Annual Report 2013

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

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Corporate Information

BOARD OF DIRECTORS

Executive Directors
Mr. Zhou Hongbo *(Chairman and Chief Executive Officer)*
Mr. Leung Kwong Choi
Mr. Kwok Wai, Wilfred

Independent Non-Executive Directors
Mr. Wong Kwai Sang
Mr. Christopher David Thomas
Mr. Chan Ka Yin

AUDIT COMMITTEE, REMUNERATION COMMITTEE AND NOMINATION COMMITTEE

Mr. Chan Ka Yin *(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

2/F., 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

Maples Fund Services (Cayman) Limited
PO Box 1093, Boundary Hall
Cricket Square, Grand Cayman
KY1-1102, 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

www.greencer.com

EXECUTIVE DIRECTORS

Mr. Zhou Hongbo, aged 42, was appointed as Executive Director and Chairman of the Board on 1 June 2012 and as Chief Executive Officer on 21 November 2012. He is also the Chairman of the investment committee of the Company. Mr. Zhou received a Bachelor of Business Management Degree. Mr. Zhou is certified with a qualification in forestry administrative enforcement of law and administration engineer by the State Forestry Administration. Mr. Zhou has 17 years of experiences in forestry production and operation management. He was a business manager and deputy manager of Forestry Storage Plant in the Forestry Bureau of Jidong County, Heilongiiang Province, as well as a manager of Forest Protection Plant in the State Forestry Administration. He was responsible for the operation and fire protection for eight forest zones under the Jidong Forestry Bureau.

Mr. Leung Kwong Choi, aged 57, was appointed as Executive Director on 6 October 2008. He is a member of the investment committee of the Company. 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 40, was appointed as Executive Director 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. Wong Kwai Sang, aged 61, was appointed as an Independent Non-executive Director on 2 March 2009 and is a member of the audit committee, remuneration committee and nomination committee of the Company. 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 had 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 property consultant and a fellow member of the Hong Kong Institute of Real Estate Administrators and the Australian Institute of Building respectively.

Mr. Christopher David Thomas, aged 35, was appointed as Independent Non-executive Director on 4 May 2009 and is a member of the audit committee, remuneration committee and nomination 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 9 years experience in clientele development, sales and marketing to nationwide distributors and individual customers.

Mr. Chan Ka Yin, aged 39, was appointed as Independent Non-executive Director on 8 March 2013. He is also the chairman of audit committee, remuneration committee and nomination committee of the Company. Mr. Chan is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certificated Accountants. Mr. Chan received a bachelor's degree in Business Administration in Accounting and Finance from The University of Hong Kong. He has ample experience in auditing, accounting, financial management and company secretarial practices in respect of listed companies. Mr. Chan currently is the general manager of a corporate services company in Hong Kong.

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 2013 and the audited consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 30 June 2013.

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.

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

Most developed countries' economies remained sluggish and drastic turbulences in global financial markets clouded the economic development of PRC. Due to global climate change, the weather will become unpredictable. The Group expected to face extreme uncertainties and risks in its business activities.

During the financial year ended 30 June 2013, the PRC's economic growth has declined steadily since 2010 as a slump in global demand battered its exporters and PRC government's economic strategy of tightened lending and investment curbs. The PRC economy grew by 7.5% compared to Year 2012, down from 7.7% in the January to March period in 2013. The number of natural disasters occurring in China has been significantly increasing, with earthquakes occurring much more frequently than anticipated. China's Ministry of Civil Affairs reported that earthquakes ranging between M5.0 and M8.0 have occurred 21 times in the first six months of 2013, which is much higher than the annual earthquake predictions of the China Earthquake Networks Center.

With specific to the Group's operating Plantation Land of approximately 60,000 mu (Chinese Mu) in Shihezi City, Xinjiang Region, Xinjiang Region experienced series of natural disasters of earthquake, drought, flooding, windstorm, low-temperature freeze, ice storm affecting 1.75 million people and resulting in catastrophe-related economic losses of RMB 3.2 billion in 2012. The Shihezi City was further hit by the earthquakes with magnitude of Mw6.3 on 29 June 2012. In 2013, the southern and northern parts of Xinjiang Region experienced frequent occurrence of heavy rains, floods, landslides and other natural disasters.

Expecting extreme uncertainties and risks in its plantation business activities affected by worsening economic conditions and unstable natural factors, the Group continued its protective business approach during the financial year ended 30 June 2013. The protective business approach included tight credit control and pricing measures to corporate clients, trading of plantation materials, transfer the operating right of new plantation activities and protection of existing biological assets.

For the financial year ended 30 June 2013, turnover of the Group increased by 7.55% to HK$31,014,000 with gross profit of HK$3,497,000 (2012: turnover of HK$28,838,000 with gross profit of HK$4,967,000). Loss for the year amounted to HK$42,132,000 (2012: Loss of HK$269,743,000), including mainly the decrease of HK$31,416,000 in valuation of biological assets of which growth was affected by the shortage of underground water in the region. The Group considers that the decrease in valuation is non-cash in nature and will not have material adverse effect on the financial position of the Group.

Chairman's Statement

PLANTATION MATERIAL

For the financial year ended 30 June 2013, the natural disasters affected the plantation activities of the Group's clients in the region. The sale of plantation materials decreased by 15.8% to HK$2,704,000 from HK$3,213,000 as compared to last year. Sale of plantation materials represented approximately 8.72% (2012: 11.14%) of the Group's total turnover.

PLANTATION PRODUCT

On 24 June 2008, the Group acquired at a total consideration of HK$500,000,000 for the 30 years operating right of the Plantation Land of approximately 60,000 mu (Chinese Mu). The Plantation Land is the flatland area mainly cultivated with poplar trees in Shihezi City, Xinjiang Region, the PRC and is about 150 kilometers west from the Xinjiang provincial capital Urumqi and connected by the China national highway No. 312 and railways.

The Group engages in ecological plantation of timber resources, organic herbs and crops on the Plantation Land, within which approximately 30,000 Chinese mu of land has already been cultivated with poplar trees (the "Planted Land"). The remaining 30,000 Chinese mu of land has not been cultivated with trees and crops (the "Unplanted Land"). During the financial year ended 30 June 2012, the Group scaled down its original plan of herbal crops plantation of approximately 10,000 Chinese mu Unplanted Land to approximately 1,450 Chinese mu to contain the risks and uncertainties of the adverse impact on the newly grown saplings which are highly vulnerable to natural disasters.

Considering the risks and uncertainties involved with unprecedented varieties and scale of natural disasters in the world and in PRC, during the financial year ended 30 June 2013, the Group transfer the operating right of the "Unplanted Land" of 30,000 Chinese mu of land to avoid new plantation activities which are highly vulnerable to natural disasters.

The sale of plantation products was recorded at HK$475,000 with increase of 49.37% as compared to last year (2012: approximately HK$318,000), representing approximately 1.53% (2012: 1.1%) of the Group's total turnover.

For the annual audited financial year ended 30 June 2013, the growth and the volume of the biological assets was affected by the shortage of underground water in the region. The Group recorded the decrease by 2.14% to HK$750,671,000 from HK$767,064,000 in the fair value of the poplar trees biological assets. The Group considers that the decreases are non-cash in nature and will not have material adverse effect on the financial position of the Group.

ENVIRONMENTAL SYSTEM

In 2009, the Group developed the waste-to-value "O-Live Organic Waste Treatment System" ("O-Live System") which is an automatic machine utilizing high temperature microorganisms 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 sale of the O-Live System was suspended pending the development of a more cost-effective, upgraded version of the product. For the financial year ended 30 June 2013, sales of environmental systems recorded no turnover and had no representation of the Group's total turnover (2012: nil sales).

GREEN TECHNOLOGY

On 28 January 2011, the Group completed the acquisition of the 100% equity interest in Bright Delight Group Limited ("Bright Delight"). The Vendor is a company principally engaged in 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 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).

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 "First Guaranteed Period", Bright Delight achieved a profit of HK$6,301,025 which was 18.8% of the "First Period Guaranteed Profit" of HK$33,500,000 for the First Guaranteed Period. As per supplementary agreement, cash consideration of HK$10 million had been waived by the Vendor and both parties agreed that 69,090,000 Consideration Shares (before share consolidation) which was 18.8% of original 367,500,000 Consideration Shares to be released to the Vendor on or before 30 June 2013.

During the "Second Guaranteed Period", Bright Delight achieved a profit of HK$19,373,515 which was 57.83% of the "Second Period Guaranteed Profit" of HK$33,500,000 for the Second Guaranteed Period. Both parties agreed that cash consideration of HK$5,783,000 (57.83% of original cash consideration of HK$10 million) and 212,525,250 Consideration Shares (before share consolidation) which was 57.83% of original 367,500,000 Consideration Shares to be released to the Vendor on or before 30 June 2013.

On 25 June 2013, the total of 2,816,152 Consideration Shares (after share consolidation) for both profit guarantees periods were released to the Vendor. On the same day, the remaining 4,533,848 Consideration Shares (after share consolidation) was successfully returned from the Vendor to the Group for the disposal in open market. As the returned Consideration Shares were originally issued in name of the Vendor, in order to save administrative and transaction cost, the Vendor offered to purchase the remaining 4,533,848 shares at HK$0.23 per share taking reference from the market closing price on 25 June 2013. The Group accepted the offer considering that trading prices remained stable during the period (the average trading price was HK$0.249 for last 20 trading days before 25 June 2013) and the sale of the consideration shares at the market closing price of 25 June 2013 represented no significant price deviation which may affect the interest of the Group. In addition, the market daily average trading volume for last 20 trading days before 25 June 2013 was only 167,440 shares. The sale of 4,533,848 shares in the market may tremendously increase share supply of which selling pressure may adversely affecting share prices to be transacted and then adversely affecting the interest of the Group from share sale.

The payment of Cash Consideration and the release of Consideration Share from the Group to the Vendor were completed before 30 June 2013. The payment of HK$1,042,785 for purchase of the returned Consideration Shares was received from the Vendor before 30 June 2013.

The green technology segment comprises the research and development, project establishment, application and sale of green and environmental product, technology, service and related products for sustainable development. The green technology segment commanded higher gross profit margin of 76.29% and contributed the major turnover and profit for the Group. For the financial year ended 30 June 2013, technology income recorded approximately HK$27,835,000 with gross profit HK$21,234,000 (2012: sales HK$25,307,000 and gross profit HK$20,882,000), representing approximately 89.75% (2012: 87.76%) of the Group's total turnover.

PROSPECTS

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

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

To maximize the return for shareholders, the Group will continue to edge on its green technology competence, forefront market experience, proactive business strategy and nationwide Chinese business network to continuously explore investment opportunity to diversify its business areas for higher return. On 19 July 2013, the Group entered into the MOU in relation to the possible acquisition on which the target company has certain interests and rights in the piece and parcel of land located in the PRC.

FINANCIAL REVIEW

For the year ended 30 June 2013, the Group recorded a consolidated turnover at approximately HK$31.01 million (2012: HK$28.84 million), representing an increase of 7.55% compared with the year ended 30 June 2012 (the "Previous Year"). The Group's gross profit decreased by 29.6% to approximately HK$3.49 million (2012: HK$4.97 million). The decrease in gross profit was mainly attributable to the increased cost of plantation activities.

The loss for the year significantly decreased to HK$42.13 million from Previous Year's loss of HK$269.74 million, mainly attributable to the HK$31.42 million loss on changes in fair value of biological assets and the plantation products segment loss of HK$27.67 million. Its basic and diluted loss per share for the year was HK32.94 cents (2012: restated basic and diluted loss per share at HK237.74 cents). After taking into account the loss on changes in fair value of biological assets of HK$31.42 million, gain on changes in fair value of purchase consideration payable of HK$4.22 million and exchange gain of HK$2,000, impairment loss on intangible assets of HK$350,000, gain on transfer of intangible assets of HK$196,000 and gain on disposal of interest in an associate of HK$156,000 and reversal of impairment loss on interest in an associate of HK$532,000, other losses significantly decreased to HK$26,663,000 from Previous Year's other loss of HK$282,432,000. Other income of HK$2,567,000 mainly included consultancy fee income of HK$1,105,000 and rental income of HK$1,400,000.

In calculating the Group's consolidated net loss, the administrative and other operating expenses of approximately HK$27.18 million (2012: approximately HK$58.49 million) included major items, such as staff costs of HK$4.6 million, depreciation of HK$676,000, amortisation of intangible assets of HK$4.94 million, cost of inventory of HK$3 million, auditor's remuneration of HK$780,000 and operating leases charge of HK$1.6 million.

Finance costs of HK$11,000 which was recorded for finance lease interest (2012: HK$9,000). Income tax credit was approximately HK$5.67 million (2012: HK$64.95 million) mainly due to deferred tax credit of HK$9.18 million for the current year.

Zhou Hongbo
Chairman

Hong Kong, 25 September 2013

Report of the Directors

The Board has pleasure to present their annual report together with the audited consolidated financial statements of the Group for the year ended 30 June 2013.

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 2013 are set out in the consolidated statement of comprehensive income on page 30.

DIVIDEND

The Board does not recommend the payment of a dividend for the year ended 30 June 2013 (2012: 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 9 to the consolidated financial statements.

SHARE CAPITAL

Pursuant to a special resolution passed at the annual general meeting on 28 November 2011 and conditional upon the approval from the Grant Court of the Cayman Islands and the listing approval from the Listing Committee of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the share capital of the Company would be reduced from HK$300,000,000 to HK$6,000,000 by canceling paid up capital of HK$0.049 on each issued shares and by reducing the nominal value of all the issued and unissued shares from HK$0.05 to HK$0.001 and following the said capital reduction, the authorised share capital would be increased back to HK$300,000,000 by the creation of additional 294,000,000,000 shares of HK$0.001 each (the "Capital Reorganisation").

Pursuant to an ordinary resolution passed at an extraordinary general meeting on 29 March 2012 and conditional upon the Capital Reorganisation becoming effective, every 20 issued and unissued shares of HK$0.001 each would be consolidated into one consolidated share of HK$0.02 each (the "Share Consolidation"). The Board resolved to change board lot size for trading in the shares of the Company from 8,000 shares of HK$0.001 each to 4,000 consolidated shares of HK$0.02 each upon the Share Consolidation becoming effective.

The Company had got the Grand Court of Cayman Islands approval on the Capital Reorganization on 26 February 2013. The Capital Reorganization and Share Consolidation has become effective on 1 March 2013.

Details of the share capital of the Company and its movement during the year ended 30 June 2013 are set out in Note 35 of 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 33 and 34.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company at 30 June 2013 amounted to HK$724,135,000. Under section 34 of the Companies Law (Revised) of the Cayman Islands, the share premium is available for distribution to the Shareholders subject to the provisions of the articles of association of the Company (the "Articles of Association"), and no distribution may be paid to the 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 19 to the consolidated financial statements.

DIRECTORS

The Directors during the financial year and up to date of this report* were:

Executive Directors

Mr. Zhou Hongbo *(Chairman and Chief Executive Officer)*
Mr. Leung Kwong Choi
Mr. Kwok Wai, Wilfred
Ms. Kam Yuen *(resigned on 21 November 2012)*

Independent Non-executive Directors

Mr. Wong Kwai Sang
Mr. Christopher David Thomas
Mr. Chan Ka Yin *(appointed on 8 March 2013)*
Mr. Cheung Ngai Lam *(resigned on 8 March 2013)*

In accordance with Article 99 of the Articles of Association, Mr. Chan Ka Yin, was appointed as an Independent Non-executive Director on 8 March 2013, and shall hold the office until the forthcoming annual general meeting of the Company. He will retire, and being eligible, offer himself for re-election at the forthcoming annual general meeting of the Company.

In additional, in accordance with Article 116 of the Articles of Association, Mr. Kwok Wai, Wilfred and Mr. Wong Kwai Sang, being Directors longest in office, will retire by rotation, and being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company.

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

The Company has received, from each of Independent Non-executive Director, a written annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange. The nomination committee of the Company and the Board considered that all Independent Non-executive Directors are independent.

**Note:* Subsequent to the date of this report, Mr. Zhou Hongbo resigned as an Executive Director on 30 September 2013. Mr. Wang Po Keng has been appointed as an Executive Director on 30 September 2013 and shall hold office until the forthcoming annual general meeting, and being eligible, offer himself for re-election.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2013, none of the Company's directors, chief executive or their respective associates had any personal, family, corporate and other interests or short positions 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 pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Listing Rules.

SHARE OPTION SCHEME

The detailed disclosures relating to the Company's share option scheme and valuation of options are set out in Note 36 to the consolidated financial statements.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2013, the following persons, were interested or had short positions in more than 5% of shares and underlying shares of the Company or its subsidiaries according to the register required to be kept under Section 336 of the SFO as follows:

Long positions in shares and underlying shares of the Company

Name of Shareholders	Capacity in which interests are held	Number of shares/underlying shares held in the Company: Interests in shares	Interests under equity derivatives	Total interests	Total interests as to % to the issued share capital as at 30 June 2013 *(Note 1)*
Mr. Choy Ping Fai	Beneficial owner	15,205,200	—	15,205,200 *(Note 2)*	8.32%
Capital Master International Limited	Beneficial owner	15,205,200	—	15,205,200 *(Note 2)*	8.32%
The Cathay Investment Fund, Limited	Beneficial owner	13,196,000	—	13,196,000 *(Note 3)*	7.22%

Notes:

1. The percentage of shareholding was calculated on the basis of the Company's issued share capital of 182,723,748 shares as at 30 June 2013.

2. These represented 15,205,200 shares held by Capital Master International Limited. The entire issued share capital of Capital Master International Limited was beneficially owned by Mr. Choy Ping Fai. Accordingly, Mr. Choy Ping Fai was deemed to have interests in the shares.

3. The number of shares has been adjusted according to the Capital Reorganisation (as referred to in the section "SHARE CAPITAL" above).

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 had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' SERVICE CONTRACTS

None of the Directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

The Board is of the opinion that during the year ended 30 June 2013, the Directors did not have 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 91% of the total sales for the year and the sales to the largest customer included therein amounted to 77%. Purchases from the Group's five largest suppliers accounted for approximately 83% of the total purchases for the year and the purchase from the largest supplier included therein amounted to approximately 37%.

None of Directors, any of their associates or any substantial Shareholders (which, to the best knowledge of the Directors, 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 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.

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 Directors.

AUDITORS

On 18 June 2010, BDO Limited resigned as auditors of the Company. On 24 June 2010, Shinewing (HK) CPA Limited was appointed as auditors of the Company. On 7 October 2010, Shinewing (HK) CPA limited resigned as auditors of the Company and Zhonglei (HK) CPA Company Limited was appointed as auditors of the Company. On 28 June 2011, Zhonglei (HK) CPA Company Limited resigned as auditors of the Company and Lau & Au Yeung C.P.A. Limited was appointed as auditors of the Company.

The consolidated financial statements of the Group for the year ended 30 June 2013 were audited by Lau & Au Yeung C.P.A. Limited as auditors of the Company. 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 Company.

On behalf of the Board
China Environmental Resources Group Limited
Zhou Hongbo
Chairman

Hong Kong, 25 September 2013

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 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 the code provisions as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Rule Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") for the year ended 30 June 2013, except the followings.

Code provision A.2.1 of the CG Code stipulates that the roles of Chairman of the Board and Chief Executive Officer should be separate and should not be performed by the same individual.

During the year, Ms. Kam Yuen acted as an Executive Director and the Chief Executive Officer of the Company (the "Chief Executive Officer") until 20 November 2012. On 21 November 2012, Ms. Kam Yuen resigned as an Executive Director and the Chief Executive Officer and Mr. Zhou Hongbo, an Executive Director and the Chairman of the Board, was appointed as the Chief Executive Officer. Thereafter, Mr. Zhou Hongbo assumes both roles. The Board believes that the vesting of the roles of Chairman of the Board and Chief Executive Officer in the same person can provide the Group with strong and consistent leadership and allow for more effective planning and execution of long-term business strategies, as well as ensuring effective oversight of management. The Board also believes that the present structure is considered to be appropriate under the circumstances of the Company.

Code provision C.2.1 of the CG Code stipulates that the directors should at least annually conduct a review of the effectiveness of the issuers' and its subsidiaries' internal control systems and report to shareholders that they have done so in their Corporate Governance Report. The review should cover all material controls, including financial, operational and compliance controls and risk management functions.

The Board, through the audit committee of the Company, conducted review of the effectiveness of the internal control system of the Group. 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.

The Company had appointed an independent professional company to carry out a review on the corporate governance and the internal control system of the Group, which was completed after the financial year end. The Board has considered the review report and the findings therein and agreed to implement the recommendations.

Code provision E.1.2 of the CG Code stipulates that the Chairman of the Board should attend the annual general meeting.

Mr. Zhou Hongbo, the Chairman of the Board, was unable to attend the annual general meeting of the Company held on 21 November 2012 due to his official duties. The Directors present at the annual general meeting elected Mr. Leung Kwong Choi, an Executive Director, as chairman of the annual general meeting.

THE BOARD

The Board is charged with the responsibility of leadership and control of the Group. The Board promotes 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, establish its strategic direction and set objectives and business development plans. The Board authorizes the management to manage the day-to-day business operation of the Group. In addition, the Board has also delegated various responsibilities to the various Board committees and the Chief Executive Officer.

The Company has developed a schedule of matters reserved to the Board for its decision and has separately identified those functions reserved to the Board. The Board will review those arrangements on a regular basis to ensure that the arrangements meet the needs of the Company.

BOARD COMPOSITION

The Board currently comprises six Directors with three Executive Directors, namely, Mr. Zhou Hongbo (Chairman and Chief Executive Officer), Mr. Leung Kwong Choi and Mr. Kwok Wai, Wilfred, and three Independent Non-executive Directors, namely, Mr. Wong Kwai Sang, Mr. Christopher David Thomas and Mr. Chan Ka Yin.

During the year, the Board held 6 Board meetings, including 4 regular Board meetings and had also transacted its business by written resolutions. The Directors participated these meetings in person or through electronic means of communication. The attendance of Board meetings of each Director is set out as follows:

Name of Director	Number of Board meetings attended/ Number of Board meetings held
Executive Directors	
Mr. Zhou Hongbo *(Chairman and Chief Executive Officer)*	4/6
Mr. Leung Kwong Choi	6/6
Mr. Kwok Wai, Wilfred	6/6
Ms. Kam Yuen *(Note1)*	3/3
Independent Non-Executive Directors	
Mr. Wong Kwai Sang	6/6
Mr. Christopher David Thomas	5/6
Mr. Chan Ka Yin *(Note2)*	2/2
Mr. Cheung Ngai Lam *(Note3)*	4/4

Notes :

1. Ms. Kam Yuen resigned as Executive Director and the Chief Executive Officer on 21 November 2012.
2. Mr. Chan Ka Yin was appointed as Independent Non-executive Director on 8 March 2013.
3. Mr. Cheung Ngai Lam resigned as Independent Non-executive Director on 8 March 2013.

The Directors are provided with relevant information to make informed decisions. The Board and each Director have separate and independent access to the Company's senior management for information and making enquires if necessary. A Director, who considers there is necessary to seek independent professional advice in order to perform his duties as a Director, may convene, or request the company secretary of the Company (the "Company Secretary") to convene, a meeting of the Board to approve the consultation of independent legal or other professional adviser for advice at the Company's expenses.

For regular Board meeting, a notice of the meeting is sent to all Directors at least 14 days before the intended date of meeting and an agenda and accompanying board papers of the meeting are sent to all Directors at least three days before the intended date of meeting. For additional Board meeting, a notice of the meeting together with an agenda and accompanying board papers of the meeting are sent to all Directors in reasonable time. The Directors also from time to time transact the Board business by way of written resolutions.

Every Director is entitled to have access to the advice and service of the Company Secretary 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 during normal office hours by giving reasonable 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 for their comments and records respectively within a reasonable time after the relevant meetings were held.

If a Director 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.

To the best knowledge of the Board, there is no financial, business or family or other material/relevant relationship between the members of the Board.

Every director has sufficient time and attention to deal with the affairs of the Group. The Board considers the composition of Executive and Non-executive Directors is rational and appropriate and provides adequate checks and balances to safeguard the interests of shareholders and the Group.

The Independent Non-executive Directors provide the Group with diversified knowledge and expertise. Their suggestions, opinions and participation in the meetings of the Board and each committee bring independent opinions, suggestions and judgments on issues relating to the Group's strategy, development, operations, performance, risk control and conflicts of interest, to ensure that the interest of all shareholders are taken into account.

Information and responsibilities of all Directors are contained in this annual report on page 24.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Chairman of the Board and the Chief Executive Officer have different roles. The Chairman of the Board is responsible for the operation of the Board and the Chief Executive Officer is responsible for managing the operations and day-to-day management of the Group. Their functions have been clearly divided to ensure a balanced distribution of power and authority not concentrating on a single individual.

The Chairman of the Board is principally responsible for leading the Board and ensures the Board acts in the best interests of the Company. The Chairman of the Board shall ensure the Board operates effectively and performs its proper duties and discusses all important and proper matters in a timely manner. The Chairman of the Board is responsible for convening Board meetings, consulting, determining and approving the agenda of each Board meeting, and ensuring that Directors are provided sufficient information on current matters in a timely manner. The Chairman of the Board is also responsible for ensuring that the Company formulates good corporate governance practice and procedure.

The Chief Executive Officer is principally responsible for the daily operation and management of the Group's overall operations and implementing the Board's operating strategy and policy and delegating tasks to all departments for implementation so as to realize the Board's objectives and decisions. In addition, the Chief Executive Officer is also responsible for coordinating close cooperation among all departments, uniting efforts of staff and encouraging the initiative of staff so as to ensure smooth and effective operation of the Company's operations and systems.

On 21 November 2012, Ms. Kam Yuen ceased to act as the Chief Executive Officer as she may focus her personal endeavors. On the same date, Mr. Zhou Hongbo, an Executive Director and the Chairman of the Board, was appointed as the Chief Executive Officer. Thereafter, Mr. Zhou Hongbo assumes both roles.

The Board believes that the vesting of the roles of Chairman of the Board and Chief Executive Officer in the same person can provide the Group with strong and consistent leadership and allow for more effective planning and execution of long-term business strategies, as well as ensuring effective oversight of management. The Board also believes that the present structure is considered to be appropriate under the circumstances of the Company.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

In accordance with the CG Code and the Articles of Association, all Directors, including Independent Non-executive Directors, are subject to retirement by rotation once every three years. Composition of the Board will be reviewed regularly by the Board and also by the nomination committee of the Company to ensure that it covers a balance of expertise, skills and experience appropriate for the requirements of the business of the Company.

Mr. Chan Ka Yin was appointed as an Independent Non-executive Director on 8 March 2013 and will retire, and being eligible, offer himself for re-election at the forthcoming annual general meeting of the Company.

In addition, in accordance with Article 116 of the Articles of Association, Mr. Kwok Wai, Wilfred and Mr. Wong Kwai Sang will retire by rotation, and being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company.

Each Director had entered into an appointment letter with the Company setting out the key terms and conditions of his appointment. The Directors are required to refer to the relevant key terms and conditions as set out in the Articles and Association and the guidelines for Directors and Guide for Independent Non-executive Directors (if applicable) published by the Hong Kong Institute of Directors.

The term of office of Mr. Wong Kwai Sang, Mr. Christopher David Thomas and Mr. Chan Ka Yin as Independent Non-executive Director is for three years until 1 March 2015, 3 May 2015 and 8 March 2016 respectively. They are subject to the retirement and re-election requirements of the Articles of Association.

All Independent Non-executive Directors are appointed for a specific term, subject to retirement by rotation under the Articles of Association. The Board has received from each Independent Non-executive Director a written annual confirmation of his independence and is satisfied with their independence in accordance with the Listing Rules. The Company considers that all Independent Non-executive Directors meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent to the Company.

AUDIT COMMITTEE

The Board has established an audit committee (the "Audit Committee") with the term of references in accordance with the Listing Rules. The Audit Committee currently comprises three Independent Non-executive Directors, namely, Mr. Chan Ka Yin (Chairman), Mr. Wong Kwai Sang and Mr. Christopher David Thomas. Mr. Chan Ka Yin has appropriate accounting and related financial management expertise as required under Rule 3.10 of the Listing Rules.

The primary duties of the Audit Committee are:

1. to recommend to the Board on the appointment, re-appointment and removal of the external auditor and to approve the remuneration and terms of engagement of the external auditor, and any questions of resignation or dismissal of such auditor;
2. to consider and discuss with the external auditor the nature and scope of audit for each year;
3. to review and monitor the external auditor's 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;
5. to review the Group's financial controls, internal control and risk management systems; and
6. to consider other topics, as defined by the Board.

During the year, the Audit Committee had reviewed and discussed, in accordance with its terms of reference, the financial reporting matters with external auditor, including the review of the interim and annual consolidated financial statements, the internal control and the audit fee and made recommendation to the Board for re-appointment of external auditor.

During the year, the Audit Committee held 5 meetings and had transacted its business by written resolutions. The attendance of Audit Committee meetings of each member is set out below:

Name of the Audit Committee Member	Number of Audit Committee meetings attended/ Number of Audit Committee meetings held
Mr. Chan Ka Yin *(Note 1)*	N/A
Mr. Wong Kwai Sang	4/5
Mr. Christopher David Thomas	5/5
Mr. Cheung Ngai Lam *(Note 2)*	5/5

Notes:

1. Mr. Chan Ka Yin was appointed as member and Chairman of the Audit Committee on 8 March 2013.
2. Mr. Cheung Ngai Lam resigned as member and Chairman of the Audit Committee on 8 March 2013.

REMUNERATION COMMITTEE

The Board has established a remuneration committee (the "Remuneration Committee") with the term of references in accordance with the Listing Rules. The Remuneration Committee currently comprises three Independent Non-executive Directors, namely, Mr. Chan Ka Yin (Chairman), Mr. Wong Kwai Sang and Mr. Christopher David Thomas.

The primary duties of the Remuneration Committee (as adopted pursuant to the terms of references of the Remuneration Committee) includes making recommendations to the Board on the Company's policy and structure of all Directors' and senior management's remuneration and on the establishment of a formal and transparent procedure for development of remuneration policy.

Set out below is the summary of work of the Remuneration Committee done for the year ended 30 June 2013:

1. to recommend the remuneration of Mr. Chan Ka Yin as new Independent Non-executive Director and Chairman of the Audit Committee, the Remuneration Committee and the Nomination Committee;
2. to review the Company's policy and structure for all Directors' and the senior management of the Company;
3. to review management's remuneration proposal with reference to the corporate goals and objective of the Board; and
4. to recommend the remuneration of individual Executive Director and Independent Non-executive Director.

During the year, the Remuneration Committee held 1 meeting and had also transacted its business by written resolutions. The attendance of Remuneration Committee meeting of each member is set out below:

Name of the Remuneration Committee Member	**Number of Remuneration Committee meeting attended/ Number of Remuneration Committee meeting held**
Mr. Chan Ka Yin *(Note 1)*	1/1
Mr. Wong Kwai Sang	1/1
Mr. Christopher David Thomas	0/1
Mr. Cheung Ngai Lam *(Note 2)*	N/A

Notes:

1. Mr. Chan Ka Yin was appointed as member and Chairman of the Remuneration Committee on 8 March 2013.
2. Mr. Cheung Ngai Lam resigned as member and Chairman of the Remuneration Committee on 8 March 2013.

The Company's emolument policy is to ensure that the remuneration offered to employees, including Executive Directors and the 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 the senior management would not be involved in deciding their own remuneration.

Details of emoluments of Directors and the five highest-paid employees of the Company during the year are set out in Note 16 to the consolidated financial statements.

NOMINATION COMMITTEE

The Board has established a nomination committee (the "Nomination Committee") with the term of references in accordance with the Listing Rules. The Nomination Committee currently comprises three Independent Non-executive Directors, namely, Mr. Chan Ka Yin (Chairman), Mr. Wong Kwai Sang and Mr. Christopher David Thomas.

The primary duties of the Nomination Committee includes review of the structure, size and composition of the Board on a regular basis, assessing new candidates for appointment as Directors and the independence of Independent Non-executive Directors and considering the retirement and re-election of the Directors.

Set out below is the summary of work of the Nomination Committee done for the year ended 30 June 2013:

1. to note the resignation of Ms. Kam Yuen as Executive Director and the Chief Executive Officer and to recommend the appointment of Mr. Zhou Hongbo as the Chief Executive Officer;
2. to note the resignation of Mr. Cheung Ngai Lam as Independent Non-executive Director and Chairman of the Audit Committee, Remuneration Committee and Nomination Committee;
3. to consider the background, knowledge and independence of Mr. Chan Ka Yin and recommend to the Board for appointment of Mr. Chan Ka Yin as Independent Non-executive Director and the Chairman of the Audit Committee, Remuneration Committee and Nomination Committee;
4. to assess the independence of each Independent Non-executive Director;
5. to review the structure, size and composition of the Board; and
6. to make the recommendation of re-election of retiring Directors to the Board.

During the year, the Nomination Committee held 1 meeting and had also transacted its business by written resolutions. The attendance of Nomination Committee meeting of each member is set out below:

Name of the Nomination Committee Member	**Number of Nomination Committee meeting attended/ Number of Nomination Committee meeting held**
Mr. Chan Ka Yin *(Note 1)*	1/1
Mr. Wong Kwai Sang	1/1
Mr. Christopher David Thomas	0/1
Mr. Cheung Ngai Lam *(Note 2)*	N/A

Notes:

1. Mr. Chan Ka Yin was appointed as member and Chairman of the Nomination Committee on 8 March 2013.
2. Mr. Cheung Ngai Lam resigned as member and Chairman of the Nomination Committee on 8 March 2013.

OTHER INFORMATION

The Board has established an investment committee, which currently comprises two Executive Directors, namely, Mr. Zhou Hongbo (Chairman) and Mr. Leung Kwong Choi. During the year, investment committee of the Company had not held any meeting.

The Board has from time to time consider its policy for corporate governance and its duties and duties of various board committees. The Company has not established a corporate governance committee and performs the obligations regarding corporate governance, including:

1. develop and review the Company's policies and practices on corporate governance;
2. review and monitor the training and continuous professional development of directors and senior management;
3. review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
4. develop, review and monitor the code of conduct and compliance manual applicable to employees and directors; and
5. review the Company's compliance with Appendix 14 (Corporate Governance Code and Corporate Governance Report) of the Listing Rules.

The Directors have disclosed the number and nature of offices held in public companies or organizations and other signification commitments. The Board will regularly review the contribution required by each Director to perform his responsibilities to the Company and whether he is spending sufficient time performing his duties.

During the year, the Chairman had held a meeting with Independent Non-executive Directors without Executive Directors present.

The Board has approved effective from 1 September 2013 adoption of a board diversity policy of the Company, which provides that the Company recognizes and embraces the benefits of having a diverse Board, and sees diversity at Board level as an essential element in maintaining a competitive advantage. A truly diverse Board will include and make good use of differences in the talents, skills, regional and industry experience, background, race, age, gender and other qualities of the members of the Board. These differences will be considered in determining the optimum composition of the Board and when possible should be balanced appropriately. All appointments of the members of the Board are made on merit, in the content of the talents, skills and experience the Board as a whole requires to be effective. The Nomination Committee reviews and assesses the composition of the Board and makes recommendations to the Board on appointment of new Directors. The Nomination Committee also oversees the conduct of the annual review of the effectiveness of the Board.

TRAINING OF DIRECTORS

Newly appointed Director is provided with necessary information to ensure that he has a proper understanding of the Company's operations and businesses as well as his responsibilities under the relevant statutes, laws, rules and regulations. The Company Secretary and representative of auditor update directors on the latest development and changes regarding the Listing Rules, accounting standards and other relevant regulatory requirements from time to time.

In addition, the Directors are provided with monthly updates on the Company's performance and position to enable the Board as a whole and each director to discharge their duties.

All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. According to the records provided by the Directors, all Directors have participated in continuous professional development for the year ended 30 June 2013.

Name of Director	Reading regulatory updates/attending in house briefing	Attending expert briefing/ seminars/ conference relevant to the business/ director's duties
Mr. Zhou Hongbo *(Chairman and Chief Executive Officer)*	√	X
Mr. Leung Kwong Choi	X	√
Mr. Kwok Wai, Wilfred	√	X
Mr. Wong Kwai Sang	√	X
Mr. Christopher David Thomas	X	√
Mr. Chan Ka Yin	√	X

DIRECTORS' AND OFFICERS' LIABILITIES INSURANCE

The Company has arranged directors' and officers' liabilities insurance for all Directors and the senior management of the Company. The insurance covers them against costs, charges, expenses and liabilities incurred arising out of the corporate activities.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as the Company Code of Conduct regarding Director's securities transactions. Having made specific enquiry, all Directors confirmed that they have complied with the required standard set out in the Model Code throughout the year ended 30 June 2013.

INTERNAL CONTROLS

The Board, through the Audit Committee, has conducted review of the effectiveness of the internal control system of the Group. 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.

The Company had appointed an independent professional company to carry out a review on the corporate governance and the internal control system of the Group, which was completed after the financial year end. The Board has considered the review report and the findings therein and agreed to implement the recommendations.

The Board also reviewed sufficiency and adequacy of human resources, qualification, experience of staff of accounting and financial functions and their training programmes and budgets.

COMPANY SECRETARY

The Company Secretary is Mr. Lo Tai On who is engaged and appointed by Company from an external secretarial services provider.

The primary contact persons with the Company Secretary are Mr. Zhou Hongbo, an Executive Director, the Chairman of the Board and the Chief Executive Officer and Ms. Christy Sung, an officer of the Company. The Company Secretary has duly complied with the relevant training requirement under Rule 3.29 of the Listing Rules.

ACCOUNTABILITY AND AUDIT

The Directors acknowledge their responsibility for preparing 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 the Shareholders. The Directors 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 insider information announcements and other financial disclosures required under the Listing Rules and to report to the regulators.

The responsibility of the external auditor with respect to the financial reporting and their audit opinion are set out in the section "Independent Auditor's Report" on pages 28 to 29.

REMUNERATION OF THE AUDITOR

During the year, the remuneration in respect of audit and non-audit services provided by auditor of the Company, Lau & Au Yeung C.P.A. Limited, were HK$736,000 and HK$162,000 respectively.

The non-audit service provided by auditor of the Company is detailed as follows:

	HK$
Review service	162,000

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

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.

The general meetings of the Company are valuable forum for the Board to communicate directly with the shareholders of the Company (the "Shareholders"). The Shareholders are encouraged to attend the general meetings of the Company.

An annual general meeting of the Company was held on 21 November 2012 (the "2012 AGM"). A notice convening the 2012 AGM contained in a circular of the Company dated 19 October 2012 was dispatched to the Shareholders together with the 2012 Annual Report.

Mr. Zhou Hongbo, the Chairman of the Board, was unable to attend the 2012 AGM due to his official duties. Mr. Leung Kwong Choi, an Executive Director, elected by the Directors present at the 2012 AGM as the Chairman of the 2012 AGM together with the Chairman of all board committees attended the 2012 AGM to answer the questions from the Shareholders. The Chairman of the 2012 AGM explained detailed procedures for conducting a poll. All the resolutions proposed at the 2012 AGM were passed by the Shareholders by way of poll. The results of the poll were published on the websites of the Stock Exchange, the Singapore Stock Exchange and the Company on 21 November 2012.

In addition, an extraordinary general meeting of the Company was held on 6 June 2013 (the "EGM") to consider an ordinary resolution approving the refreshment of general mandate to issue shares. A notice convening the EGM contained in the circular dated 20 May 2013 was dispatched to the Shareholders.

Mr. Zhou Hongbo, the Chairman of the Board, was unable to attend the EGM due to his official duties. Mr. Leung Kwong Choi, an Executive Director, elected by the Directors present at the EGM as the Chairman of the EGM together with all independent board committee members attended the EGM to answer the questions from the Shareholders. The Chairman of the EGM explained detailed procedures for conducting a poll. The resolution proposed at the EGM was passed by the Shareholders by way of poll. The result of the poll was published on the websites of the Stock Exchange, the Singapore Stock Exchange and the Company on 6 June 2013.

The attendance of general meetings of each Director is set out below:

Name of Director	Number of general meetings attended/ Number of general meetings held
Executive Directors	
Mr. Zhou Hongbo *(Chairman and Chief Executive Officer)*	0/2
Mr. Leung Kwong Choi	2/2
Mr. Kwok Wai, Wilfred	0/2
Ms. Kam Yuen *(Note 1)*	1/1
Independent Non-executive Directors	
Mr. Wong Kwai Sang	2/2
Mr. Christopher David Thomas	2/2
Mr. Chan Ka Yin *(Note 2)*	1/1
Mr. Cheung Ngai Lam *(Note 3)*	1/1

Notes:

1. Ms. Kam Yuen resigned as Executive Director on 21 November 2012.

2. Mr. Chan Ka Yin was appointed as Independent Non-executive Directors on 8 March 2013.

3. Mr. Cheung Ngai Lam resigned as Independent Non-executive Director on 8 March 2013.

The forthcoming annual general meeting of the Company will be held on 27 November 2013 (the "2013 AGM"). A notice convening 2013 AGM will be published on the websites of the Stock Exchange, the Singapore Stock Exchange and the Company and dispatched together with the 2013 Annual Report to the Shareholders as soon as practicable in accordance with the Article of Association and the CG Code.

During the year, there was no change in the memorandum and articles of association of the Company.

SHAREHOLDERS' RIGHTS

The general meetings of the Company provide an opportunity for communication between the Shareholders and the Board. An annual general meeting of the Company shall be held in each year at such place as may be determined by the Board. Each general meeting, other than an annual general meeting, shall be called an extraordinary general meeting ("EGM"). Set out below are procedures by which Shareholders may (a) convene an EGM; (b) put forward enquires to the Board; and (c) put forward proposals at general meetings. The procedures are subject to the Articles of Association and applicable legislation and regulation.

— Procedures for Shareholders to convene EGM

Any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company, shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an EGM to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition.

The written requisition must state the business to be transacted at the meeting, signed by the requisitionist(s) and deposited at the Company's registered office (with a copy of the said written requisition deposited at the Company's Hong Kong office) for the attention of the Board or the Company Secretary, and may consist of several documents in like form, each signed by one or more requisitionists. The requisition will be verified with the Company's branch share registrars in Hong Kong and upon their confirmation that the requisition is proper and in order, the Company Secretary will ask the Board to convene an EGM by serving sufficient notice in accordance with the requirements under the Articles of Association to all the registered Shareholders. On the contrary, if the requisition has been verified as invalid, the requisitionist(s) will be advised of this outcome and accordingly, an EGM will not be convened as requested.

If within twenty-one days from the date of the deposit of the requisition the Board fails to proceed to convene such meeting, the requisitionist(s), may convene a meeting in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

The notice period to be given to all the registered Shareholders for consideration of the proposal raised by the requisitionist(s) concerned at the EGM varies according to the nature of the proposal, as follows:

— Not less than 14 clear days' and not less than 10 clear business days' notice in writing if the proposal constitutes an ordinary resolution of the Company; and

— Not less than 21 clear days' and not less than 20 clear business days' notice in writing if the proposal constitutes a special resolution of the Company.

— Procedures for putting enquiries to the Board

Shareholders may, at any time, direct enquiries to the Board. All enquiries shall be in writing and sent by post to the principal place of business of the Company in Hong Kong or by email to info@greencer.com for the attention of Chief Executive Officer.

— Procedures for putting forward proposals at general meetings

To put forward proposals at a general meeting of the Company, a Shareholder should lodge a written request, duly signed by the Shareholder concerned, setting out the proposals at the Company's registered office (with a copy of the said written request lodged at the Company's Hong Kong office) for the attention of the Board and the Company Secretary. The request will be verified with the Company's branch share registrars in Hong Kong and upon their confirmation that the request is proper and in order, the Company Secretary will pass the request to the Board. Whether a proposal will be put to a general meeting will be decided by the Board in its discretion, unless the proposal put forward by a Shareholder is (a) pursuant to a requisition by a Shareholder to convene an EGM referred to above or (b) forms part of ordinary business to be considered at an annual general meeting as described in Article 75 of the Articles of Association.

The procedures for Shareholders to propose a person for election as Director is posted on the Company's website at http://www.greencer.com/.

Independent Auditor's Report

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 30 to 100, which comprise the consolidated statement of financial position as at 30 June 2013, 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 information.

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 about 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 of consolidated financial statements that give a true and fair view 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.

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 2013, 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 the Hong Kong Companies Ordinance.

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

Hong Kong
25 September 2013

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2013

	Notes	2013 HK$'000	2012 HK$'000
Turnover	8	**31,014**	28,838
Cost of sales		**(27,517)**	(23,871)
Gross profit		**3,497**	4,967
Other gains and losses	10	**(26,663)**	(282,432)
Other income	11	**2,567**	1,301
Selling and distribution expenses		**(11)**	(22)
Administrative and other operating expenses		**(27,183)**	(58,493)
Finance costs	12	**(11)**	(9)
Loss before tax		**(47,804)**	(334,688)
Income tax credit	13	**5,672**	64,945
Loss for the year	14	**(42,132)**	(269,743)
Other comprehensive income			
Exchange differences arising on translation of foreign operations		**14,918**	17,160
Total comprehensive loss for the year		**(27,214)**	(252,583)
Loss for the year attributable to:			
Owners of the Company		**(42,132)**	(269,834)
Non-controlling interests		**—**	91
		(42,132)	(269,743)
Total comprehensive loss attributable to:			
Owners of the Company		**(27,214)**	(252,674)
Non-controlling interests		**—**	91
		(27,214)	(252,583)
			Restated
Loss per share			
– Basic (cents per share)	17	**(32.94)**	(237.74)
– Diluted (cents per share)	17	**(32.94)**	(237.74)

Consolidated Statement of Financial Position

At 30 June 2013

	Notes	2013 *HK$'000*	2012 *HK$'000*
Non-current assets			
Property, plant and equipment	19	**2,186**	2,862
Biological assets	20	**750,671**	767,064
Goodwill	21	**—**	—
Intangible assets	22	**120,949**	130,536
Long-term prepayments	23	**—**	33,660
Deposit paid for acquisition of long term assets	24	**—**	12,000
Interest in an associate	25	**—**	—
		873,806	946,122
Current assets			
Inventories	26	**227**	335
Trade and other receivables	27	**24,804**	32,914
Cash and bank balances	28	**29,492**	724
		54,523	33,973
Current liabilities			
Trade and other payables	29	**11,759**	29,966
Purchase consideration payable	30	**—**	45,721
Amount due to a former director	31	**1,799**	—
Tax payable		**6,262**	2,759
Bank overdraft, unsecured	28	**—**	4
Obligations under finance lease	32	**46**	43
		19,866	78,493
Net current assets/(liabilities)		**34,657**	(44,520)
Total assets less current liabilities		**908,463**	901,602

Consolidated Statement of Financial Position

At 30 June 2013

	Notes	**2013** **HK$'000**	2012 HK$'000
Non-current liabilities			
Deferred tax liabilities	33	**197,659**	207,910
Obligations under finance lease	32	**96**	142
Advance from a related party	34	**—**	4,842
		197,755	212,894
NET ASSETS		**710,708**	688,708
Capital and reserves			
Share capital	35	**3,654**	128,270
Reserves		**707,054**	560,438
TOTAL EQUITY		**710,708**	688,708

The consolidated financial statements on pages 30 to 100 were approved and authorised for issue by the Board of Directors on 25 September 2013 and are signed on its behalf by:

Zhou Hongbo
Executive Director

Leung Kwong Choi
Executive Director

Consolidated Statement of Changes in Equity

For the year ended 30 June 2013

	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$'000 (Note d)	Capital reduction reserve HK$'000 (Note 35(a))	Statutory surplus reserve fund HK$'000 (Note e)	Foreign exchange revaluation reserve HK$'000 (Note f)	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 July 2011	108,526	747,330	(35,721)	76	31,475	—	5,407	60,659	(12,082)	905,670	4,251	909,921
Loss for the year	—	—	—	—	—	—	—	—	(269,834)	(269,834)	91	(269,743)
Other comprehensive income for the year	—	—	—	—	—	—	—	17,160	—	17,160	—	17,160
Total comprehensive loss for the year	—	—	—	—	—	—	—	17,160	(269,834)	(252,674)	91	(252,583)
Transfer between reserves	—	—	—	—	(19,242)	—			19,242	—	—	—
Recognition of equity-settled share-based payments	—	—	—	—	5,353	—	—	—	—	5,353	—	5,353
Placement of new shares	18,000	8,280	—	—	—	—	—	—	—	26,280	—	26,280
Exercise of share options	1,744	3,785	—	—	(1,204)	—	—	—	—	4,325	—	4,325
Disposal of subsidiaries	—	—	—	—	—	—	—	(246)	—	(246)	(4,342)	(4,588)
At 30 June 2012	128,270	759,395	(35,721)	76	16,382	—	5,407	77,573	(262,674)	688,708	—	688,708

	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$'000*** ***(Note d)***	**Capital reduction reserve** ***HK$'000*** ***(Note 35(a))***	**Statutory surplus reserve fund** ***HK$'000*** ***(Note e)***	**Foreign exchange revaluation reserve** ***HK$'000*** ***(Note f)***	**Accumulated losses** ***HK$'000***	**Total** ***HK$'000***	**Non-controlling interests** ***HK$'000***	**Total equity** ***HK$'000***
At 1 July 2012	**128,270**	**759,395**	**(35,721)**	**76**	**16,382**	—	**5,407**	**77,573**	**(262,674)**	**688,708**	—	**688,708**
Loss for the year	—	—	—	—	—	—	—	—	**(42,132)**	**(42,132)**	—	**(42,132)**
Other comprehensive income for the year	—	—	—	—	—	—	—	**14,918**	—	**14,918**	—	**14,918**
Total comprehensive loss for the year	—	—	—	—	—	—	—	**14,918**	**(42,132)**	**(27,214)**	—	**(27,214)**
Lapsed of share options	—	—	—	—	**(15,392)**	—	—	—	**15,392**	—	—	—
Settlement of acquisition consideration	—	—	**35,721**	—	—	—	—	—	**1,043**	**36,764**	—	**36,764**
Capital reduction	**(125,704)**	—	—	—	—	**125,704**	—	—	—	—	—	—
Transfer to set off accumulated losses	—	—	—	—	—	**(125,704)**	—	—	**125,704**	—	—	—
Placement of new shares	**1,088**	**11,362**	—	—	—	—	—	—	—	**12,450**	—	**12,450**
At 30 June 2013	**3,654**	**770,757**	—	**76**	**990**	—	**5,407**	**92,491**	**(162,667)**	**710,708**	—	**710,708**

Consolidated Statement of Changes in Equity

For the year ended 30 June 2013

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 30(a), the Company issued shares for acquisition of Bright Delight Group Limited in 2011. As at 30 June 2012, 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.

During the year ended 30 June 2013, the Company settled the acquisition shares on a pro-rate basis by reference to the actual profit of Bright Delight Group Limited in respective years ended 30 June 2011 and 30 June 2012 (Note 30(d)).

(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) 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 discretionary 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.

(f) 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 2013

	Notes	2013 HK$'000	2012 HK$'000
OPERATING ACTIVITIES			
Loss before tax	14	**(47,804)**	(334,688)
Adjustments for:			
Interest income		—	(1)
Finance costs		**11**	9
Equity-settled share-based payments		—	5,353
Depreciation of property, plant and equipment		**676**	506
Amortisation of prepaid lease payments		—	11
Impairment loss on amounts due from ex-subsidiaries		—	4,189
Impairment loss on long-term prepayment		—	2,825
Impairment loss on goodwill		—	36,281
Impairment loss on patents		**350**	64,564
Amortisation of intangible assets		**4,937**	17,897
Loss on changes in fair value of biological assets less estimated point-of-sale costs		**31,416**	183,729
Loss on disposal of subsidiaries		—	4,479
Changes in fair value of purchase consideration payable		**(4,217)**	(6,740)
Reversal of impairment loss on interest in an associate		**(532)**	—
Gain on disposal of interest in an associate		**(156)**	—
Gain on transfer of intangible assets		**(196)**	—
Operating cash flows before movements in working capital		**(15,515)**	(21,586)
Decrease in inventories		**108**	492
Decrease in trade and other receivables		**22,612**	19,920
Decrease in amount due from a director		—	1
Increase/(decrease) in trade and other payables		**3,755**	(10,860)
Decrease in amount due to a related party		**(4,842)**	(5,889)
Increase in amount due to former director		**1,799**	—
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES		**7,917**	(17,922)

Consolidated Statement of Cash Flows

For the year ended 30 June 2013

	Notes	2013 HK$'000	2012 HK$'000
INVESTING ACTIVITIES			
Purchases of property, plant and equipment		—	(3,036)
Payments for construction in progress		—	(40)
Deposit paid for acquisition of long term assets		—	(12,000)
Deposit refund for acquisition of long term assets		**12,000**	—
Interest received		—	1
Net proceeds from transfer of intangible assets		**616**	—
Net proceeds from disposal of interest in an associate		**688**	—
Payments for purchase consideration payable		**(4,740)**	—
Net cash outflow arising on disposal of subsidiaries	37	—	(480)
NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES		**8,564**	(15,555)
FINANCING ACTIVITIES			
Capital element of finance lease payment		**(43)**	(51)
Net proceeds from issuance of shares		**12,450**	26,280
Net proceeds from exercise of share options		—	4,325
Interest paid		**(11)**	(9)
NET CASH FROM FINANCING ACTIVITIES		**12,396**	30,545
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**28,877**	(2,932)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**720**	3,743
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**(105)**	(91)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	28	**29,492**	720

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 2/F, 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 provision of green technology services.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANACIAL 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.

HKAS 1 (Amendments)	Presentation of Financial Statements
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets
HKFRS 1 (Amendments)	Government Loan

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.

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

HKFRSs (Amendments)	Annual Improvements 2009-2011 Cycle[1]
HKAS 19 (2011)	Employee Benefits[1]
HKAS 27 (2011)	Separate Financial Statements[1]
HKAS 28 (2011)	Investments in Associates and Joint Ventures[1]
HKAS 32 (Amendments)	Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities[2]
HKAS 36 (Amendments)	Impairment of Assets[2]
HKAS 39 (Amendments)	Novation of Derivatives and Continuation of Hedge Accounting[2]
HKFRS 7 (Amendments)	Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities[1]
HKFRS 9	Financial Instruments[3]
HKFRS 9 and HKFRS 7 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
HKFRS 10	Consolidated Financial Statements[1]
HKFRS 11	Joint Arrangements[1]
HKFRS 12	Disclosure of Interests in Other Entities[1]
HKFRS 13	Fair Value Measurement[1]
HKFRS 10, HKFRS 11 and HKFRS12 (Amendments)	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interest in Other Entities: Transition Guidance[1]
HKFRS 10, HKFRS 12 and HKAS 27 (Amendments)	Investment Entities[2]
HK(IFRIC) - Int 20	Stripping Costs in the Production Phase of a Surface Mine[1]
HK(IFRIC) - Int 21	Levies[2]

1 Effective for annual periods beginning on or after 1 January 2013
2 Effective for annual periods beginning on or after 1 January 2014
3 Effective for annual periods beginning on or after 1 January 2015

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.

(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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Property, plant and equipment

Property, plant and equipment including leasehold land (classified as finance lease) and 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.

(e) 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)*

(f) 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.

(g) 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, standing timber is transferred to inventory at its fair value less costs to sell at the date of harvest.)

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Interest in an associate

An associate is an entity over which the Group 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 an associate are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, interests 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 associate. 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.

Where a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

In the Company's statement of financial position, investments in associates are stated at cost less any identified impairment loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) 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.

(j) 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)*

(j) 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.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses were recognised, the previous recongised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset of the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Financial instruments *(Continued)*

Impairment loss on financial assets (Continued)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Financial instruments *(Continued)*

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, and only 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.

(k) 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)*

(l) 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.

(m) 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 bases:

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)*

(n) 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 or 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 the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, 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. Current and deferred tax are recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) 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 reserves (attributed to non-controlling interests as appropriate).

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(p) 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.

(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$25,000. 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) Impairment loss on 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 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. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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 immediately in profit or loss.

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.

(s) 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)*

(t) Related party

A related party is a person or entity that is related to the group that is preparing its financial statements.

(a) A person or a close member of that person's family is related to the group if that person:

(i) has control or joint control over the group;

(ii) has significant influence over the group; or

(iii) is a member of the key management personnel of the group or a parent of the group.

(b) An entity is related to group if any of the following conditions applies:

(i) The entity and the group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the group or an entity related to the group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the group (or of a parent of the entity).

Close family members of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(u) 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. These 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. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) 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. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(b) 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.

(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 nil (2012: Nil) with zero impairment loss for the year (2012: HK$36,281,000).

(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.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(f) Estimates of tax provision

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.

(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:

	2013	2012
	HK$'000	*HK$'000*
Financial assets		
Loan and receivables (including cash and bank balances)		
Trade receivables, net of allowances	**3,007**	—
Deposits and other receivables, net of allowances	**2,297**	3,419
Cash and bank balances	**29,492**	724
	34,796	4,143
Financial liabilities		
Other financial liabilities measured at amortised cost		
Trade payables	**208**	—
Other payables and accruals	**11,551**	29,966
Purchase consideration payable	—	45,721
Amount due to a former director	**1,799**	—
Obligation under finance lease	**142**	185
Advance from a related party	—	4,842
Bank overdraft, unsecured	—	4
	13,700	80,718

7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include trade receivables, deposits and other receivables, cash and bank balances, trade payables, other payables and accruals, and amount due to a former director.

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.

	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 2013					
Non-derivative financial liabilities					
Trade and other payables	11,759	—	—	11,759	11,759
Obligation under finance lease	54	54	49	157	142
Amount due to a former director	1,799	—	—	1,799	1,799
	13,612	54	49	13,715	13,700

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

Liquidity risk *(Continued)*

	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	Total undiscounted cash flow HK$'000	Carrying amounts HK$'000
At 30 June 2012					
Non-derivative financial liabilities					
Other payables and accruals	29,966	—	—	29,966	29,966
Balance of purchase consideration to be settled by cash	10,000	—	—	10,000	10,000
Obligation under finance lease	54	54	103	211	185
Advance from a related party	—	4,842	—	4,842	4,842
	40,020	4,896	103	45,019	44,993

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 28. 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 loss for the year would be unchanged (2012: unchanged). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank balances.

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

Credit risk

At 30 June 2013, 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 (2012: none) of the total trade receivables due from the Group's largest customer and the five largest customers.

8. 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 are as follows:

	2013	2012
	HK$'000	*HK$'000*
Sales of plantation materials	**2,704**	3,213
Sales of plantation products	**475**	318
Green technology income	**27,835**	25,307
	31,014	28,838

9. 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 plantation products

(iii) Green technology income

(iv) Sales of environmental system

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.

9. 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 2013

	Green technology income *HK$'000*	Sales of plantation materials *HK$'000*	Sales of environmental system *HK$'000*	Sales of plantation products *HK$'000*	Total *HK$'000*
Segment revenue:					
– External sales	27,835	2,704	—	475	31,014
Segment results before change in fair value of biological assets	21,234	16	—	(27,667)	(6,417)
Loss on change in fair value of biological assets less estimated point-of-sale costs	—	—	—	(31,416)	(31,416)
Segment results	21,234	16	—	(59,083)	(37,833)
Unallocated results					(9,960)
Finance costs					(11)
Loss before tax					(47,804)
Income tax credit					5,672
Loss for the year					(42,132)

9. SEGMENT INFORMATION *(Continued)*

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

For the year ended 30 June 2012

	Green technology income HK$'000	Sales of plantation materials HK$'000	Sales of environmental system HK$'000	Sales of plantation products HK$'000	Total HK$'000
Segment revenue:					
– External sales	25,307	3,213	—	318	28,838
Segment results before change in fair value of biological assets	20,882	403	—	(31,340)	(10,055)
Loss on change in fair value of biological assets less estimated point-of-sale costs	—	—	—	(183,729)	(183,729)
Segment results	20,882	403	—	(215,069)	(193,784)
Unallocated results					(140,895)
Finance costs					(9)
Loss before tax					(334,688)
Income tax credit					64,945
Loss for the year					(269,743)

9. 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 2013

	Green technology income HK$'000	Sales of plantation materials HK$'000	Sales of environmental system HK$'000	Sales of plantation products HK$'000	Total HK$'000
Segment assets	2,910	334	—	871,620	874,864
Unallocated corporate assets					53,465
Total assets					928,329
Segment liabilities	—	867	—	935	1,802
Unallocated corporate liabilities					215,819
Total liabilities					217,621

At 30 June 2012

	Green technology income HK$'000	Sales of plantation materials HK$'000	Sales of environmental system HK$'000	Sales of plantation products HK$'000	Total HK$'000
Segment assets	11	773	—	897,162	897,946
Unallocated corporate assets					82,149
Total assets					980,095
Segment liabilities	145	1,192	—	1,633	2,970
Unallocated corporate liabilities					288,417
Total liabilities					291,387

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 and deferred tax liabilities) are allocated to reportable segments.

9. SEGMENT INFORMATION *(Continued)*

(c) Other segment information

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

For the year ended 30 June 2013

	Green technology income *HK$'000*	Sales of plantation materials *HK$'000*	Sales of environmental system *HK$'000*	Sales of plantation products *HK$'000*	Total *HK$'000*
Other segment information:					
Depreciation of property, plant and equipment	**1**	—	—	—	**1**
Amortisation of intangible assets	—	**88**	—	**4,849**	**4,937**
Impairment of intangible assets	—	**350**	—	—	**350**
Unallocated depreciation of property, plant and equipment					**675**
Unallocated capital expenditure					—

For the year ended 30 June 2012

	Green technology income *HK$'000*	Sales of plantation materials *HK$'000*	Sales of environmental system *HK$'000*	Sales of plantation products *HK$'000*	Total *HK$'000*
Other segment information:					
Depreciation of property, plant and equipment	1	99	—	—	100
Amortisation of intangible assets	—	12,965	—	4,932	17,897
Impairment of intangible assets	—	64,564	—	—	64,564
Unallocated depreciation of property, plant and equipment					406
Unallocated capital expenditure					3,272

9. SEGMENT INFORMATION *(Continued)*

Geographical information

The Group's revenue 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	
	2013	2012	**2013**	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Turnover from external customers	**28,114**	18,046	**2,900**	10,792	**31,014**	28,838
Segment assets	**892,208**	975,840	**36,121**	4,255	**928,329**	980,095
Capital expenditure – property, plant and equipment	**—**	—	**—**	3,272	**—**	3,272

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	2013	2012
		HK$'000	*HK$'000*
A	Green technology income	**23,985**	14,515
B	Green technology income	**—**	10,792

10. OTHER GAINS AND LOSSES

	2013	2012
	HK$'000	*HK$'000*
Loss on changes in fair value of biological assets less estimated point-of-sale costs	**(31,416)**	(183,729)
Loss on disposal of subsidiaries	—	(4,479)
Changes in fair value of purchase consideration payable	**4,217**	6,740
Exchange gain/(loss), net	**2**	(119)
Impairment loss on goodwill	—	(36,281)
Impairment loss on intangible assets	**(350)**	(64,564)
Gain on transfer of intangible assets	**196**	—
Gain on disposal of interest in an associate	**156**	—
Reversal of impairment loss on interest in an associate	**532**	—
	(26,663)	(282,432)

11. OTHER INCOME

	2013	2012
	HK$'000	*HK$'000*
Consultancy fee income	**1,105**	—
Interest income	—	1
Rental Income	**1,400**	1,110
Others	**62**	190
	2,567	1,301

12. FINANCE COSTS

	2013	2012
	HK$'000	*HK$'000*
Finance lease interest	**11**	8
Other finance charges	—	1
	11	9

13. INCOME TAX CREDIT

	2013	2012
	HK$'000	*HK$'000*
Current tax		
– Hong Kong	**3,503**	1,502
– PRC Enterprise Income Tax ("EIT")	—	101
Deferred tax		
– current year	**(9,175)**	(66,548)
Income tax credit	**(5,672)**	(64,945)

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.

13. INCOME TAX CREDIT *(Continued)*

The income tax credit for the year can be reconciled to the loss 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:

	2013	2012
	HK$'000	*HK$'000*
Loss before tax	**(47,804)**	(334,688)
Tax calculated at applicable PRC tax rate of 25% (2012: 25%)	**(11,951)**	(83,672)
Tax effect of expenses not deductible for tax purpose	**7,581**	24,389
Tax effect of income not taxable for tax purpose	**(1,794)**	(5,652)
Effect of different tax rates of group companies operating in jurisdictions other than PRC	**492**	(10)
Income tax credit	**(5,672)**	(64,945)

14. LOSS FOR THE YEAR

Loss for the year is arrived at after charging:

	2013	2012
	HK$'000	*HK$'000*
Staff costs including directors' emoluments	**4,597**	6,058
Depreciation of property, plant and equipment	**676**	506
Amortisation of intangible assets	**4,937**	17,897
Cost of inventories recognised as an expense	**3,019**	2,279
Auditor's remuneration	**780**	726
Operating leases charges on property rentals	**1,606**	1,713
Impairment loss on amounts due from former subsidiaries	—	4,189
Impairment loss on long-term prepayments	—	2,825
Equity-settled share-based payment expense	—	5,353

15. STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	2013	2012
	HK$'000	*HK$'000*
Salaries, wages and other benefits	**4,584**	6,058
Contributions to defined contribution retirement plans	**13**	30
	4,597	6,088

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$25,000 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.

16. DIRECTORS' EMOLUMENTS

(a) Directors' emoluments

The emoluments paid or payable to each of eight (2012: seven) directors during the year were as follows:

For the year ended 30 June 2013

Name of director	Fees	Salaries, wages and other benefits	Equity-settled share-based payment expense	Contributions to defined contribution retirement plans	Total 2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors:					
Mr. Leung Kwong Choi	180	—	—	—	180
Ms. Kam Yuen (Note 1)	1,080	—	—	—	1,080
Mr. Kwok Wai, Wilfred	180	—	—	—	180
Mr. Zhou Hongbo	240	—	—	—	240
Independent non-executive directors:					
Mr. Wong Kwai Sang	120	—	—	—	120
Mr. Cheung Ngai Lam (Note 2)	90	—	—	—	90
Mr. Christopher David Thomas	120	—	—	—	120
Mr. Chan Ka Yin (Note 3)	40	—	—	—	40
	2,050	—	—	—	2,050

Note:

1. Ms. Kam Yuen was resigned on 21 November 2012.
2. Mr. Cheung Ngai Lam was resigned on 8 March 2013.
3. Mr. Chan Ka Yin was appointed on 8 March 2013.

16. DIRECTORS' EMOLUMENTS *(Continued)*

(a) Directors' emoluments *(Continued)*

For the year ended 30 June 2012

Name of director	Fees	Salaries, wages and other benefits	Equity-settled share-based payment expense	Contributions to defined contribution retirement plans	Total 2012
	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
Mr. Zhou Hongbo (Note 4)	20	—	—	—	20
Independent non-executive directors:					
Mr. Wong Kwai Sang	75	—	—	—	75
Mr. Cheung Ngai Lam	120	—	—	—	120
Mr. Christopher David Thomas	75	—	—	—	75
	2,810	—	—	—	2,810

Note:

4. Mr. Zhou Hongbo was appointed on 1 June 2012.

No director has waived or agreed to waive any emoluments during the two years ended 30 June 2013 and 2012.

During the years ended 30 June 2013 and 2012, 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.

16. DIRECTORS' EMOLUMENTS *(Continued)*

(b) Senior management's emoluments

Of the five individuals with the highest emoluments in the Group, two (2012: four) were directors of the Company and none (2012: none) were ex-directors of the Company. Their emoluments is detailed in note 16(a).

The emoluments fall within the following band:

	Number of individuals	
	2013	2012
Nil – HK$2,000,000	**5**	4
HK$2,000,001 – HK$4,000,000	—	1

17. LOSS PER SHARE

The calculation of the basic loss per share attributable to owners of the Company is based on the following data:

	2013	2012
	HK$'000	*HK$'000*
Loss		
Loss for the purpose of basic and diluted loss per share	**(42,132)**	(269,834)

	2013	2012
	'000	*'000*
		(Restated)
Number of shares *(note)*		
Weighted average number of ordinary shares for the purposes of calculating basic loss per share	**127,894**	113,502

Note: The weighted average of ordinary shares for the purpose of calculating basic loss per share for both years have been retrospectively adjusted for the effect of share consolidation completed in March 2013.

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

18. DIVIDEND

The Board does not recommend the payment of any dividend for the year ended 30 June 2013 (2012: Nil).

19. PROPERTY, PLANT AND EQUIPMENT

	Building	**Plant and machinery**	**Furniture, fixtures and office equipment**	**Motor vehicles**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
COST					
At 1 July 2011	1,184	1,362	210	238	2,994
Additions	—	—	3,036	236	3,272
Disposal of subsidiaries	(1,200)	(1,333)	(213)	(239)	(2,985)
Exchange realignment	16	(29)	—	1	(12)
At 30 June, 2012, 1 July 2012 and 30 June 2013	—	—	**3,033**	**236**	**3,269**
ACCUMULATED DEPRECIATION					
At 1 July 2011	19	21	39	9	88
Provision for the year	28	43	375	60	506
Disposal of subsidiaries	(47)	(65)	(60)	(15)	(187)
Exchange realignment	—	1	—	(1)	—
At 30 June 2012 and 1 July 2012	—	—	354	53	407
Provision for the year	—	—	605	71	676
At 30 June 2013	—	—	**959**	**124**	**1,083**
CARRYING VALUES					
At 30 June 2013	—	—	**2,074**	**112**	**2,186**
At 30 June 2012	—	—	2,679	183	2,862

20. BIOLOGICAL ASSETS

	Standing timber *HK$'000*
At 1 July 2011	933,542
Loss on changes in fair value less estimated point-of-sale costs	(183,729)
Exchange realignment	17,251
At 30 June 2012 and 1 July 2012	**767,064**
Loss on changes in fair value less estimated point-of-sale costs	(31,416)
Exchange realignment	15,023
At 30 June 2013	**750,671**

The Group's biological assets represent standing timber on plantation land of approximately 30,000 Chinese Mu with lease term of 30 years, expiring in 2038. During the year, the Group did not harvest or sell any standing timber (2012: Nil).

The Group's standing timber at 30 June 2013 were independently valued by Ascent Partners Valuation 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 2013 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 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.

21. GOODWILL

	HK$'000
COST	
At 1 July 2011	145,675
Disposal of subsidiaries	(53,673)
At 30 June 2012, 1 July 2012 and 30 June 2013	**92,002**
ACCUMULATED IMPAIRMENT LOSSES	
At 1 July 2011	(109,394)
Impairment loss recognised during the year	(36,281)
Written back on disposal of subsidiaries	53,673
At 30 June 2012, 1 July 2012 and 30 June 2013	**(92,002)**
CARRYING VALUES	
At 30 June 2013	—
At 30 June 2012	—

21. GOODWILL *(Continued)*

Impairment testing on goodwill

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

	2013	2012
	HK$'000	*HK$'000*
Plantation materials	**36,281**	36,281
Green technology	**55,721**	55,721
	92,002	92,002

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 2012, 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 9.31%. As the recoverable amount of the relevant CGUs is lower than the carrying value of corresponding intangible assets of which impairment loss of HK$64,564,000 is recognised. The directors consider that the carrying amount of goodwill of approximately HK$36,281,000 should be fully impaired during the year ended 30 June 2012.

Green technology

During the year ended 30 June 2011, due to the cash-generated unit had not fully 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.

22. INTANGIBLE ASSETS

	Operating rights HK$'000 (Note a)	Patents HK$'000 (Note b)	Total HK$'000
COST			
At 1 July 2011	147,958	161,559	309,517
Disposals	—	(1,542)	(1,542)
At 30 June 2012 and 1 July 2012	147,958	160,017	307,975
Disposals	(4,986)	(2,313)	(7,299)
At 30 June 2013	**142,972**	**157,704**	**300,676**
ACCUMULATED AMORTISATION AND IMPAIRMENT			
At 1 July 2011	(12,928)	(83,592)	(96,520)
Amortisation for the years	(4,932)	(12,965)	(17,897)
Impairment loss recognised during the year	—	(64,564)	(64,564)
Written back on disposals	—	1,542	1,542
At 30 June 2012 and 1 July 2012	(17,860)	(159,579)	(177,439)
Amortisation for the year	(4,849)	(88)	(4,937)
Impairment loss recognised during the year	—	(350)	(350)
Written back on disposals	686	2,313	2,999
At 30 June 2013	**(22,023)**	**(157,704)**	**(179,727)**
CARRYING VALUES			
At 30 June 2013	**120,949**	—	**120,949**
At 30 June 2012	130,098	438	130,536

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. 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 the year ended 30 June 2010. The intangible assets are amortized using straight-line method over the estimated lease term of 7 to 10 years.

23. LONG-TERM PREPAYMENTS

	2013	2012
	HK$'000	*HK$'000*
Prepayments of subcontracting fees	**19,500**	65,981
Less: current portion of long-term prepayments	**(19,500)**	(29,496)
Impairment loss on long-term prepayments	—	(2,825)
	—	33,660

The amount represents the prepayments of subcontracting fees for the period from 1 July 2013 to 30 June 2014 (2012: 1 July 2012 to 30 June 2014).

24. DEPOSIT PAID FOR ACQUISITION OF LONG TERM ASSETS

	2013	2012
	HK$'000	*HK$'000*
Deposit paid for acquisition of a business	—	12,000
	—	12,000

Pursuant to announcements dated 18 November 2011 and 7 December 2011, the Group entered into a memorandum of understanding ("MOU") and a sale and purchase agreement ("S&P agreement") with an independent third party respectively, for acquisition of 100% equity interest in a target group of companies involved in the forest plantation business in the PRC ("Forest Acquisition").

The proposed consideration for the forest acquisition is HK$180,000,000. The Group paid deposits of HK$2,000,000 and HK$10,000,000 in cash upon signing of the MOU and S&P agreement respectively. The remaining amount will be settled by way of issue of promissory note to the vendor.

Pursuant to the announcements dated 6 January 2012, 12 March 2012 and 12 June 2012 respectively, additional time is required for collection of information from the target company to complete the due diligence review and fulfill various conditions contemplated in the S&P agreement. As at 30 June 2012, the completion of the acquisition is therefore postponed pending the above outstanding matters.

As announced on 20 February 2013, the Group entered into a termination agreement in relation to the Forest Acquisition. The related deposits of HK$12,000,000 was returned to the Group upon signing of the termination agreement. Neither the Group nor the vendor shall have any further obligations or liabilities towards the other nor any claims against the other in connection with the S&P agreement.

25. INTEREST IN AN ASSOCIATE

	2013	2012
	HK$'000	*HK$'000*
Cost of unlisted investment in an associate	**755**	755
Share of post-acquisition loss and other comprehensive expense	**(223)**	(223)
Impairment loss on interest in an associate	**(532)**	(532)
Reversal of impairment loss on interest in an associate upon disposal	**532**	—
	532	—
Disposals	**(532)**	—
	—	—

Particulars of the Group's associate as at 30 June 2013 is set out as follows:

Name of associate	**Place of incorporation/ establishment and operation**	**Group equity interest**		**Proportion of voting power held**		**Principal activity**
		2013	2012	**2013**	2012	
TAO Environmental Engineering Co., Limited	The People's Republic of China ("PRC")	— *(Note)*	38%	— *(Note)*	38%	Research and development of organic technology in environmental products, fertilizers, machineries and consultancy service

Note:

For the year ended 30 June 2011, TAO Environmental Engineering Co., Limited was loss making and this resulted in the Group's attributable share of loss of associate of HK$223,000. Full impairment was made.

On 8 October 2012, the Group completed the disposal of its 38% equity interest in an associate at a consideration of RMB570,000.

25. INTEREST IN AN ASSOCIATE *(Continued)*

Note: (Continued)

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

	2012
	HK$'000
Total assets	236
Total liabilities	(157)
Net assets	79
Group's share of net assets of associate	30
Revenue	488
Loss for the year	(203)
Other comprehensive loss	—
Group's share of loss and other comprehensive loss of associate for the year	—

26. INVENTORIES

	2013	2012
	HK$'000	*HK$'000*
Organic fertilisers		
Raw materials	—	59
Finished goods	**227**	276
	227	335

27. TRADE AND OTHER RECEIVABLES

	2013	2012
	HK$'000	*HK$'000*
Trade receivables	3,007	—
Prepayments, deposits and other receivables	21,797	32,914
	24,804	32,914

All trade and other receivables are neither past due nor impaired.

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:

	2013	2012
	HK$'000	*HK$'000*
RMB	850	902

28. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components:

	2013	2012
	HK$'000	*HK$'000*
Cash at banks and on hand	29,492	724
Bank overdrafts	—	(4)
	29,492	720

The carrying amounts of cash and cash equivalents are denominated in the following currencies:

	2013	2012
	HK$'000	*HK$'000*
HK$	29,364	568
RMB	128	152
	29,492	720

29. TRADE AND OTHER PAYABLES

	2013	2012
	HK$'000	*HK$'000*
Trade payables	**208**	—
Other payables and accruals	**11,551**	29,966
	11,759	29,966

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

	2013	2012
	HK$'000	*HK$'000*
Within 30 days	—	—
31 - 90 days	—	—
91 - 180 days	**208**	—
Over 180 days	—	—
	208	—

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.

	2013	2012
	HK$'000	*HK$'000*
RMB	**2,001**	21,016

30. PURCHASE CONSIDERATION PAYABLES

	Notes	**2013** **HK$'000**	2012 HK$'000
As at 1 July		**45,721**	52,461
Fair value adjustments (Note 10)	(b), (d)	**(4,217)**	(6,740)
Settlement of purchase consideration payables	(d)	**(41,504)**	—
As at 30 June		—	45,721
Represented by:			
Balance of purchase consideration to be settled by cash	(c)	—	10,000
Balance of purchase consideration to be settled by shares issued and held by escrow agent	(c)	—	35,721
		—	45,721

Notes:

(a) Pursuant to the acquisition agreement, 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 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.

30. PURCHASE CONSIDERATION PAYABLES *(Continued)*

Notes (Continued):

(b) During the year ended 30 June 2012, the Group disposed of Ally Goal Group to independent third party. Pursuant to the supplementary agreement between the Group and the vendor, the Group was released from all kinds of liabilities including the liability of issue of consideration shares upon Ally Goal's achievement of the profits guarantees. Accordingly, fair value adjustment as at 30 June 2012 of HK$6,740,000 was recognised in "Other gains and losses" in the consolidated statement of comprehensive income (Note 10).

(c) During the year ended 30 June 2012, Bright Delight Group did not fully achieve the profit guarantee conditions as mentioned in (b) above. As at 30 June 2012, the consideration shares have not been released and the cash consideration of HK$10,000,000 has not been paid to the vendor.

(d) Pursuant to the Company's announcement dated 23 April 2013 and the respective supplementary agreements signed with the vendor, the Company fully settled the purchase consideration payable on a pro-rata basis by reference to the actual profit level of Bright Delight Group in respective years ended 30 June 2011 and 30 June 2012. The Company paid HK$5,783,000 cash consideration and released 2,816,152 consideration shares (after share consolidation effective in March 2013) respectively for full settlement of the purchase consideration payables. The fair value adjustment of HK$4,217,000 in relation to the cash consideration was recognised in "Other gains and losses" in the consolidated statement of comprehensive income. The excess of 4,533,848 consideration shares (after share consolidation effective in March 2013) were purchased by the vendor by cash at HK$0.23 per share, being the closing market price on 25 June 2013, totalling HK$1,043,000 and were accounted for in the equity.

31. AMOUNT DUE TO A FORMER DIRECTOR

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

32. OBLIGATION UNDER FINANCE LEASE

	2013	2012
	HK$'000	*HK$'000*
Wholly repayable within five years Obligation under finance lease	**142**	185
Less: Amount due within one year included under current liabilities	**(46)**	(43)
	96	142

32. OBLIGATION UNDER FINANCE LEASE *(Continued)*

Obligation under finance lease is repayable with the following periods:

	Present value		Minimum payment	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Within one year	**46**	43	**54**	54
In the second year	**49**	46	**54**	54
In the third to fifth year	**47**	96	**49**	103
	142	185	**157**	211
Finance charges			**(15)**	(26)
			142	185

Interest is charged on the outstanding balance of finance lease at the rate of 6.47% per annum (2012: 6.47% per annum). The finance lease is secured by a motor vehicle of the group.

33. DEFERRED TAX

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

Deferred tax liabilities	**Biological assets** *HK$'000*	**Intangible assets** *HK$'000*	**Patents** *HK$'000*	**Total** *HK$'000*
At 1 July 2011	(221,208)	(33,758)	(19,492)	(274,458)
Credited to statement of comprehensive income	45,932	1,233	19,383	66,548
At 30 June 2012 and 1 July 2012	(175,276)	(32,525)	(109)	(207,910)
Credited to statement of comprehensive income	7,854	1,212	109	9,175
Disposals	—	1,076	—	1,076
At 30 June 2013	**(167,422)**	**(30,237)**	—	**(197,659)**

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:

	2013 *HK$'000*	2012 *HK$'000*
Deferred tax asset	—	—
Deferred tax liabilities	**(197,659)**	(207,910)
	(197,659)	(207,910)

At the end of the reporting period, the Group has no unused tax losses (2012: Nil).

34. ADVANCE FROM A RELATED PARTY

The advance from a related party was unsecured and non-interest bearing. The fair value of this financial liability approximate its corresponding carrying amount at the end of the reporting period.

35. SHARE CAPITAL

	Number of ordinary shares	Amount
	'000	*HK$'000*
Authorised ordinary shares of HK$0.02 (2012: HK$0.05) each:		
At 1 July 2011, 30 June 2012 and 1 July 2012	6,000,000	300,000
Capital reorganisation (Note (a) and (c))	294,000,000	—
Share consolidation (Note (b) and (c))	(285,000,000)	—
At 30 June 2013	15,000,000	300,000
Issued and fully paid ordinary shares of HK$0.02 (2012: HK$0.05) each:		
At 1 July 2011	2,170,518	108,526
Placement of new shares (Note (e))	360,000	18,000
Exercise of share options (Note 36)	34,878	1,744
At 30 June 2012	2,565,396	128,270
Capital reorganisation (Note (a) and (c))	(2,437,126)	(125,704)
Placement of new shares (Note (d))	54,454	1,088
At 30 June 2013	**182,724**	**3,654**

Notes:

For the year ended 30 June 2013

(a) Pursuant to a special resolution passed at the annual general meeting on 28 November 2011 and approval by the Grand Court of the Cayman Islands on 26 February 2013, the share capital of the Company were reduced from HK$300,000,000 to HK$6,000,000 by canceling paid up capital of HK$0.049 on each issued shares and by reducing the nominal value of all the issued and unissued shares from HK$0.05 each to HK$0.001 each and following the said capital reduction, the authorised share capital were increased back to HK$300,000,000 by the creation of additional 294,000,000,000 shares of HK$0.001 each (the "Capital Reorganisation").

A credit of HK$125,704,000 arose as a result of the Capital Reorganisation. Such credit was transferred to a distributable reserve account and was applied to set off the consolidated accumulated losses of the Company.

(b) Pursuant to an ordinary resolution passed at an extraordinary general meeting on 29 March 2012 and upon the Capital Reorganisation became effective, every 20 issued and unissued shares of HK$0.001 each were consolidated into one consolidated share of HK$0.02 each (the "Share Consolidation").

(c) Both the Capital Reorganisation and the Share Consolidation were effective on 1 March 2013.

(d) On 20 March 2013 and 10 June 2013, the Company entered, respectively, into a placing agreement with a placing agent to place shares comprising up to 24,000,000 and 30,453,958 shares of HK$0.02 each respectively at a placing price of HK$0.265 and HK$0.2 per placing share respectively. The placing were completed on 3 April 2013 and 19 June 2013 respectively. Accordingly, the Company increased its issued share capital by nominal value of HK$1,089,000 in total and raised capital of HK$12,451,000 in total, excluding expenses.

For the year ended 30 June 2012

(e) On 18 November 2011, the Company entered into a placing agreement with a placing agent to place shares comprising up to 360,000,000 shares of HK$0.05 each at a placing price of HK$0.073 per placing share. The placing were completed on 25 November 2011. Accordingly, the Company increased its issued share capital by nominal value of HK$18,000,000 and raised capital of HK$26,280,000, excluding expenses.

36. 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.

36. EQUITY SETTLED SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

The movements in the share options of the Company during the year ended 30 June 2013 and 30 June 2012 are shown in the following tables:

For the year ended 30 June 2013 Name of category of participant	Date of grant	Exercise period	Exercise price per share	Number of share options At 1 July 2012	Granted during the year	Exercised during the year	Lapsed during the year	At 30 June 2013
Directors								
Ms. Kam Yuen	7/8/2009	7/8/2009 - 6/8/2012	11.700*	1,800,000*	—	—	(1,800,000)*	—
Mr. Leung Kwong Choi	7/8/2009	7/8/2009 - 6/8/2012	11.700*	624,000*	—	—	(624,000)*	—
Mr. Kwok Wai, Wilfred	7/8/2009	7/8/2009 - 6/8/2012	11.700*	624,000*	—	—	(624,000)*	—
Mr. Chueng Ngai Lam	7/8/2009	7/8/2009 - 6/8/2012	11.700*	212,600*	—	—	(212,600)*	—
Subtotal				3,260,600	—	—	(3,260,600)	—
Empolyees and others								
In aggregate	7/8/2009	7/8/2009 - 6/8/2012	11.700*	350,000*	—	—	(350,000)*	—
	26/5/2010	26/5/2010 - 25/5/2013	7.500*	157,000*	—	—	(157,000)*	—
	20/7/2011	20/7/2011 - 19/7/2014	2.6920*	550,000*	—	—	—	550,000
	18/8/2011	18/8/2011 - 17/8/2014	2.2520*	900,000*	—	—	—	900,000
				1,957,000	—	—	(507,000)	1,450,000
Total				5,217,600	—	—	(3,767,600)	1,450,000
Weighted average exercise price (HK$)				8.99	—	—	11.70	2.42

* The number and exercise price of the share options have been adjusted for presentation purpose to reflect the twenty-to-one share consolidation effective on 1 March 2013.

36. EQUITY SETTLED SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

For the year ended 30 June 2012 Name of category of participant	Date of grant	Exercise period	Exercise price per share	Number of share options At 1 July 2011	Granted during the year	Exercised during the year	Lapsed during the year	At 30 June 2012
Directors								
Ms. Kam Yuen	7/8/2009	7/8/2009 - 6/8/2012	11.700*	1,800,000*	—	—	—	1,800,000
Mr. Leung Kwong Choi	7/8/2009	7/8/2009 - 6/8/2012	11.700*	624,000*	—	—	—	624,000
Mr. Kwok Wai, Wilfred	7/8/2009	7/8/2009 - 6/8/2012	11.700*	624,000*	—	—	—	624,000
Mr. Chueng Ngai Lam	7/8/2009	7/8/2009 - 6/8/2012	11.700*	212,600*	—	—	—	212,600
Subtotal				3,260,600	—	—	—	3,260,600
Empolyees and others								
In aggregate	7/8/2009	7/8/2009 - 6/8/2012	11.700*	700,000*	—	—	(350,000)*	350,000
	19/1/2010	19/1/2010 - 18/1/2013	8.700*	1,955,000*	—	—	(1,955,000)*	—
	26/5/2010	26/5/2010 - 25/5/2013	7.500*	3,013,200*	—	—	(2,856,200)*	157,000
	20/7/2011	20/7/2011 - 19/7/2014	2.6920*	—	3,550,000*	(900,000)*	(2,100,000)*	550,000
	18/8/2011	18/8/2011 - 17/8/2014	2.2520*	—	4,237,900*	(843,900)*	(2,494,000)*	900,000
				5,668,200	7,787,900	(1,743,900)	(9,755,200)	1,957,000
Total				8,928,800	7,787,900	(1,743,900)	(9,755,200)	5,217,600
Weighted average exercise price (HK$)				9.63	2.45	2.48	5.51	8.99

* The number and exercise price of the share options have been adjusted for presentation purpose to reflect the twenty-to-one share consolidation effective on 1 March 2013.

36. EQUITY SETTLED SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

The following table lists the inputs to the model used:

	Share options granted on				
Option pricing model used	**18 August 2011 Black-Scholes**	**20 July 2011 Black-Scholes**	**26 May 2010 Binominal**	**19 January 2010 Binominal**	**7 August 2009 Binominal**
Fair value per share option at measurement date	HK$0.033	HK$0.036	HK$0.0237	HK$0.0303	HK$0.0416
Weighted average share price at grant date	HK$0.1110	HK$0.1250	HK$0.067	HK$0.081	HK$0.109
Exercise price	HK$2.252*	HK$2.692*	HK$7.5*	HK$8.7*	HK$11.7*
Weighted average contractual life	3 years	3 years	3 years	3 years	3 years
Remaining contractual life	0.63 years	0.55 years	0.90 years	0.55 years	0.10 years
Expected volatility	64.22%	65.87%	65.43%	68.86%	71.26%
Risk-free interest rate	0.14%	0.2%	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 1,450,000* (2012: 5,217,600*) remaining exercisable share options outstanding under the share option scheme. Full exercise of the remaining exercisable share options represented subscription for 1,450,000* (2012: 5,217,600*) ordinary shares in the Company at approximately HK$3,507,000 (2012: HK$46,929,000).

No share options (2012: 1,743,900*) were exercised during the year ended 30 June 2013.

* The number and exercise price of the share options have been adjusted for presentation purpose to reflect the twenty-to-one share consolidation effective on 1 March 2013.

37. DISPOSAL OF SUBSIDIARIES

For the year ended 30 June 2012

(a) Disposal of subsidiaries

On 25 November 2011, the Group completed respectively, the disposal of entire issued share capital of:

(a) New Ally Holdings Limited and its subsidiaries at a consideration of HK$100,000;

(b) Advance Decade Holdings Limited and its subsidiaries at a consideration of HK$100,000;

(c) Energy Ally Investments Limited and its subsidiaries at a consideration of HK$100,000;

(d) Ally Goal Limited and its subsidiaries at a consideration of HK$100,000; and

(e) State Chance Limited and its subsidiaries at a consideration of HK$100,000.

On 21 December 2011, the Group completed the disposal of entire issued share capital of Skygain Limited and its subsidiaries at a consideration of HK$200,000.

37. DISPOSAL OF SUBSIDIARIES *(Continued)*

For the year ended 30 June 2012 *(Continued)*

(a) Disposal of subsidiaries *(Continued)*

The net assets of above subsidiaries at the date of disposal were as follows:

	New Ally Holdings Limited	Advance Decade Holdings Limited	Energy Ally Investments Limited	Ally Goal Limited	State Chance Limited	Skygain Limited	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Property, plant and equipment	387	—	—	12	4	—	403
Trade and other receivables	148	200	1,911	3,112	10,350	—	15,721
Cash and bank balances	1,785	800	84	114	—	—	2,783
Trade and other payables	(62)	(32)	(57)	(1,582)	(2,166)	—	(3,899)
Tax payable	—	—	—	—	(1,620)	—	(1,620)
	2,258	968	1,938	1,656	6,568	—	13,388
Non-controlling interests	(993)	—	(1,952)	—	—	—	(2,945)
Exchange reserve	5	1	—	(154)	—	—	(148)
	1,270	969	(14)	1,502	6,568	—	10,295
Gain/(loss) on disposal	(1,170)	(869)	114	(1,402)	(6,468)	200	(9,595)
Total consideration	100	100	100	100	100	200	700
Satisfied by:							
Cash	100	100	100	100	100	—	500
Other receivables (note)	—	—	—	—	—	200	200
	100	100	100	100	100	200	700
Net cash inflow/(outflow) arising on disposal of subsidiaries:							
Cash consideration	100	100	100	100	100	—	500
Cash and bank balances disposed of	(1,785)	(800)	(84)	(114)	—	—	(2,783)
	(1,685)	(700)	16	(14)	100	—	(2,283)

Note: The amount was unsecured, interest free and receivable within the next twelve months after the end of the reporting period.

37. DISPOSAL OF SUBSIDIARIES *(Continued)*

For the year ended 30 June 2012 *(Continued)*

(b) Disposal of subsidiaries *(Continued)*

On 20 April 2012, the Group completed the disposal of entire issued share capital of Liang Feng Limited and its subsidiaries, Bounty Way Holdings Limited and its subsidiary, Gold Delight Investments Limited and its subsidiary and Keen Win Holdings Limited at a consideration of HK$3,500,000.

The net assets of above subsidiaries at the date of disposal were as follows:

	Liang Feng Limited	Bounty Way Holdings Limited	Gold Delight Investments Limited	Keen Win Holdings Limited	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Property, plant and equipment	2,395	—	—	—	2,395
Prepaid lease payment	1,044	—	—	—	1,044
Construction in progress	815	—	—	—	815
Inventories	960	—	—	—	960
Trade and other receivables	2,161	2,582	—	—	4,743
Cash and bank balances	22	20	—	25	67
Trade and other payables	(5,842)	(4,202)	—	—	(10,044)
Tax payable	(101)	—	—	—	(101)
	1,454	(1,600)	—	25	(121)
Non-controlling interests	(1,397)	—		—	(1,397)
Exchange reserve	(98)	—	—	—	(98)
	(41)	(1,600)	—	25	(1,616)
Gain on disposal of subsidiaries					5,116
Total consideration					3,500
Satisfied by:					
Cash					1,870
Other receivables (note)					1,630
					3,500
Net cash inflow arising on disposal of subsidiaries:					
Cash consideration					1,870
Cash and bank balances disposed of					(67)
					1,803

Note: The amount was unsecured, interest free and receivable within the next twelve months after the end of the reporting period.

37. DISPOSAL OF SUBSIDIARIES *(Continued)*

For the year ended 30 June 2012 *(Continued)*

(c) Effects of disposal of subsidiaries to the loss for the year ended 30 June 2012:

	HK$'000
Total net assets of subsidiaries at the date of disposal	8,679
Loss on disposal of subsidiaries	(4,479)
Total consideration	4,200
Net cash outflow arising on disposal of subsidiaries:	
Total cash consideration	2,370
Cash and cash equivalents disposed of	(2,850)
	(480)

38. 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:

	2013	2012
	HK$'000	*HK$'000*
Within one year	**158**	3,980
In the second to fifth years, inclusive	**150**	9,848
Over five years	**826**	53,503
	1,134	67,331

The Group leases a number of properties under operating leases. The leases run for an initial period of one to two years (2012: 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 (2012: thirty years), which is accounted for as an operating lease.

39. 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	**2013**	2012
		HK$'000	*HK$'000*
Advance from a related party, Choy Ping Fai	(i)	—	4,842
Amount due to a former director, Kam Yuen		**1,799**	—
Salaries, wages and other benefits paid to a related party, Choy Ping Fai		—	1,760

(i) The advance from a related party, Choy Ping Fai, who is a major shareholder of the Company, is unsecured, interest-free, and 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 16.

40. PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries at 30 June 2013 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	
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%	—	Investment holding
Star Asset Holdings Limited	HK	1 share of HK$1	—	100%	Investment holding
Xinjiang Protech Biology Limited* (Note a)	The PRC	RMB600,000	—	100%	Research and development
Cai Jin Limited	BVI	1 share of US$1	100%	—	Investment holding
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%	Plantation related business
CER Management Limited	HK	1 share of HK$1	100%	—	Provision of management services
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. These are wholly-foreign owned enterprises 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.

Five Year Summary

(Expressed in Hong Kong dollars)

	For the year ended 30 June				
	2009	2010	2011	2012	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Results					
Turnover	128,612	283,634	331,555	28,838	**(31,014)**
(Loss)/profit before tax	118,518	117,260	(37,277)	(334,688)	**47,804**
Income tax (expense)/credit	(22,510)	(49,362)	(17,207)	64,945	**5,672**
(Loss)/profit attributable to:					
Owners of the Company	96,008	68,102	(54,117)	(269,834)	**(42,132)**
Non-controlling interests	—	(204)	(367)	91	**—**
(Loss)/profit for the year	96,008	67,898	(54,484)	(269,743)	**(42,132)**

Five Year Summary

(Expressed in Hong Kong dollars)

	As at 30 June				
	2009	2010	2011	2012	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Assets and liabilities					
Biological assets	676,123	785,556	933,542	767,064	**750,671**
Property, plant and equipment	332	1,455	2,906	2,862	**2,186**
Prepaid lease payment	—	—	1,041	—	—
Construction in progress	1,322	28,173	763	—	—
Goodwill	—	36,281	36,281	—	—
Intangible assets	144,894	296,558	212,997	130,536	**120,949**
Long-term prepayments	—	—	73,206	33,660	—
Interest in an associate	—	—	—	—	—
Deposit paid for acquisition of long term assets	—	—	—	12,000	—
Net current assets/(liabilities)	(21,703)	10,385	(64,842)	(44,520)	**34,657**
Total assets less current liabilities	800,968	1,158,408	1,195,894	901,602	**908,463**
Non-current liabilities					
Convertible notes	(124,910)	(75,379)	—	—	—
Deferred tax liabilities	(205,254)	(271,770)	(274,458)	(207,910)	**(197,659)**
Obligations under finance lease	—	—	—	(142)	**(96)**
Advance from a related party	—	—	(11,515)	(4,842)	—
Net assets	470,804	811,259	909,921	688,708	**710,708**
Share capital	62,404	87,464	108,526	128,270	**3,654**
Non-controlling interests	—	489	4,251	—	—
Reserves	408,400	723,306	797,144	560,438	**707,054**
Total equity	470,804	811,259	909,921	688,708	**710,708**
(Loss)/earnings per share					
Basic	2.26 cents	4.72 cents**	(0.94) cents	(234.74) cents*	**(32.94) cents**

* Adjusted to reflect the twenty-to-one share consolidation effective on 1 March 2013.

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