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: 01130)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 30 JUNE 2011

The board of directors (the "Board") of China Environmental Resources Group Limited (the "Company") announces the annual consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 30 June 2011 together with comparative figures for the year ended 30 June 2010.

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2011

	Notes	**2011** **HK$'000**	2010 HK$'000
Continuing operations			
Turnover	3	**331,555**	279,703
Cost of sales		**(290,718)**	(187,366)
Gross profit		**40,837**	92,337
Other gains and losses	5	**508**	151,607
Other income	6	**822**	391
Selling and distribution expenses		**(137)**	(996)
Administrative and other operating expenses		**(74,094)**	(111,027)
Share of result of an associate		**(223)**	—
Finance costs	7	**(4,990)**	(10,926)
(Loss)/profit before tax		**(37,277)**	121,386
Income tax expense	8	**(17,207)**	(49,362)
(Loss)/profit for the year from continuing operations		**(54,484)**	72,024
Discontinued operations			
Loss for the year from discontinued operations	9	**—**	(4,126)
(Loss)/profit for the year	10	**(54,484)**	67,898
Other comprehensive income			
Exchange differences arising on translation of foreign operations		**49,250**	—
Total comprehensive (loss)/income for the year		**(5,234)**	67,898
(Loss)/profit for the year attributable to:			
Owners of the Company		**(54,117)**	68,102
Non-controlling interests		**(367)**	(204)
		(54,484)	67,898

	Notes	**2011**	2010
		HK$'000	*HK$'000*
Total comprehensive (loss)/income attributable to:			
Owners of the Company		**(4,867)**	68,102
Non-controlling interests		**(367)**	(204)
		(5,234)	67,898
(Loss)/earnings per share from continuing and discontinued operations			
– Basic (cents per share)	11	**(0.94)**	4.72
– Diluted (cents per share)	11	**(0.94)**	4.35
(Loss)/earnings per share from continuing operations			
– Basic (cents per share)	11	**(0.94)**	5.01
– Diluted (cents per share)	11	**(0.94)**	4.58

Consolidated Statement of Financial Position

At 30 June 2011

	Notes	2011 HK$'000	2010 HK$'000
Non-current assets			
Property, plant and equipment		**2,906**	1,455
Prepaid lease payment		**1,041**	—
Construction in progress		**763**	28,173
Biological assets		**933,542**	785,556
Goodwill		**36,281**	36,281
Intangible assets		**212,997**	296,558
Long-term prepayment		**73,206**	—
Interest in an associate		**—**	—
		1,260,736	1,148,023
Current assets			
Inventories		**1,787**	11,549
Trade and other receivables	13	**19,702**	100,822
Amount due from non-controlling interest		**1,911**	—
Amount due from a director		**—**	9
Cash and cash equivalents		**3,743**	23,365
		27,143	135,745
Assets classified as held for sale	14	**—**	19,239
		27,143	154,984
Current liabilities			
Trade and other payables	15	**36,546**	59,836
Purchase consideration payable		**52,461**	—
Amount due to a related party		**101**	738
Tax payable		**2,877**	28,839
Bank overdraft		**—**	4,990
		91,985	94,403
Liabilities classified as held for sale	14	**—**	50,196
		91,985	144,599
Net current (liabilities)/assets		**(64,842)**	10,385
Total assets less current liabilities		**1,195,894**	1,158,408

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

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

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 amount as explained in the accounting policies set out below.

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 Group had incurred losses of approximately HK$54,484,000 for the year ended 30 June 2011 and had net current liabilities of approximately HK$64,842,000 as at 31 June 2011. The ongoing operation of the Group is dependent on:

— the performance of the operating businesses; and/or
— the Group raising additional fundings from its shareholders or other parties.

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

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

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

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

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

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

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

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

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

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

3. TURNOVER

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

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

4. SEGMENT INFORMATION

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

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

(i) Sales of plantation materials

(ii) Sales of environmental system

(iii) Sales of plantation products

(iv) Green technology income

For the divisions of apparel manufacturing, property development and property rental, these segments were discontinued during the year ended 30 June 2010. Further details of discontinued operations are set out in Note 9.

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.

Information regarding the above segment is reported below.

(a) Segment revenues and results

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

For the year ended 30 June 2011

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

(a) Segment revenues and results (Continued)

For the year ended 30 June 2010

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

(b) Segment assets and liabilities

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

At 30 June 2011

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

At 30 June 2010

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

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

- all assets other than unallocated assets (mainly comprising goodwill, other receivables and cash and cash equivalents) are allocated to reportable segments; and
- all liabilities other than unallocated liabilities (mainly comprising other payables and accruals, convertible notes and deferred tax liabilities) are allocated to reportable segments.

(c) Other segment information

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

For the year ended 30 June 2011

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

For the year ended 30 June 2010

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

Geographical information

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

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

Information about major customers

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

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

5. OTHER GAINS AND LOSSES

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

6. OTHER INCOME

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

7. FINANCE COSTS

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

8. INCOME TAX EXPENSE

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

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

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

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

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

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

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

9. DISCONTINUED OPERATIONS

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

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

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

Loss for the year from discontinued operations included the following:

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

10. (LOSS)/PROFIT FOR THE YEAR

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

	2011	2010
	HK$'000	*HK$'000*
From continuing operations		
Staff costs including directors' emoluments	**4,698**	30,734
Depreciation of property, plant and equipment	**278**	73
Amortisation of intangible assets	**23,195**	9,895
Cost of inventories recognised as an expense	**290,718**	187,366
Auditor's remuneration		
– under-provision in prior years	**68**	733
– current year	**1,169**	815
Operating leases charges on property rentals	**1,460**	625
Impairment loss on trade and other receivables recognised	**3,995**	—

11. (LOSS)/EARNINGS PER SHARE

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

For continuing and discontinued operations

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

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

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

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

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

For continuing operations

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

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

For discontinued operations

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

12. DIVIDEND

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

13. TRADE AND OTHER RECEIVABLES

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

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

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

13. TRADE AND OTHER RECEIVABLES (Continued)

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

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

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

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

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

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

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

14. ASSETS/LIABILITIES CLASSIFIED AS HELD FOR SALE

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

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

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

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

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

15. TRADE AND OTHER PAYABLES

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

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

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

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

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

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

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

16. EVENTS AFTER THE END OF REPORTING PERIOD

Pursuant to announcements of the Company dated 20 July 2011, 21 July 2011 and 18 August 2011, the Company granted 71,000,000 and 84,758,000 share options under the share option scheme adopted by the Company on 16 December 2005 (the 10% general limit under the said share option scheme has been refreshed pursuant to a resolution passed by the shareholders of the Company at the annual general meeting of the Company held on 6 December 2010 and every five issued and unissued shares were consolidated into one share of HK$0.05 each on 17 January 2011), at an exercise price of HK$0.1346 and HK$0.1126 per share respectively. These share options shall be exercisable during the period of 3 years from the respective dates of grant. The management of the Group is in the process of estimating the fair value assessment of these options at the respective dates of grant.

17. COMPARATIVE FIGURES

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

BUSINESS AND OPERATION REVIEW

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

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

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

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

ENVIRONMENTAL SYSTEM

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

PLANTATION MATERIAL

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

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

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

PLANTATION PRODUCT

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

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

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

GREEN MEDICAL APPLICATION

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

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

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

GREEN TECHNOLOGY

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

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

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

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

During the financial year ended 30 June 2011, Bright Delight had signed technology transfer and technical consultancy agreement for fee of HK$38.5million. The technology development and technical service company was established in Macau and its operation was approved by Macau government till 7 July 2011. The "First Period Guaranteed Profit" was not met during the "First Guaranteed Period" and the 367,500,000 "First Period Deposit Shares" (before share consolidation) had not been released to and the cash of HK$10 million had not been paid to the Vendor. Impairment of goodwill of HK$ 55,721,000 was recorded for the acquisition of Bright Delight. The Group considers that the impairment is non-cash in nature and will not have material adverse effect on the financial position of the Group.

PROSPECTS

China has a population of approximately 1.3 billion, which is accounted for 22% of the world's population. In contrast, the cultivable land in China is only 1.826 billion Chinese mu, which is accounted for 7% of world's total cultivable land. In the past five years, the PRC Government continuously placed strategic importance on the "Three Rural Issues" and spent aggregate amount of approximately RMB2,910.7 billion in the agricultural sector.

The <Twelfth Five-Year Plan for National Economic and Social Development>, formulating the next phase of economic growth for 2011-2015, reiterated the modernization of agriculture and accelerated establishment of modern agricultural village. On 8 December 2010, the Ministry of Agriculture announced, during the Twelfth Five-Year Plan, that national policy will continue to favor agricultural sector and to encourage foreign enterprises to invest in high value added agricultural modernization and related infrastructural establishments.

Regarding environmental aspect, the average growth rate of energy consumption were approximate 10% per annum for last five years. The Chinese government would continue to commit to environmental improvements for energy saving and low-carbon economy. The <Twelfth Five-Year Plan for National Economic and Social Development> targeted to achieve 16% decrease in energy consumption of production by 2015 as compared to 2010.

Having based on the above sectors blessed by China' prioritized policies, the Group will continue to capitalize the green business opportunities stimulated by supportive government policies and uprising green markets. However, most developed countries' economies remained sluggish and drastic turbulences in global financial markets will cloud the economic development of PRC in next few years. Coupled with the increasing natural disasters on unprecedented scale and damage, the Group expects to face extreme uncertainties and risks in the agricultural sector which currently accounts for 87.32% of its total turnover. To minimize the risk of single sector reliance and to maximize the return for shareholders, the Group will edge on its technology competence, forefront market experience and nationwide Chinese business network to continuously explore investment opportunity to diversify its business areas.

FINANCIAL REVIEW

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

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

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

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

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

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2011, the Group's cash and cash equivalents, which were principally Renminbi and Hong Kong Dollar denominated, totally amounted to approximately HK$3.74 million (2010: HK$23.37 million). The Group was not exposed to any substantial risk in foreign exchange fluctuations. In general, the Group mainly used its Renminbi income receipt for operating expenses in China and did not use any financial instruments for hedging purpose.

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

Included in the current liabilities, there were purchase consideration payables of HK$52.46 million. The payment of purchase consideration will be subject to the achievement of profit guarantee and HK$42.46 million in form of Consideration Shares and HK$10 million in form of cash. The major shareholder of the Group made available an unsecured and interest-free revolving loan facility totaling HK$30 million to the Group till 31 March 2013 for standby basis.

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

CHARGE ON THE GROUP'S ASSETS

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

CAPITAL RAISING AND EXPENDITURE

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

EMPLOYEES AND RETIREMENT BENEFIT SCHEME

The Group had approximately 56 employees in Hong Kong and the PRC as at 30 June 2011. The Group implements remuneration policy, bonus and share options scheme to ensure that pay scales of its employees are rewarded on a performance-related basis within the general framework of the Group's remuneration strategy.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has adopted all the code provisions as set out in the Code on Corporate Governance Practices (the "Code") in Appendix 14 of the Listing Rules as its own code on corporate governance practices. The Company has compiled with code provisions as set out in the Code during the year ended 30 June 2011 except for the following deviation:

Code Provision A.2.1

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

Ms. Kam Yuen, an executive director of the Company was appointed chief executive officer of the Company on 4 June 2009 and was appointed as chairman of the Board on 14 May 2010. Therefore, she assumes both roles. The Board believes that the vesting of the roles of chairman of the Board and chief executive officer of the Company in the same person provides the Group with strong and consistent leadership and allows 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 Company already has a strong corporate governance structure and as such the present structure is considered to be appropriate under the circumstances.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transaction by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as the Company's codes of conduct regarding Directors' securities transactions. Having made specific enquiry with all Directors, they have confirmed their compliance with the required standard as set out in the Model Code throughout the year ended 30 June 2011.

AUDIT COMMITTEE

The Audit Committee of the Company (the "Audit Committee") is composed of three independent non-executive directors. It reports directly to the Board and reviews matters within the scope of audit, such as financial statements and internal controls. The written terms of reference which describes the authority and duties of the Audit Committee are regularly reviewed and updated by the Board. The Audit Committee has reviewed and discussed with the external auditors the auditing and financial reporting matters including the annual consolidated results of the Group for the year ended 30 June 2011.

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.

By Order of the Board
China Environmental Resources Group Limited
Kam Yuen
Chairman

Hong Kong, 30 September 2011

As at the date of this announcement, the Board comprises three executive directors, namely Ms. Kam Yuen (Chairman and Chief Executive Officer), Mr. Kwok Wai, Wilfred and Mr. Leung Kwong Choi; and three independent non-executive directors, namely Mr. Cheung Ngai Lam, Mr. Wong Kwai Sang and Mr. Christopher David Thomas.