Group for the years ended 30 June 2011 and ending 30 June 2012. The number of shares that will be issued by the Company is calculated base on formula stipulated in the acquisition agreement. According to HKAS 32, the purchase consideration payables, which are contingent in nature, should be classified as liabilities.

According to HKFRS 3 (Revised), the contingent consideration payable is a financial instrument and is within the scope of HKAS 39. The contingent consideration should be measured at fair value at period end, with any resulting gain or loss recognised in income statement in accordance with the HKFRS. As a result, the purchase consideration payables were recognised initially at fair value of HK$23,808,000 and subsequent re-measured at fair values at balance sheet date. The management engaged an independent professional valuer, Ascent Partners, to perform fair value assessments on the expected share prices and estimated the purchase consideration payables base on the valuation report prepared for this purpose.

(b) Pursuant to the acquisition agreement as set out in Note 44, the purchase consideration included 147 million of shares and cash of HK$20,000,000 (collectively "the Consideration"), which shall be payable in two equal instalments to the vendor upon Bright Delight Group's fulfillment of the guarantee profits during the guarantee periods. The Consideration will be subject to the net profits reported by Bright Delight Group for the years ended 30 June 2011 and ending 30 June 2012 and is calculated based on formula stipulated in the acquisition agreement. According to HKAS 32, the purchase consideration payables, which are contingent in nature, should be classified as liabilities.

According to HKFRS 3 (Revised), the contingent consideration payable included both equity element (the 147 million of shares) and liability element (the cash of HK$20,000,000). The equity element shall not be remeasured and its subsequent settlement shall be accounted for within equity. While the liability element is a financial instrument and is within the scope of HKAS 39, which shall be measured at fair value at period end, with any resulting gain or loss recognised in income statement in accordance with HKFRS. As a result, the purchase consideration payables were recognised initially at fair values of HK$55,721,000, of which HK$35,721,000 classified as equity were not remeasured while the balance of HK$20,000,000 were subsequently re-measured at fair values at balance sheet date.

(c) As at 30 June 2011, certain profit guarantee conditions as mentioned in (a) and (b) above were not met. The directors have determined the fair value adjustments based on the valuation report of an external valuer and the results of Ally Goal Group and Bright Delight Group for the year ended 30 June 2011. The fair value impairment adjustments as at 30 June 2011 of HK$27,068,000 were recognised in "Other gains and losses" in the consolidated statement of comprehensive income accordingly (Note 11).

36. AMOUNT DUE FROM A DIRECTOR

The amount due from a director is unsecured, non-interest bearing and repayable on demand.

37. AMOUNT DUE TO A RELATED PARTY

The amount due to a related party is unsecured, non-interest bearing and repayable on demand.

38. BANK OVERDRAFT

As at 30 June 2010, deposits amounting to approximately HK$5,000,000 have been pledged to secure bank overdraft which was denominated in Hong Kong Dollars.

39. CONVERTIBLE NOTES

On 19 November 2008, pursuant to the acquisition of 100% interest in Ample Rich Group from the Blackpool Stadium Limited (the "Vendor"), the Company issued zero coupon convertible notes ("Convertible Notes") as part of the consideration.

Date of issue	19 November 2008
Aggregate principal amount	HK$400,000,000
Denomination in multiple of	HK$500,000
Interest rate	Nil
Maturity date	3 years from the date of issue
Conversion price	HK$0.064

(a) Conversion period

Apart from the Security Convertible Notes (as described below), the holders of the Convertible Notes shall have the rights at any time and from any time, following the date of issue of the Convertible Notes, to convert the whole or any part of the outstanding principal amount into new ordinary shares in the Company. The shares to be issued and allotted upon conversion shall rank pari passu in all respect among themselves and with all other ordinary shares in issue by the Company on the date of such allotment and issue. If the Convertible Notes have not been converted on maturity, the Convertible Notes shall redeemed by the Company at 125% of remaining outstanding balance.

(b) Security Convertible Notes

Part of the Convertible Notes with a principal amount of HK$130,000,000 (the "Security Convertible Notes") held by the Vendor was put under security to the Company for permanence of the Profit Guarantee (as described below) and the Vendor undertakes and convenants not to exercise the conversion rights attaching to the Security Convertibles Notes up to the expiry of the Profit Guarantee Period.

Pursuant to the sale and purchase agreement dated 24 June 2008 and a legal letter dated 25 October 2010 issued by Messer. Donald Yap, Cheng & Kwong Solicitors, if Ample Rich Group contributes to the Group a net profit before tax of range between HK$60,000,000 to HK$130,000,000, the Vendor is no longer entitled to any security. During the year ended 30 June 2010, the Security Convertible Note of HK$60,000,000 were released to the Vendor and were converted by the Vendor to subscribe for 937,500,000 ordinary shares at a conversion price of HK$0.064 per share.

(c) Profit Guarantee

The Vendor undertakes to the Company that the audited consolidated net profit before tax of Ample Rich Group, as prepared in accordance with Hong Kong Generally Accepted Accounting Principles, shall not be less than HK$60,000,000 and HK$70,000,000 for the year ended 30 June 2009 and 2010 respectively.

The Vendor will compensate the Company, on a dollar-to-dollar basis, by surrendering any of the Security Convertible Notes for any shortfall between the Profit Guarantee and the audited consolidated net profit before tax of Ample Rich Group, as prepared in accordance with Hong Kong Generally Accepted Accounting Principles compliance for the year ended 30 June 2010.

39. CONVERTIBLE LOAN NOTES *(Continued)*

(d) Valuation of liability component

At the date of issue, the Convertible Notes were valued by LCH (Asia-Pacific) Surveyors Limited, an independent qualified professional valuer not connected to the Group, at fair value. The fair value of liability component was calculated based on the present value of the initial recognition contractually determined stream of future cash flows discounted at the required yield, which was determined with reference to the average yield of notes with similar credit rating and remaining time to maturity. In subsequent periods, the liability component is carried at amortised cost using the effective interest method. The effective interest rate of the liability component on initial recognition is 11.723% per annum.

The movements of the Convertible Notes are as follows:

	Nominal Value	**Liability component**	**Equity reserve component**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 July 2009	130,000	124,910	13,473	138,383
Effective interest expenses	—	10,926	—	10,926
Conversion of Convertible Notes	(60,000)	(60,457)	(6,219)	(66,676)
At 30 June 2010 and 1 July 2010	70,000	75,379	7,254	82,633
Effective interest expenses	**—**	**4,954**	**—**	**4,954**
Conversion of Convertible Notes	**(70,000)**	**(80,333)**	**(7,254)**	**(87,587)**
At 30 June 2011	**—**	**—**	**—**	**—**

Set out below are details of conversion of the Convertible Notes during the year ended 30 June 2011:

Date of conversion	**Principal amount of the Convertible Notes**	**Number of ordinary shares issued**
	HK$'000	*'000*
30 December 2010	28,275	441,800
19 January 2011	25,256	78,924*
4 March 2011	16,469	51,466*

* The number of ordinary shares issued have been adjusted to reflect the five-to-one share consolidation effective on 17 January 2011.

40. DEFERRED TAX

Details of the deferred tax assets and liabilities recognised and movements during the current and prior years:

Deferred tax assets/ (liabilities)	Biological assets	Intangible assets	Patents	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 July 2009	(169,030)	(36,224)	—	(205,254)
(Charged)/credited to statement of comprehensive income	(27,359)	1,233	—	(26,126)
Acquired through business combination	—	—	(40,390)	(40,390)
At 30 June 2010 and 1 July 2010	(196,389)	(34,991)	(40,390)	(271,770)
(Charged)/credited to statement of comprehensive income	**(24,819)**	**1,233**	**20,898**	**(2,688)**
At 30 June 2011	**(221,208)**	**(33,758)**	**(19,492)**	**(274,458)**

40. DEFERRED TAX *(Continued)*

For the purpose of presentation in consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2011	2010
	HK$'000	*HK$'000*
Deferred tax asset	**—**	—
Deferred tax liabilities	**(274,458)**	(271,770)
	(274,458)	(271,770)

At the end of the reporting period, the Group has no unused tax losses (2010: HK$19,664,000). No deferred tax has been recognised in respect of the tax losses due to the unpredictability of future income stream.

41. ADVANCE FROM A RELATED PARTY

The advance from a related party is unsecured and non-interest bearing. In the opinion of the directors, the amount will not be called for repayment within the next twelve months and the fair value of this financial liability approximate its corresponding carrying amount at the end of the reporting period.

42. SHARE CAPITAL

	Number of ordinary shares	Amount
	'000	*HK$'000*
Authorised ordinary shares of HK$0.05 (2010: HK$0.01) each:		
At 1 July 2009, 30 June 2010 and 1 July 2010	10,000,000	100,000
Increase in authorised share capital (Note (c))	20,000,000	200,000
Consolidation of shares (Note (d))	(24,000,000)	—
At 30 June 2011	6,000,000	300,000
Issued and fully paid ordinary shares of HK$0.05 (2010: HK$0.01) each		
At 1July 2009	6,240,379	62,404
Conversion of covertible notes (Note (a))	937,500	9,375
Issue of new shares for acquisition of subsidiary (Note (b))	1,425,000	14,250
Exercise of share options (Note 43)	143,500	1,435
At 30 June 2010 and 1 July 2010	8,746,379	87,464
Conversion of covertible notes (Note (e))	572,190	10,937
Exercise of share options (Note (43))	77,460	775
Issue of new shares for acquisition of subsidiaries (Note (f))	347,000	9,350
Consolidation of shares (Note (d))	(7,572,511)	—
At 30 June 2011	2,170,518	108,526

42. SHARE CAPITAL *(Continued)*

Notes:

For the year ended 30 June 2010

(a) During the year ended 30 June 2010, a principal amount of HK$60,000,000 were converted by holders to subscribe for 937,500,000 ordinary shares at a conversion price of HK$0.064 per share.

(b) Pursuant to an ordinary resolution passed at an extraordinary general meeting on 9 March 2010, 1,425,000,000 ordinary shares of HK$0.01 each were issued and allotted on 23 March 2010 as part of consideration in acquiring patents from Cathay Investments Fund Limited at HK$0.11 each (Note 44).

For the year ended 30 June 2011

(c) Pursuant to the ordinary resolution passed at the annual general meeting of the Company held on 6 December 2010, the authorised share capital of the company was increase from 10,000,000,000 shares to 30,000,000,000 shares.

(d) Pursuant to an ordinary resolution passed at an extraordinary general meeting in 14 January 2011, every five issued and unissued shares of HK$0.01 each were consolidated into one consolidated share of HK$0.05 each.

(e) During the year ended 30 June 2011, a principal amount of HK$28,275,200 and HK$41,724,800 were converted by the holders to subscribe for 441,800,000 and 130,390,000 ordinary shares at a conversion price of HK$0.064 and HK$0.32 per share respectively.

(f) Pursuant to the announcements dated 11 June 2010, 30 September 2010 and 13 October 2010, 200,000,000 ordinary shares of HK$0.01 each were issued and allotted on 30 November 2010 as part of consideration for acquiring Ally Goal Limited from Able Mind International Limited. Pursuant to the announcements dated 4 December 2010, 147,000,000 ordinary shares of HK$0.05 were issued and allotted on 28 January 2011 as part of consideration for acquiring Bright Delight Group Limited from Ample Advance Group Limited.

43. EQUITY SETTLED SHARE–BASED PAYMENT TRANSACTIONS

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 and every five issued and unissued shares were consolidated into one share of HK$0.05 each on 17 January 2011). 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 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 even such period shall not be longer than 10 years from the date upon which the option is granted.

The maximum entitlement for any one participant is that the total number of shares issued and to be issued upon exercise of the options granted to each participant under the Share Option Scheme in any 12-month period shall not exceed 1% of the total number of shares in issue of the Company. Any further grant of options in excess of the 1% limit shall be subject to shareholders' approval in general meeting with such participant and his or her associates abstaining from voting. The Share Option Scheme will remain in force for a period of 10 years from 16 December 2005.

43. EQUITY SETTLED SHARE–BASED PAYMENT TRANSACTIONS *(Continued)*

The movements in the share options of the Company during the year ended 30 June 2011 and 30 June 2010 are shown in the following tables:

For the year ended 30 June 2011 Name of category of participant	Date of grant	Exercise period	Exercise price per share	Number of share options At 1 July 2010	Granted during the year	Exercised during the year	Lapsed during the year (Note a & b)	At 30 June 2011
Directors								
Ms. Kam Yuen	7/8/2009	7/8/2009 - 6/8/2012	0.585	36,000,000	—	—	—	36,000,000
Mr. Leung Kwong Choi	7/8/2009	7/8/2009 - 6/8/2012	0.585	12,480,000	—	—	—	12,480,000
Mr. Kwok Wai, Wilfred	7/8/2009	7/8/2009 - 6/8/2012	0.585	12,480,000	—	—	—	12,480,000
Mr. Cheung Ngai Lam	7/8/2009	7/8/2009 - 6/8/2012	0.585	4,252,000	—	—	—	4,252,000
Subtotal				65,212,000	—	—	—	65,212,000
Employees and others								
In aggregate	7/8/2009	7/8/2009 - 6/8/2012	0.585	35,080,000	—	—	(21,080,000)	14,000,000
	19/1/2010	19/1/2010 - 18/1/2013	0.435	42,100,000	—	(3,000,000)	—	39,100,000
	26/5/2010	26/5/2010 - 25/5/2013	0.375	72,756,000	—	(12,492,000)	—	60,264,000
				149,936,000	—	(15,492,000)	(21,080,000)	113,364,000
Total				215,148,000	—	(15,492,000)	(21,080,000)	178,576,000
Weighted average exercise price (HK$)				0.48	—	0.39	0.59	0.48

Notes:

(a) During the year ended 30 June 2011, Mr. Lo King Fat, Lawrence resigned as director and his options of 9,200,000* were lapsed.

(b) During the year ended 30 June 2011, Mr. Chan Yiu Kuen resigned as employee and his options of 11,880,000* were lapsed.

* The number and exercise price of the share options have been adjusted for presentation purpose to reflect the five-to-one share consolidation effective on 17 January 2011.

43. EQUITY SETTLED SHARE–BASED PAYMENT TRANSACTIONS *(Continued)*

For the year ended 30 June 2010 Name of category of participant	Date of grant	Exercise period	Exercise price per share	Number of share options At 1 July 2009	Granted during the year	Exercised during the year	Lapsed during the year (Note a)	At 30 June 2010
Directors								
Ms. Kam Yuen	7/8/2009	7/8/2009 - 6/8/2012	0.585*	—	36,000,000*	—	—	36,000,000*
Mr. Leung Kwong Choi	7/8/2009	7/8/2009 - 6/8/2012	0.585*	—	12,480,000*	—	—	12,480,000*
Mr. Kwok Wai, Wilfred	7/8/2009	7/8/2009 - 6/8/2012	0.585*	—	12,480,000*			12,480,000*
Mr. Cheung Ngai Lam	7/8/2009	7/8/2009 - 6/8/2012	0.585*	—	4,252,000*			4,252,000*
Subtotal				—	65,212,000	—	—	65,212,000
Employees and others (Note b)								
In aggregate	7/8/2009	7/8/2009 - 6/8/2012	0.585*	—	44,360,000*	—	(9,280,000)*	35,080,000*
	19/1/2010	19/1/2010 - 18/1/2013	0.435*	—	70,800,000*	(28,700,000)*	—	42,100,000*
	26/5/2010	26/5/2010 - 25/5/2013	0.375*	—	72,756,000	—	—	72,756,000*
Subtotal				—	187,916,000	(28,700,000)	(9,280,000)	149,936,000
Total				—	253,128,000	(28,700,000)	(9,280,000)	215,148,000
Weighted average exercise price (HK$)					0.48	0.44	0.59	0.48

Notes:

(a) During the year ended 30 June 2010, Mr. Tan Sim Chew resigned as director and his options of 9,280,000* were lapsed.

(b) During the year ended 30 June 2010, the status of Mr. Lo King Fat, Lawrence was changed from director into employee. As such his share options of 9,200,000* were reclassified from the director category to employees and others category.

* The number and exercise price of the share options have been adjusted for presentation purpose to reflect the five-to-one share consolidation effective on 17 January 2011.

43. EQUITY SETTLED SHARE–BASED PAYMENT TRANSACTIONS *(Continued)*

The following table lists the inputs to the model used:

	Share options granted on		
	26 May 2010	**19 January 2010**	**7 August 2009**
Option pricing model used	**Binominal**	**Binominal**	**Binominal**
Fair value per share option at measurement date	HK$0.0237	HK$0.0303	HK$0.0416
Weighted average share price at grant date	HK$0.067	HK$0.081	HK$0.109
Exercise price	HK$0.375*	HK$0.435*	HK$0.585*
Weighted average contractual life	3 years	3 years	3 years
Remaining contractual life	1.90 years	1.55 years	1.10 years
Expected volatility	65.43%	68.86%	71.26%
Risk-free interest rate	0.97%	0.98%	1.16%

Expected volatility for the share option granted during the year ended 30 June 2009 is based 52-week weekly volatility of the Company's share of 25 January 2008. Expected volatility for the share option granted during the year ended 30 June 2010 is based on the comparables company stock price instead of stock price of the Company as the Company has changed to organic fertiliser business in June 2009.

At the end of the reporting period, the Company had 178,576,000* (2010: 215,148,000*) remaining exercisable share options outstanding under the share option scheme. Full exercise of the remaining exercisable share options represented subscription for 178,576,000* (2010: 215,148,000*) ordinary shares in the Company at approximately HK$85,947,000 (2010: HK$104,268,000).

15,492,000* (2010: 28,700,000)* share options were exercised during the year ended 30 June 2011.

* The number and exercise price of the share options have been adjusted for presentation purpose to reflect the five-to-one share consolidation effective on 17 January 2011.

44. ACQUISITION OF SUBSIDIARIES

During the year ended 30 June 2011

(a) *Ally Goal Limited*

On 13 October 2010 (the "Acquisition Date"), the Group acquired 100% equity interest of Ally Goal Limited ("Ally Goal") and its subsidiaries (collectively referred to as the "Ally Goal Group") at the fair value of consideration of HK$57,208,000 which is satisfied by (i) cash of HK$20 million, (ii) the issue of 200 million consideration shares of the Company of approximately HK$13.4 million at a price of HK$0.067 per share as of the Acquisition Date and (iii) 500 million of shares shall be issued to the vendor upon Ally Goal Group's achievement of the relevant profit guarantees during the relevant profit guarantee periods. The directors engaged an independent professional valuer, Ascent Partners Transaction Service Limited, to perform fair value assessments on the expected share prices and estimated the fair value of the 500 million of shares to be issued upon the achievement of the relevant profit guarantees initially at approximately HK$23,808,000.

Details of the fair value of identifiable assets and liabilities acquired, purchase consideration and goodwill at date of acquisition are as follows:

	Pre-acquisition carrying amount	**Fair value adjustments**	**Fair value**
	HK$'000	*HK$'000*	*HK$'000*
Assets and liabilities acquired			
Property, plant and equipment	11	—	11
Intangible assets	2	998	1,000
Other receivables	860	—	860
Cash and cash equivalent	2,317	—	2,317
Amount due to a related party	(653)	—	(653)
Net identifiable assets and liabilities	2,537	998	3,535
Goodwill arising on acquisition			53,673
			57,208
Total consideration satisfied by:			
Cash paid			20,000
Ordinary shares issued			13,400
Contingent consideration payable			23,808
			57,208
Purchase consideration settled in cash			(20,000)
Cash and cash equivalent acquired			2,317
Net cash outflow arising on acquisition			17,683

44. ACQUISITION OF SUBSIDIARIES *(Continued)*

During the year ended 30 June 2011 *(Continued)*

(a) Ally Goal Limited (Continued)

As part of the initial consideration for the acquisition of Ally Goal, 200 million* ordinary shares of the Company with par value of HK$0.01* each were issued. The fair value of the ordinary shares of the Company, determined using the published price available at the date of acquisition, amount to HK$13,400,000.

* The number of shares and share price are stated before the five-to-one share consolidation effective on 17 January 2011.

(b) Bright Delight Group Limited

On 28 January 2011 (the "Acquisition Date"), the Group acquired 100% equity interest of Bright Delight Group Limited and its subsidiaries (collectively referred to as the "Bright Delight Group") at the fair value of consideration of HK$55,721,000 which will be satisfied by (i) issue of 147 million consideration shares at a price of HK$0.243 per share as of the Acquisition Date and (ii) cash of HK$20 million. The consideration will be payable in two equal instalments upon the Bright Delight Group's fulfillment of the guarantee profits during the guarantee periods.

	HK$'000
Net assets and liabilities acquired	—
Goodwill arising on acquisition	55,721
	55,721
Total consideration satisfied by:	
Ordinary shares issued and held by escrow agent	35,721
Contingent consideration payable	20,000
	55,721

As part of the initial consideration of Bright Delight Group Limited, 147 million* ordinary shares of the Company with par value of HK$0.05* each were issued. The fair value of the ordinary shares of the Company, determined using the published price available at the date of acquisition, amounts to HK$35,721,000.

* The number of shares and share price are stated after the five-to-one share consolidation effective on 17 January 2011.

The acquired subsidiaries/businesses contributed revenue and loss after tax of approximately HK$ Nil and HK$1,770,000 to the Group for the period from their respective dates of acquisition to 30 June 2011 respectively. If these acquisitions had occurred on 1 July 2010, the Group's revenue would have been approximately HK$332 million and loss after tax would have been approximately HK$55 million. These amounts have been calculated using the Group's accounting policies, and adjusting the results of the relevant subsidiaries to reflect the additional depreciation that would have been charged assuming the depreciation of property, plant and equipment had applied from 1 July 2010, together with the consequential tax effects.

44. ACQUISITION OF SUBSIDIARY *(Continued)*

During the year ended 30 June 2010

Triple Harvest Group

On 23 March 2010 (the "Acquisition Date"), the Group acquired 100% equity interest of Triple Harvest Holdings Limited ("Triple Harvest") and its subsidiaries (collectively referred to as the "Triple Harvest Group") at the fair value of consideration of HK$157.45 million which was satisfied by (i) cash of HK$0.7 million and (ii) 1,425 million shares of the Company of approximately HK$156.75 million (i.e. a price of HK$0.11 per share as of the Acquisition Date) .

Details of the fair value of identifiable assets and liabilities acquired, purchase consideration and goowill at date of acquisition are as follows:

	Pre-acquisition carrying amount	**Fair value adjustments**	**Fair value**
	HK$'000	*HK$'000*	*HK$'000*
Assets and liabilities acquired			
Cash and cash equivalents	682	—	682
Amount due to previous shareholders	(682)	—	(682)
Patents	—	161,559	161,559
Deferred tax	—	(40,390)	(40,390)
Net identifiable assets and liabilities	—	121,169	121,169
Goodwill arising on acquisition			36,281
			157,450
Total consideration satisfied by:			
Cash paid			700
Ordinary share of HK$0.01 each at price of HK$0.11			156,750
			157,450
Purchase considerations settled in cash			(700)
Cash and cash equivalents acquired			682
Net cash outflow arising on acquisition			(18)

45. DISPOSAL OF SUBSIDIARIES

(a) Disposal of Benefun (BVI) Limited

On 26 November 2010, the Group completed the disposal of entire issued share capital of Benefun (BVI) Limited and its subsidiaries at a total consideration of HK$3,000,000.

The net assets of Benefun (BVI) Limited and its subsidiaries at the date of disposal were as follows:

	HK$'000
Property, plant and equipment	387
Trade and other receivables	16,807
Cash and cash equivalents	2,045
Trade and other payables	(50,196)
	(30,957)
Gain on disposal of subsidiaries	33,957
Total consideration	3,000
Satisfied by:	
Cash	3,000
Net cash inflow arising on disposal of subsidiaries:	
Cash consideration	3,000
Cash and cash equivalents disposed of	(2,045)
	955

45. DISPOSAL OF SUBSIDIARIES *(Continued)*

(b) Disposal of Ample Rich Enterprises Limited

On 28 June 2011, the Group completed the disposal of entire issued share capital of Ample Rich Enterprises Limited and its subsidiaries ("Ample Rich Group") at a total consideration of HK$500,000.

The net assets of Ample Rich Group at the date of disposal were as follows:

	HK$'000
Property, plant and equipment	1,024
Construction in progress	59,750
Trade and other receivables	24
Amount due from fellow subsidiaries	37,111
Cash and cash equivalents	5,497
Borrowings	(3,937)
Trade and other payable	(58,418)
Current income tax liabilities	(40,650)
	401
Gain on disposal of subsidiaries	99
Total consideration	500
Satisfied by:	
Cash	500
Net cash outflow arising on disposal of subsidiaries:	
Cash consideration	500
Cash and cash equivalents disposed of	(1,560)
	(1,060)

46. MAJOR NON-CASH TRANSACTION

The principal non-cash transaction is the purchase consideration payable of HK$52,461,000 as set out in Note 35.

47. OPERATING LEASES

The Group as leasee

At the end of the reporting period, the total future minimum lease payments under non-cancellable operating leases payable by the Group are as follows:

	2011	2010
	HK$'000	*HK$'000*
Within one year	**3,939**	5,768
In the second to fifth years, inclusive	**11,202**	12,387
Over five years	**54,871**	51,667
	70,012	69,822

The Group leases a number of properties under operating leases. The leases run for an initial period of one to two years (2010: one to two years). In addition, one of the subsidiaries has contracted to use and operate certain plantation land with an initial period of thirty years (2010: thirty years), which is accounted for as an operating lease.

48. CAPITAL COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	2011	2010
	HK$'000	*HK$'000*
Contracted for but not provided for in the consolidated financial statements		
– property, plant and equipment	**726**	12,528
– construction in progress	**1,003**	5,756
– investment in subsidiaries	**3,010**	—
– investment in projects	**24,082**	—
	28,821	18,284

49. CONTINGENT LIABILITIES

Litigation

(a) Hero Rich Case

On 2 June 2009, the Company was informed by Computershare Hong Kong Investors Services Limited that Hero Rich International Limited ("Hero Rich") lodged a request to transfer 234,375,000 shares ("Shares Transfer") of the Company to HKSCC Nominees Limited ("HKSCC"). Pursuant to Article 40 of the Company's Memorandum and Articles of Association ("M&A"), the Company has two months to consider the matter. The Company engaged a solicitor to represent the Company and to send the formal reply to HKSCC to hold any action in relation to the Shares Transfer.

On 22 June 2009, the Company and its current directors and resigned directors (Mr. Tan Sim Chew and Mr. Lo King Fat , Lawrence) (collectively known as the "Concerned Directors") received a writ of summons from Hero Rich ("Hero Rich Writ"), among other things, in respect of the failure to register the transfer of 234,375,000 ordinary shares ("Shares A") of the Company and claiming against the Company and the Concerned Directors for the sum of HK$31,227,896.94 and all costs, interests and damages.

On 24 September 2009, the Company and the Concerned Directors received an amended Hero Rich Writ. Hero Rich deleted, inter alia,

(a) its allegation that Hero Rich has fully paid up the value of the Shares A;

(b) its claim for HK$31,227,896.94 being loss and damages; and

(c) its claim for specific performance against the Concerned Directors. Amongst other things, Hero Rich amended its claim against the Company and the Concerned Directors by decreasing the original claimed sum of HK$31,227,896.94 to the sum of HK$1,891,386.19 and including its claim for the realisable value of the Shares A at the time Hero Rich can sell the Shares A. Hero Rich also claimed for an order that the Company and the Concerned Directors do forthwith register the Shares Transfer and they do indemnify Hero Rich from all loss and damage caused or occasioned by the failure to register the Shares Transfer.

On 21 December 2009, the Company had acted in accordance with the outcome of the legal proceedings to register the transfer of 234,375,000 ordinary shares of the Company to HKSCC.

On 25 January 2010, Hero Rich had discontinued the action against Concerned Directors with no order as to costs. The Company has obtained the Appeal Dismissal by Consent from High Court on 22 January 2010. The pre-trial hearing and trial dates has being fixed on 14 November 2011 and 13 February 2012 respectively for assessment of damages. The legal proceedings for assessment of damages are still ongoing as at date of this report.

The directors consider that the legal case should have no material adverse effect on the financial position of the Group.

50. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions and balances detailed in the consolidated financial statements, the Group had the following significant transactions with related parties during the year:

	Notes	**2011**	2010
		HK$'000	*HK$'000*
Amount due to a related party/Advance from a related party, Choy Ping Fai	(i)	**11,616**	1,505

(i) The amount due to a related party/ advance from a related party Choy Ping Fai, who is the spouse of the Company's director, Kam Yuen is unsecured, interest-free, of which HK$11,515,000 will not be called for repayment within next twelve months.

(b) Key management compensation

The key management personnel of the Group comprise all the directors of the Company and the five highest paid individuals. Details of compensation of directors and the five highest paid individuals are included in Note 18.

51. PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries at 30 June 2011 are as follows:

Name of subsidiary	**Place of incorporation/ registration/ operations**	**Nominal value of issued ordinary share/registered capital**	**Percentage of equity interest held by the Company**		**Principal activities**
			Direct	**Indirect**	
State Chance Limited	BVI	1 share of US$1	100%	—	Provision of sales referral services
Foshan Gold Vantage Forestry Limited* (Note a)	The PRC	RMB600,000	—	100%	Plantation related business
Triple Harvest Holdings Limited	BVI	1 share of US$1	100%	—	Dormant
Star Asset Holdings Limited	HK	1 share of HK$1	—	100%	Dormant
Xinjiang Protech Biology Limited* (Note a)	The PRC	RMB600,000	—	100%	Research and development
Keen Info Investments Limited	HK	1 share of HK$1	—	100%	Provision of technical services
Gold Vantage Xinan Biotechnology Company Limited *	The PRC	RMB2,000,000	—	70%	Production and sales of organic fertilisers
Cai Jin Limited	BVI	1 share of US$1	100%	—	Investment holding

51. PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation/ registration/ operations	Nominal value of issued ordinary share/registered capital	Percentage of equity interest held by the Company		Principal activities
			Direct	Indirect	
Gold Vantage Forestry Limited	HK	1 share of HK$1	—	100%	Investment holding
喀什普德士生物有限公司	The PRC	RMB100,000	—	100%	Research and development
CER Management Limited (formerly known as Capital Goal Trading Limited)	HK	1 share of HK$1	100%	—	Provision of management services
Ally Goal Limited	BVI	100 shares of US$1 each	100%	—	Investment holding
Roval (Hong Kong) Limited	HK	100 shares of US$1 each	—	100%	Investment holding
嘉雲尼貿易（深圳）有限公司 (Note a)	The PRC	HK$550,000	—	100%	Trading
東莞市浩安醫藥科技有限公司	The PRC	RMB2,000,000	—	100%	Research and development
Bright Delight Group Limited	BVI	100 shares of US$1 each	100%	—	Research and development
Bright Delight Asia-Pacific Research Macao Commercial Offshore Co. Limited	Macao	MOP100,000	—	100%	Research and development

* *The English names are for identification only.*

Notes:

a. This is wholly-foreign owned enterprise established in the PRC with limited liability.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results of the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had any debt securities subsisting at the end of the year or at any time during the year.

52. EVENTS AFTER THE END OF REPORTING PERIOD

Pursuant to announcements of the Company dated 20 July 2011, 21 July 2011 and 18 August 2011, the Company granted 71,000,000 and 84,758,000 share options under the share option scheme adopted by the Company on 16 December 2005 (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 and every five issued and unissued shares were consolidated into one share of HK$0.05 each on 17 January 2011), at an exercise price of HK$0.1346 and HK$0.1126 per share respectively. These share options shall be exercisable during the period of 3 years from the respectively dates of grant. The management of the Group is in the process of estimating the fair value assessment of these options at the respectively dates of grant.

53. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's presentation.

Five Year Summary

(Expressed in Hong Kong dollars)

	For the year ended 30 June				
	2007 *HK$'000*	2008 *HK$'000*	2009 *HK$'000*	2010 *HK$'000*	**2011** ***HK$'000***
Results					
Turnover	153,726	120,019	128,612	283,634	**331,555**
(Loss)/profit before tax	(38,715)	(38,026)	118,518	117,260	**(37,277)**
Income tax (expense)/credit	468	(3,309)	(22,510)	(49,362)	**(17,207)**
(Loss)/profit attributable to:					
Owners of the Company	(38,247)	(41,335)	96,008	68,102	**(54,117)**
Non-controlling interests	—	—	—	(204)	**(367)**
(Loss)/profit for the year	(38,247)	(41,335)	96,008	67,898	**(54,484)**

	As at 30 June				
	2007 *HK$'000*	2008 *HK$'000*	2009 *HK$'000*	2010 *HK$'000*	**2011** ***HK$'000***
Assets and liabilities					
Biological assets	—	—	676,123	785,556	**933,542**
Property, plant and equipment	20,151	1,092	332	1,455	**2,906**
Prepaid lease payment	—	—	—	—	**1,041**
Investment properties	39,784	54,379	—	—	**—**
Construction in progress	1,272	—	1,322	28,173	**763**
Payment for leasehold land held for own use under operating leases	109	—	—	—	**—**
Goodwill	—	—	—	36,281	**36,281**
Deferred tax assets	36	203	—	—	**—**
Intangible assets	—	—	144,894	296,558	**212,997**
Long-term prepayment	—	—	—	—	**73,206**
Interest in an associate	—	—	—	—	**—**
Net current assets/(liabilities)	35,868	35,715	(21,703)	10,385	**(64,842)**
Total assets less current liabilities	97,220	91,389	800,968	1,158,408	**1,195,894**
Non-current liabilities					
Convertible notes	—	—	(124,910)	(75,379)	**—**
Deferred tax liabilities	(1,802)	(5,514)	(205,254)	(271,770)	**(274,458)**
Advance from a related party	—	—	—	—	**(11,515)**
Net assets	95,418	85,875	470,804	811,259	**909,921**
Share capital	16,350	19,550	62,404	87,464	**108,526**
Non-controlling interests	—	—	—	489	**4,251**
Reserves	79,068	66,325	408,400	723,306	**797,144**
Total equity	95,418	85,875	470,804	811,259	**909,921**
(Loss)/earnings per share					
Basic	(2.66) cents	(2.30) cents	2.26 cents	4.72 cents*	**0.94 cents**

* Adjusted to reflect the five-to-one share consolidation effectively on 17 January 2011.