ANNUAL REPORT 2012

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

Contents

Corporate Information

BOARD OF DIRECTORS

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

Independent Non-Executive Directors
Mr. Cheung Ngai Lam
Mr. Wong Kwai Sang
Mr. Christopher David Thomas

AUDIT COMMITTEE, REMUNERATION COMMITTEE AND NOMINATION COMMITTEE

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

COMPANY SECRETARY

Mr. Lo Tai On

AUDITORS

Lau & Au Yeung C.P.A. Limited

HONG KONG OFFICE

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

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

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

HONG KONG STOCK CODE

1130

SINGAPORE TRADING SYMBOL

CHENV400: SP

WEBSITE

www.greencer.com

EXECUTIVE DIRECTORS

Mr. Zhou Hongbo, aged 41, was appointed as Executive Director and Chairman of the Board on 1 June 2012. 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.

Ms. Kam Yuen, aged 43, was appointed as Executive Director and Chief Executive Officer of the Company on 4 June 2009. She is also the chairman of the investment committee of the Company. Ms. Kam is responsible for business development strategies and overall management of the Group. She was the Chairman of the Board from 14 May 2010 to 31 May 2012. Ms. Kam was graduated in 1991 from the University of Hong Kong with a Bachelor Degree in Social Sciences (Economics) and subsequently received her MBA from the Hong Kong University of Science & Technology. She is also a holder of Bachelor of Laws (LLB) with the Manchester Metropolitan University and Chartered Financial Analysts. She has over 17 years working experience in selling and relationships management in various financial institutions such as Credit Suisse, Rabobank and Standard Chartered Bank. Having served the managerial positions in China market, Ms. Kam develops sophisticated management experiences and acquires extensive connections in China.

Mr. Leung Kwong Choi, aged 56, 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 39, 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. Cheung Ngai Lam, aged 43, was appointed as Independent Non-executive Director on 4 July 2008 and is the chairman of the audit committee, remuneration committee and nomination committee of the Company. Mr. Cheung is a member of the American Institute of Certified Public Accountants and CPA Australia. Mr. Cheung obtained a Bachelor Degree in Social Sciences from the University of Hong Kong in 1991, a Master of Accounting Degree from Curtin University of Technology, Perth, Australia in 1997 and a Master of Science (Investment Management) Degree in Finance from the Hong Kong University of Science and Technology in 2001. Mr. Cheung currently works as the corporate development director for Profound Heavy Industrial Limited. He was an independent non-executive director of Sun Century Group Limited (formerly Hong Long Holdings Limited, Stock Code: 1383), a Hong Kong listed company, during the period from 31 January 2007 to 1 June 2012. Mr. Cheung has extensive experience in accounting and capital markets; he served at Deloitte Touche from 1991 to 1994, and he was the vice president and executive vice president of Daiwa Securities and Japan Asia Securities from 1994 to 2002 and 2002 to 2005 respectively. Mr. Cheung also worked as the corporate finance director of Grant Thornton from 2005 to 2008.

Mr. Wong Kwai Sang, aged 60, 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. He is a property consultant. Mr. Wong had been an Independent Non-executive Director, member of audit committee and member of remuneration committee of the Company since 3 July 2002. He resigned on 4 July 2008 as he himself had a long term personal assignment stationed in Shanghai. Mr. Wong has now completed his assignment in Shanghai and returned to Hong Kong. He holds a Bachelor of Social Sciences degree from the University of Hong Kong. He is a fellow member of the Hong Kong Institute of Real Estate Administrators and the Australian Institute of Building respectively.

Mr. Christopher David Thomas, aged 34, 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.

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 2012 and the audited consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 30 June 2012.

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.

As mentioned in the Chairman's Statement in the Company's annual report for the financial year ended 30 June 2011, most developed countries' economies remained sluggish and drastic turbulences in global financial markets will cloud the economic development of PRC in next few years. Due to global climate change, the world and the PRC had experienced non-stopped natural disasters on unprecedented scale and damage during last few years and the weather will become extremely unpredictable for business activities in near future. The financial market turbulences coupled with the increasing natural disasters on huge scale and damage, the Group expected to face extreme uncertainties and risks in its business activities.

Expecting extreme uncertainties and risks in its business activities affected by worsening economic conditions and unstable natural factors, the Group proactively revisited its business approach to protective orientation during the financial year ended 30 June 2012. The protective business approach included tighter credit control and pricing measures to corporate clients in the plantation materials, shifting from production to purchase of plantation materials for sale, scaling down of new plantation activities, scaling up protection of biological assets, suspension of sales of environmental system of loss and disposal of inactive subsidiaries and some subsidiaries which require considerable capital intensive investments.

During the financial year ended 30 June 2012, the adverse conditions of continued impact of global economic crisis had not ameliorated and China had continued to be plagued by natural disasters. Growth in the PRC economy declined to its lowest level of 8.1% in nearly 3 years during the first quarter of 2012, falling from the previous quarter's 8.9%. 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 World Bank and International Monetary Fund expected 8.2% growth for China in 2012 decreasing from 10.4% in 2010.

The reinsurer Swiss Re estimated that 2011 was the year with the highest global catastrophe-related economic losses in history, at USD 350 billion as compared to USD226 billion in 2010. The reinsurer Munich Re estimated that 2011 global catastrophe-related economic losses was USD380 billion and the increase in frequency of climate related catastrophe was caused by the global climate change. On 23 December 2011, the Ministry of Civil Affairs of the PRC announced that in 2011, the natural disasters in China affected 0.44 billion people and damaged agricultural crops area of 41,485,000 hectares and resulted in catastrophe-related economic losses of RMB311.03 billion.

Chairman's Statement

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 during the financial year ended 30 June 2012. The Shihezi City was further hit by the earthquakes with magnitude of Mw6.3 on 29 June 2012.

Under the protective business approach, the Group managed to substantially trim down the losing segment of production and sales of plantation materials (2011: Sales of Plantation Materials of HK$273.78 million at gross loss of HK$8.41 million) and turned around the business to gross profitability (2012: Sales of Plantation Materials of HK$3.21 million at gross profit of HK$403,000) for the financial year ended 30 June 2012. Through the disposal of plantation materials production facilities in Shihezi City in April 2012, the Group's operating activities and interests were thus protected from the Shihezi City earthquakes with magnitude of Mw6.3 on 29 June 2012. The Group scaled down its original plan of herbal crops plantation land of approximately 10,000 Chinese mu to approximately 1,450 Chinese mu of land for organic herbal crops of Chinese wolfberry. The revised plantation plan decreased the risks and uncertainties of the adverse impact on the newly grown saplings which are highly vulnerable to natural disasters and availed more resources for protection of the Group's existing poplar trees assets on the Plantation Land to weather natural disasters.

For the financial year ended 30 June 2012, turnover of the Group decreased by 91.3% to HK$28,838,000 with gross profit of HK$4,967,000 (2011: Sale of HK$331,555,000 with gross profit of HK$40,837,000). Loss for the year amounted to HK$269,743,000 (2011: Loss of HK$54,484,000), including HK$36.28 million impairment of goodwill arising from the acquisitions of subsidiaries holding the technology patents, HK$64.56 million impairment of intangible assets of technology patents and HK$183.73 million decrease in valuation of biological assets in accordance with the general decrease in timber prices in the PRC. 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.

PLANTATION MATERIAL

With reference to the Company's annual report for the financial year ended 30 June 2011, the sales of plantation materials of HK$273,776,000 represented 82.57% of total turnover of the Group. During the financial year ended 30 June 2011, China's agricultural sector encountered continuous natural disasters of huge scale and damage, including a prolonged droughts and snowstorms over 8 provinces in northern China and series of flooding over 13 provinces in southern China. Those natural disasters had unavoidably hardhit most agricultural operators. The Group offered significant discounts to deepen the client relationship and to quicken collection of trade receivables. The discount strategy resulted in gross loss from sale of plantation material to HK$8,414,000 with gross loss margin of 3.07%.

During the financial year ended 30 June 2012, the corporate customers who were adversely affected by the natural disasters had sought terms including extended credit period and deep discount in pricing which, if accepted by the Group would have led to losses. Instead the Group focused mainly on diversified customers that mainly purchase with cash deposit or on a "cash on delivery" basis and which afforded the Group a higher profit margin of 12.54% against the gross loss margin of 3.07% recorded in the financial year ended 30 June 2011. Whilst the sales turnover for the financial year ended 30 June 2012 for this business segment was substantially lower than that of last financial year, it in fact represented a substantial improvement over the results restoring back to gross profitability from last year gross loss. For the financial year ended 30 June 2012, the sale of plantation materials decreased by 98.8% to HK$3,213,000 from HK$273,776,000 as compared to last year. Sale of plantation materials represented approximately 11.14% (2011: 82.57%) of the Group's total turnover.

As mentioned in the Chairman Statement in the Company's annual report for the financial year ended 30 June 2011, 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.

During 2011, Xinjiang Region experienced lots of natural disasters, including series of earthquakes. In April 2012, the Group disposed the subsidiaries holding plantation materials production facilities in Shihezi City, Xinjiang Region. The Group thus managed to protect the Group's operating activities and interest from the Shihezi City earthquakes with magnitude of Mw6.3 on 29 June 2012. The Group currently sources the plantation materials for sale and will consider acquisition and/or establishment of production facilities under natural stability and commercial viability.

Predicated upon the uncertainties and risks involved with worsening economy and increasing natural disasters, the Company appointed professional valuer to re-value the intangible assets value of technology patents in fertilizer application in relation to business of plantation material and technology income segment for the financial year ended 30 June 2012. Upon review by the professional valuer, in view of the reduced business activities of weaker market, impairment of HK$64.56 million was thus provided for the intangible assets value of technology patents and impairment of the goodwill of HK$36.28 million arising from the acquisitions of subsidiaries holding the technology patents during the financial year. 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.

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 profit guarantees of HK$60 million and HK$70 million for the financial years ended 30 June 2009 and 30 June 2010 respectively given under the terms of the acquisition were achieved. In addition, the valuation of biological assets of standing trees on the Plantation Land increased by 27.3% from RMB530,000,000 (approximately HK$602,663,000) as at 30 June 2008 (as disclosed in independent valuation report set out in the circular dated 30 September 2008) to HK$767,064,000 as at 30 June 2012.

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") within which 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 approximately 10,000 Chinese mu of land has been completed and available for new plantation with the remaining approximately 20,000 Chinese mu of land has not yet completed.

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

Chairman's Statement

During 2011, Xinjiang Region experienced series of natural disasters of earthquakes, 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. Under the protective strategy, the Group's herbal crops and biological assets in the Plantation Land had weathered the windstorm from west of Siberia in April 2012 and the Shihezi City earthquakes on 29 June 2012 with magnitude of Mw6.3. The Group managed to shelter the biological assets from material damages by natural disasters but the normal growth rates of the plantation products were unavoidably affected, especially the biological assets are still currently facing shortage of underground water in the region.

As most plantation products are pending for harvest, the sales turnover for the financial year ended 30 June 2012 for this business segment was considerably lower than that of last year. The sale of plantation products was thus recorded at HK$318,000 with decrease of 98.0% as compared to last year (2011: approximately HK$15,740,000), representing approximately 1.1% of the Group's total turnover.

For the annual audited financial year ended 30 June 2012, the Company appointed professional valuer to re-value the biological assets value of poplar trees cultivated on the Plantation Land. Upon review by the professional valuer, in accordance with the general decrease of timber prices in the PRC, the Group recorded the decrease by 17.8% to HK$767,064,000 from HK$933,542,000 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.

Towards the end of the financial year ended 30 June 2011, the sale of the 2009 O-Live System was suspended pending the development of a more cost-effective, upgraded version of the product. Contrary to expectations, the Group was not able to come up with a more cost-effective new model for sale in the financial year ended 30 June 2012, as was originally contemplated. Whilst no sales turnover and net profit during the financial year for this business segment were recorded as compared to that of last year, the Company had in effect stopped continued losses in this segment. For the financial year ended 30 June 2012, sales of environmental systems recorded no turnover and had no representation of the Group's total turnover (2011: sales of approximately HK$28,539,000).

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 company principally engaged in the research and development, project establishment, application and sale of green and environmental product, technology, service and related products for sustainable development. The operating team of the Vendor includes Mr. Chen Ching, who is the Executive Chairman of 北京天恒可持續發展研究所 (*Beijing Tian Heng Research Institute for Sustainable Development) which had been entrusted by the Ministry of Environmental Protection of the People's Republic of China (formerly known as State Environmental Protection Administration) for the compilation of laws and regulations of the biological species resources. Mr. Chen had worked for China Council for International Cooperation on Environment and Development ("CCICED") and had engaged in various national and international green and environmental projects in Beijing, Shanghai, Yunnan, Inner Mongolia, Myanmar, North Korea and Cambodia.

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$38.5 million. The technology development and technical service company was established in Macau and its operation was approved by Macau government on 9 June 2011. The "First Period Guaranteed Profit" was not met during the "First Guaranteed Period". As per supplementary agreement, cash consideration of HK$10 million had been waived by the Vendor and the 367,500,000 "First Period Deposit Shares" (before share consolidation) had not been released to the Vendor.

During the "Second Guaranteed Period", owing to worsening economic environment in the PRC and the world, Bright Delight did not fully achieve the "Second Period Guaranteed Profit" of HK$33,500,000 for the Second Guaranteed Period. As at 30 June 2012, the 367,500,000 "Second Period Deposit Shares" (before share consolidation) had not been released to and cash consideration of HK$10 million had not been paid to the Vendor.

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 82.5% and contributed the major turnover and profit for the Group. For the financial year ended 30 June 2012, technology income recorded approximately HK$25,307,000 with gross profit HK$20,882,000 (2011: sales HK$13,500,000 and gross profit HK$11,971,000), representing approximately 87.76% of the Group's total turnover.

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 management of the Vendor includes Professor Zeng Yi who is the internationally reputed expert in medical and virology arenas, the Academician of Chinese Academy of Sciences, Foreign Member of France National Academy of Medical Sciences and Foreign Member of Russian Academy of Medical Sciences. Professor Zeng has been the former President of Chinese Academy of Preventive Medicine and is the Dean of College of Life Science and Bioengineering, Beijing University of Technology, Chief Scientist of National Center for Prevention and Control of AIDS, Member of WHO Expert Advisory Panel on Cancer, and Member of Steering Committee of Asia Pacific Leadership Forum on HIV/AIDS and Development (APLF).

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.

During the financial year ended 30 June 2012, research, development and commercialization of the product in Dongguan Songshan Lake National High-tech Industrial Development Zone (東莞松山湖高新技術產業開發區) was not expected to materialize to contribute in the results of the Company. In order to save resources to weather the uncertainties and risks and to avail resources for other business development, the Group streamlined the green medical application sector and disposed the Ally Goal to independent third party at HK$100,000. As per supplementary agreement with 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 profit guarantees.

During the financial year ended 30 June 2012, the Group had further disposed some inactive subsidiaries, some subsidiaries which require intensive capital for project establishments and some subsidiaries holding production facility vulnerable to natural disasters. The disposal recorded a net loss of approximately HK$4,479,000 for the Group and reduced the Group's capital commitments to zero amount (30 June 2011: capital commitments at approximately HK$28,821,000) on projects that will take time to mature and contribute in the results of the Company. The disposal enables the Group to concentrate its resources on weathering the uncertainties and risks in the business environment and to avail resources for other business development.

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.

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. The Chinese government would continue to commit to environmental improvements for energy saving and low-carbon economy. The <Twelfth Five-Year Plan for National Economic and Social Development> targeted to achieve 16% decrease in energy consumption of production by 2015 as compared to 2010.

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

Under these circumstances, the Group will continue to exercise tight control in plantation materials business, adjusting plantation operation to local conditions in plantation product business, upgrading the environmental system to restore profitability, developing and diversifying green technology incomes which commands higher profit margin with less capital intensive investment. To minimize the operating risk and to maximize the return for shareholders, the long term developmental strategy of the Group is to strengthen our position as a green operating enterprise in the environmental markets, agricultural markets, organic markets and green technology markets in the PRC market and overseas and to continuously explore new investment opportunity to diversify its business areas for higher return.

Chairman's Statement

FINANCIAL REVIEW

For the year ended 30 June 2012, the Group recorded a consolidated turnover at approximately HK$28.84 million (2011: HK$331.56 million), representing a decrease of 91.3% compared with the year ended 30 June 2011 (the "Previous Year"). The substantial decrease in the Group's turnover was mainly resulted from the Group's decisive business strategy to trim down the Previous Year's sales of plantation material of HK$273.78 million at gross loss margin of 3.07%. This segment constituted only 11.14% of total turnover and was restored back to gross profit margin of 12.54% for the year ended 30 June 2012.

The Group's gross profit decreased by 87.83% to approximately HK$4.97 million (2011: HK$40.84 million). The considerable decrease in gross profit was mainly attributable to the Group's allocation of HK$19.5 million for protection and maintenance works on poplar trees biological assets to weather natural disasters and HK$2.1 million for new plantation activities of Chinese wolfberry.

The loss for the year significantly increased to HK$269.74 million from Previous Year's loss of HK$54.48 million, mainly attributable to the HK$36.28 million impairment of goodwill arising from the acquisitions of subsidiaries and HK$64.56 million impairment of intangible assets of technology patents and HK$183.73 million loss on changes in fair value of biological assets . Its basic and diluted loss per share for the year was HK$11.89 cents (2011: basic and diluted loss per share at HK$0.94 cents).

After taking into account the impairment loss on goodwill of HK$36.28 million and impairment on intangible assets of technology patents of HK$64.56 million, loss on changes in fair value of biological assets of HK$183.73 million, loss on disposal of subsidiaries of HK$4.48 million and gain on changes in fair value of purchase consideration payable of HK$6.74 million and exchange loss of HK$0.12 million, other losses significantly upsurged to HK$282,432,000 from Previous Year's other gains of HK$508,000.

In calculating the Group's consolidated net loss, the administrative and other operating expenses of approximately HK$58.49 million (2011: approximately HK$74.09 million) included major items, such as litigation settlements of HK$5.42 million, concession fee of HK$6.64 million, share based payment of HK$5.35 million, rent of HK$1.7 million, agency and professional fee of HK$3.3 million, amortization of intangible assets of HK$17.9 million, staff costs of HK$6.06 million, impairment loss on amounts due from ex-subsidiaries of HK$4.19 million, impairment loss on long term prepayment of HK$2.83 million and others of HK$5.1 million.

Finance costs of HK$9,000 with which approximately HK$8,000 were recorded for finance lease interest (2011: HK$4.99 with which HK$4.95 million mainly represented effective interest expense on convertible notes issued by the Company in 2008). Income tax credit was approximately HK$64.95 million (2011: Income tax expense of HK$17.2 million) mainly due to deferred tax credit of HK$66.55 million for the current year.

Zhou Hongbo
Chairman

Hong Kong, 26 September 2012

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 2012.

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 2012 are set out in the consolidated statement of comprehensive income on pages 32 and 33.

DIVIDEND

The Board does not recommend the payment of a dividend for the year ended 30 June 2012 (2011: Nil).

SEGMENTS INFORMATION

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

SHARE CAPITAL

A special resolution was passed by the shareholders of the Company (the "Shareholders") at the annual general meeting of the Company held on 28 November 2011 (the "2011 AGM") to effect the capital reorganization (the "Capital Reorganization") in the following manners:

(1) the capital of the Company shall be reduced from HK$300,000,000 divided into 6,000,000,000 shares of the Company of HK$0.05 each (the "Shares") to HK$6,000,000 divided into 6,000,000,000 new shares of the Company of HK$0.001 each (the "New Shares"), by canceling paid-up capital to the extent of HK$0.049 on each issued Share and by reducing the nominal value of all the issued and unissued Shares from HK$0.05 to HK$0.001; and

(2) the authorized capital of the Company shall be increased to its former amount of HK$300,000,000 by the creation of an additional 294,000,000,000 New Shares.

The Capital Reorganization is conditional upon the following:

(1) the passing of the special resolution by the Shareholders to approve the Capital Reorganization at the 2011 AGM;

(2) the Grand Court of the Cayman Islands making an order to confirm the Capital Reduction and compliance with any conditions the Grand Court of the Cayman Islands may impose; and

(3) the Listing Committee of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") granting approval for the listing of, and permission to deal in, the New Shares in issue following the Capital Reorganization taking effect.

An ordinary resolution was passed by the Shareholders at an extraordinary general meeting of the Company held on 29 March 2012 (the "EGM") to effect the share consolidation (the "Share Consolidation"), immediately after the Capital Reorganization becoming effective, on the basis that every twenty issued and unissued New Shares will be consolidated into one consolidated share of the Company of HK$0.02 each (the "Consolidated Share").

After the Share Reorganization becoming effective, the authorized share capital of the Company will be HK$300,000,000 dividend into 15,000,000,000 Consolidated Shares.

The Share Consolidation is conditional upon the following:

(1) the passing of the necessary resolutions by the Shareholders to approve the Share Consolidation at the EGM;

(2) the Capital Reorganization becoming effective; and

(3) the Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in, the Consolidated Shares to be in issue.

As at the date of this report, the Company has not yet obtained an order made by the Grand Court of the Cayman Islands regarding the Capital Reorganization. Therefore, the Share Reorganization and the Share Consolidation have not been effective.

Details of the share capital of the Company during the year are set out in Note 39 to the consolidated financial statements.

RESERVES

Details of movements in reserves of the Group during the year are set out in the consolidated statement of changes in equity on pages 36 and 37.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company at 30 June 2012 amounted to HK$570,842,000. 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 20 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 *(Chariman) (appointed as Executive Director and Chairman on 1 June 2012)*
Ms. Kam Yuen *(Chief Executive Officer) (ceased as Chairman on 1 June 2012)*
Mr. Leung Kwong Choi
Mr. Kwok Wai, Wilfred

Independent Non-executive Directors

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

In accordance with Article 99 of the Articles of Association, Mr. Zhou Hongbo, was appointed as an Executive Director on 1 June 2012, 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. Leung Kwong Choi and Mr. Cheung Ngai Lam, 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.

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

As at 30 June 2012, the interests and short positions held by each director and chief executive of the Company and their associates in shares, underlying shares or debentures of the Company or any of its associated corporations, if any, (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company under Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 of the Listing Rules were as follows:

Long positions in shares and underlying shares of the Company

Name of Directors	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 2012 *(Note 1)*
Ms. Kam Yuen	Beneficial owner	—	36,000,000	36,000,000 *(Note 2)*	1.40%
Mr. Leung Kwong Choi	Beneficial owner	—	12,480,000	12,480,000 *(Note 2)*	0.49%
Mr. Kwok Wai, Wilfred	Beneficial owner	—	12,480,000	12,480,000 *(Note 2)*	0.49%
Mr. Cheung Ngai Lam	Beneficial owner	—	4,252,000	4,252,000 *(Note 2)*	0.17%

Notes:

1. The percentage of shareholding was calculated on the basis of the Company's issued share capital of 2,565,395,800 shares as at 30 June 2012.

2. The relevant interests were share options granted pursuant to the Company's share option scheme adopted on 16 December 2005.

Save as disclosed above, as at 30 June 2012, none of the Company's directors, chief executive or their respective associates had any other personal, family, corporate and other interests or short positions in shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEME

The detailed disclosures relating to the Company's share option scheme and valuation of options are set out in Note 40 to the consolidated financial statements.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2012, the following persons, other than a Director, 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 2012 *(Note 1)*
Mr. Choy Ping Fai	Beneficial owner	304,104,000	—	304,104,000 *(Note 2)*	11.85%
Capital Master International Limited	Beneficial owner	304,104,000	—	304,104,000 *(Note 2)*	11.85%
The Cathay Investment Fund, Limited	Beneficial owner	263,920,000	—	263,920,000 *(Note 2)*	10.29%

Notes:

1. The percentage of shareholding was calculated on the basis of the Company's issued share capital of 2,565,395,800 shares as at 30 June 2012.

2. These represented 304,104,000 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.

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 2012, the Directors had no interests in any businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group.

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

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

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, the sales to the Group's five largest customers accounted for approximately 94% of the total sales for the year and the sales to the largest customer included therein amounted to 50%. Purchases from the Group's five largest suppliers accounted for approximately 48% of the total purchases for the year and the purchase from the largest supplier included therein amounted to approximately 19%.

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.

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, 26 September 2012

Corporate Governance Report

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 Code on Corporate Governance Practices (effective until 31 March 2012) and the Corporate Governance Code (effective from 1 April 2012) (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 2012, except the following.

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

During the year, Ms. Kam Yuen acted as the Chairman of the Board and the Chief Executive Officer of the Company until 30 May 2012. On 1 June 2012, Ms. Kam Yuen ceased to act as the Chairman of the Board and remains as the Chief Executive Officer of the Company; and Mr. Zhou Hongbo was appointed as the Chairman of the Board. From 1 June 2012, the roles of the Chairman of the Board and the Chief Executive Officer of the Company are separate, namely, Mr. Zhou Hongbo as the Chairman of the Board and Ms. Kam Yuen as the Chief Executive Officer of the Company.

Code provision C.2.1 of the CG Code provide 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 has, through the Audit Committee, 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 has appointed an independent professional company to carry out review on the corporate governance and the internal control system of the Group, but until now, the review has not been completed.

Code provision D.1.4 of the CG Code provide that issuers should have formal letters of appointment for directors setting out the key terms and conditions of their appointment.

The Company does not have formal letter of appointment for a Director setting out the key terms and conditions of his/ her appointment. The Directors are required to refer to the relevant key terms and conditions as set out in the Articles of Association and the guidelines for Directors and Guide for Independent Non-executive Directors (if applicable) published by the Hong Kong Institute of Directors.

THE BOARD

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

BOARD COMPOSITION

The Board currently comprises seven Directors with four Executive Directors, namely, Mr. Zhou Hongbo (Chairman), Ms. Kam Yuen (Chief Executive Officer), Mr. Leung Kwong Choi and Mr. Kwok Wai, Wilfred; and three Independent Non-executive Directors, namely, Mr. Cheung Ngai Lam, Mr. Wong Kwai Sang and Mr. Christopher David Thomas.

During the year ended 30 June 2012, the Board held 11 Board meetings, including 4 regular Board meetings. 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 Directors	Number of Board meetings attended/ Number of Board meetings held
Executive Directors	
Mr. Zhou Hongbo (Chairman) *(Note 1)*	1/1
Ms. Kam Yuen (Chief Executive Officer) *(Note 2)*	11/11
Mr. Leung Kwong Choi	11/11
Mr. Kwok Wai, Wilfred	11/11
Independent Non-Executive Directors	
Mr. Cheung Ngai Lam	10/11
Mr. Wong Kwai Sang	7/11
Mr. Christopher David Thomas	7/11

Notes:

1. Mr. Zhou Hongbo was appointed as Executive Director and the Chairman of the Board on 1 June 2012.

2. Ms. Kam Yuen ceased to act as the Chairman of the Board and remains as the Chief Executive Officer and an Executive Director on 1 June 2012.

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 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/her duties as a Director may convene, or request the company secretary of the Company to convene, a meeting of the Board to approve the consultation of independent legal or other professional advisor for advice.

For regular Board 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 transacted business of the Board by written resolutions signed by all the Directors.

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

If 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.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

On 1 June 2012, Ms. Kam Yuen ceased to act as the Chairman of the Board and remains as the Chief Executive Officer of the Company as she would focus more on the business operation of the Company. On the same date, Mr. Zhou Hongbo was appointed as the Chairman of the Board.

The Chairman of the Board and the Chief Executive Officer of the Company have different roles. The Chairman of the Board is responsible for the operation of the Board and the Chief Executive Officer of the Company 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 of the Company 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 of the Company 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.

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. Zhou Hongbo was appointed as an Executive Director on 1 June 2012, and shall hold 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 addition, in accordance with Article 116 of the Articles of Association, Mr. Leung Kwok Choi and Mr. Cheung Ngai Lam will retire by rotation, and being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company.

The Company does not have formal letter of appointment for a Director setting out the key terms and conditions of his/her 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 appointment of Mr. Cheung Ngai Lam as an Independent Non-executive Director is for three years from 4 July 2011. During the year, the Company has renewed letters of appointment with Mr. Wong Kwai Sang and Mr. Christopher David Thomas as Independent Non-executive Director with a term of three years from 2 March 2012 and 4 May 2012 respectively. Moreover, the Company has entered into a services agreement with Mr. Zhou Hongbo as Executive Director and the Chairman of the Board for a term of three years from 1 June 2012.

All the 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 his 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. Cheung Ngai Lam (Chairman), Mr. Wong Kwai Sang and Mr. Christopher David Thomas. Mr. Cheung Ngai Lam has appropriate accounting and related financial management expertise as required under Rule 3.10 of the Listing Rules.

During the year, the Audit Committee held 2 meetings. The attendance of audit committee meetings of each member is set out below:

Name of the Audit Committee Members	Number of Audit Committee meetings attended/Number of Audit Committee meetings held
Mr. Cheung Ngai Lam (Chairman)	2/2
Mr. Wong Kwai Sang	2/2
Mr. Christopher David Thomas	2/2

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 each year's audit;
3. to review and monitor the external auditor' 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.

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

The primary duties of the Remuneration Committee include 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 2012:

– to review the remuneration of Mr. Zhou Hongbo as new Executive Director and the Chairman of the Board;

– to review the Company's policy and structure for Directors' and the senior management of the Company;

– to review management's remuneration proposal with reference to the corporate goals and objective of the Board; and

– to recommend the remuneration of individual Executive Director and Independent Non-executive Director.

During the year, no meeting was held and the Remuneration Committee performed its duties by way of written resolutions.

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 during the year are set out in Note 17 to the consolidated financial statements.

NOMINATION COMMITTEE

The Board has established a nomination committee (the "Nomination Committee") on 1 April 2012 with the term of references in accordance with the Listing Rules. The Nomination Committee currently comprises three Independent Non-executive Directors, namely, Mr. Cheung Ngai Lam (Chairman), Mr. Wong Kwai Sang and Mr. Christopher David Thomas.

The primary duties of the Nomination Committee include 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.

Based on the personal particulars submitted, the Nomination Committee considered the background and knowledge of Mr. Zhou Hongbo and recommended to the Board for appointment of Mr. Zhou Hongbo as Executive Director and the Chairman of the Board.

Set out below is the summary of work of the Nomination Committee done for the year ended 30 June 2012:

– to discuss the acceptance of resignation by Ms. Kam Yuen as the Chairman of the Board and the nomination of Mr. Zhou Hongbo as Executive Director and the Chairman of the Board;

– to assess the independence of each Independent Non-executive Director;

– to review the structure, size and composition of the Board; and

– to make the recommendation of re-election of retiring Directors to the Board.

During the year, no meeting was held and the Nomination Committee performed its duties by way of written resolutions, including considering the background and reference of Mr. Zhou Hongbo and recommendation to the Board for appointment as new director of the Company.

OTHER INFORMATION

The Board has established an investment committee with Mr. Leung Kwong Choi as member and Ms. Kam Yuen as Chairman of the investment committee of the Company. The investment committee had not held any meeting since its formation.

The Company has not established a corporate governance committee and the corporate governance function set out in the terms of reference are to be performed by the Board. The Board had considered its policy for corporate governance and its duties and duties of various committees.

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 a Director to perform his/her responsibilities to the Company and whether he/she is spending sufficient time performing his/her duties.

From 1 April 2012, the Directors have participated in continuous professional development to develop and refreshed their knowledge and skills by reading material relevant to the directors' duties and responsibilities and attending briefings. Mr. Cheung Ngai Lam had also attended relevant seminars.

The Company has arranged Directors' and officers' liabilities insurance for the 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 for securities transactions by the Directors. 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 2012.

INTERNAL CONTROL

The Board has, through the Audit Committee, 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 has appointed an independent professional company to carry out review on the corporate governance and the internal control system of the Group, but until now, the review has not been completed.

COMPANY SECRETARY

The Company has engaged and appointed a representative from an external secretarial services provider as the company secretary of the Company. The primary contact persons with the company secretary of the Company are Ms. Kam Yuen, the Chief Executive Officer, and Ms. Christy Sung, an officer of the Company. The company secretary of the Company 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 price-sensitive announcements and other financial disclosures required under the Listing Rules, and reports to the regulators.

The Group had incurred losses of approximately HK$269,743,000 for the year ended 30 June 2012 and had net current liabilities of approximately HK$44,520,000 as at 30 June 2012. The ongoing operation of the Group is dependent on:

– the future performance of the operating businesses; and/or

– the additional fundings or loans 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 shareholder. A major shareholder of the Company has confirmed to provide an unsecured and interest free revolving loan facility of an amount of HK$20,000,000 to the Group. This facility is available to be drawn down by the Group at any time from 24 September 2012 to 30 September 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 consolidated financial statements. Accordingly, the Directors considered it is appropriate to prepare these financial statements on a going concerns basis.

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 30 to 31.

REMUNERATION OF THE AUDITOR

The remuneration in respect of audit and non-audit services provided by auditor of the Company, Lau & Au Yeung C.P.A. Limited, for the year ended 30 June 2012 were HK$700,000 and HK$331,000 respectively. Non-audit services are detailed as follows:

	HK$
Review services	331,000

SHAREHOLDERS' RIGHTS

Shareholder's rights to put forward proposals at general meetings are governed by the Articles of Association. Two or more shareholders of the Company (the "Shareholders") holding in aggregate not less than one-tenth of the paid up share capital of the Company may request Directors to convene an extraordinary general meeting and propose matters to be considered at that general meeting of the Company. A Shareholder may propose a candidate for election as a Director at the annual general meetings of the Company.

The Articles of Association and the procedures for the Shareholders to convene general meetings, to move a resolution at general meetings and propose a person for election as a Director at annual general meeting, are available for viewing at the Company's corporate website www.greencer.com.

For direct enquiries to the Board, Shareholders may submit his enquiries in writing with contact details (including registered name, address, telephone number and email address, etc) to the Chief Executive Officer of the Company as follows:

Address:	2/F, Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong
Telephone:	3904 3300
Fax:	3904 3303
Email:	info@greencer.com

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATION

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

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

An annual general meeting of the Company was held on 28 November 2011 (the "2011 AGM"). A notice convening the 2011 AGM contained in the circular dated 28 October 2011 was despatched to the Shareholders together with the 2011 Annual Report. The then Chairman of the Board and delegates duly appointed by members of all committees attended the 2011 AGM to answer the questions from the Shareholders. The then Chairman explained detailed procedures for conducting a poll. All the resolutions proposed at the 2011 AGM were passed by the Shareholders by way of poll. The results of the poll were published on the websites of the Stock Exchange and the Company on 28 November 2011.

Moreover, an extraordinary general meeting of the Company was held on 29 March 2012 (the "EGM") to consider an ordinary resolution approving the share consolidation. A notice convening the EGM contained in the circular dated 9 March 2012 was dispatched to the Shareholders. The then Chairman of the Board attended the EGM to answer the questions from the Shareholders. The then Chairman explained detailed procedures for conducting a poll. The resolution proposed at the EGM was passed by the Shareholders by way of poll. The results of the poll was published on the websites of the Stock Exchange and the Company on 29 March 2012.

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

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

Notes:

1. Mr. Zhou Hongbo was appointed as Executive Director and the Chairman of the Board on 1 June 2012.

2. Ms. Kam Yuen ceased to act as the Chairman of the Board and remains as the Chief Executive Officer and an Executive Director on 1 June 2012.

The forthcoming annual general meeting of the Company will be held on 21 November 2012 (the "2012 AGM"). A notice convening 2012 AGM will be published on the websites of the Stock Exchange and the Company and despatched together with the 2012 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.

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 32 to 113, which comprise the consolidated statement of financial position as at 30 June 2012, 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 2012, 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
26 September 2012

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2012

	Notes	2012 HK$'000	2011 HK$'000
Turnover	9	**28,838**	331,555
Cost of sales		**(23,871)**	(290,718)
Gross profit		**4,967**	40,837
Other gains and losses	11	**(282,432)**	508
Other income	12	**1,301**	822
Selling and distribution expenses		**(22)**	(137)
Administrative and other operating expenses		**(58,493)**	(74,094)
Share of result of an associate		**—**	(223)
Finance costs	13	**(9)**	(4,990)
Loss before tax		**(334,688)**	(37,277)
Income tax credit/(expense)	14	**64,945**	(17,207)
Loss for the year	15	**(269,743)**	(54,484)
Other comprehensive income			
Exchange differences arising on translation of foreign operations		**17,160**	49,250
Total comprehensive loss for the year		**(252,583)**	(5,234)

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2012

	Notes	2012 *HK$'000*	2011 *HK$'000*
Loss for the year attributable to:			
Owners of the Company		**(269,834)**	(54,117)
Non-controlling interests		**91**	(367)
		(269,743)	(54,484)
Total comprehensive loss attributable to:			
Owners of the Company		**(252,674)**	(4,867)
Non-controlling interests		**91**	(367)
		(252,583)	(5,234)
Loss per share			
– Basic (cents per share)	18	**(11.89)**	(0.94)
– Diluted (cents per share)	18	**(11.89)**	(0.94)

Consolidated Statement of Financial Position

At 30 June 2012

	Notes	2012 HK$'000	2011 HK$'000
Non-current assets			
Property, plant and equipment	20	**2,862**	2,906
Prepaid lease payment	21	—	1,041
Construction in progress	22	—	763
Biological assets	23	**767,064**	933,542
Goodwill	24	—	36,281
Intangible assets	25	**130,536**	212,997
Long-term prepayments	26	**33,660**	73,206
Deposit paid for acquisition of long term assets	27	**12,000**	—
Interest in an associate	28	—	—
		946,122	1,260,736
Current assets			
Inventories	29	**335**	1,787
Trade and other receivables	30	**32,914**	19,702
Amount due from non-controlling interests	31	—	1,911
Cash and bank balances	32	**724**	3,743
		33,973	27,143
Current liabilities			
Trade and other payables	33	**29,966**	36,546
Purchase consideration payable	34	**45,721**	52,461
Amount due to a related party	35	—	101
Tax payable		**2,759**	2,877
Bank overdraft, unsecured	32	**4**	—
Obligations under finance lease	36	**43**	—
		78,493	91,985
Net current liabilities		**(44,520)**	(64,842)
Total assets less current liabilities		**901,602**	1,195,894

Consolidated Statement of Financial Position

At 30 June 2012

	Notes	2012 HK$'000	2011 HK$'000
Non-current liabilities			
Deferred tax liabilities	37	**207,910**	274,458
Obligations under finance lease	36	**142**	—
Advance from a related party	38	**4,842**	11,515
		212,894	285,973
NET ASSETS		**688,708**	909,921
Capital and reserves			
Share capital	39	**128,270**	108,526
Non-controlling interests		—	4,251
Reserves		**560,438**	797,144
TOTAL EQUITY		**688,708**	909,921

The consolidated financial statements on pages 32 to 113 were approved and authorised for issue by the Board of Directors on 26 September 2012 and are signed on its behalf by:

Kam Yuen
Executive Director

Leung Kwong Choi
Executive Director

Consolidated Statement of Changes in Equity

For the year ended 30 June 2012

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

	Equity attributable to owners of the Company											
	Share capital HK$'000	**Share premium HK$'000** (Note a)	**Shares held by escrow agent for settlement of acquisition consideration HK$'000** (Note b)	**Capital reserve HK$'000** (Note c)	**Employee share-based compensation reserve HK$'000** (Note d)	**Convertible notes equity reserve HK$'000** (Note e)	**Statutory surplus reserve fund HK$'000** (Note f)	**Foreign exchange revaluation reserve HK$'000** (Note g)	**Retained earnings/ (Accumulated losses) HK$'000**	**Total HK$'000**	**Non-controlling interests HK$'000**	**Total equity HK$'000**
At 1 July 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**

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

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

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

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

(f) According to the relevant enterprises regulations in the PRC, certain subsidiaries in the PRC are required to transfer not less than 10% of their profit after taxation, as determined under accounting principles generally accepted in the PRC, to the statutory surplus reserve fund until the balance reaches 50% of their registered capital. While the rest of the PRC subsidiaries can make appropriation of their profit after taxation to the statutory surplus reserve fund on a 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.

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

Consolidated Statement of Cash Flows

For the year ended 30 June 2012

	Notes	2012 HK$'000	2011 HK$'000
OPERATING ACTIVITIES			
Loss before tax	15	**(334,688)**	(37,277)
Adjustments for:			
Interest income		**(1)**	(19)
Finance costs		**9**	36
Equity-settled share-based payments		**5,353**	—
Depreciation of property, plant and equipment		**506**	278
Amortisation of prepaid lease payments		**11**	19
Share of result of an associated company		—	223
Impairment on interest in an associated company		—	532
Loss on disposal of intangible assets		—	28
Impairment loss on amounts due from ex-subsidiaries		**4,189**	—
Impairment loss on long-term prepayment		**2,825**	—
Impairment loss on trade and other receivables		—	3,995
Impairment loss on goodwill		**36,281**	109,394
Impairment loss on patents		**64,564**	60,366
Amortisation of intangible assets		**17,897**	23,195
Loss/(gain) on changes in fair value of biological assets less estimated point-of-sale costs		**183,729**	(112,314)
Loss/(gain) on disposal of subsidiaries		**4,479**	(34,056)
Changes in fair value of purchase consideration payable		**(6,740)**	(27,068)
Harvested timber transferred from biological assets		—	13,038
Imputed interests on convertible notes and promissory notes		—	4,954
Operating cash flows before movements in working capital		**(21,586)**	5,324
Decrease in inventories		**492**	9,843
Decrease/(increase) in trade and other receivables		**19,920**	(32,049)
Decrease in amount due from a director		**1**	9
(Decrease)/increase in trade and other payables		**(10,860)**	34,998
(Decrease)/increase in amount due to a related party		**(5,889)**	10,225
Increase in amount due from non-controlling interest		—	(1,911)
NET CASH (USED IN)/FROM OPERATING ACTIVITIES		**(17,922)**	26,439

Consolidated Statement of Cash Flows

For the year ended 30 June 2012

	Notes	2012 HK$'000	2011 HK$'000
INVESTING ACTIVITIES			
Purchases of property, plant and equipment		**(3,036)**	(2,677)
Payments for construction in progress		**(40)**	(32,147)
Deposit paid for acquisition of long term assets		**(12,000)**	—
Acquisition of subsidiaries, net cash outflow	41	—	(17,683)
Capital injection from non-controlling interests		—	4,109
Capital injection from shareholders		—	66
Interest received		**1**	19
Payments for prepaid lease payments		—	(1,060)
Capital injections to an associated company		—	(755)
Net proceeds from disposal of intangible assets		—	972
Net cash outflow arising on disposal of subsidiaries	42	**(480)**	(105)
NET CASH USED IN INVESTING ACTIVITIES		**(15,555)**	(49,261)
FINANCING ACTIVITIES			
Capital element of finance lease payment		**(51)**	—
Net proceeds from issuance of shares		**26,280**	—
Net proceeds from exercise of share options		**4,325**	5,988
Interest paid		**(9)**	(36)
NET CASH FROM FINANCING ACTIVITIES		**30,545**	5,952
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(2,932)**	(16,870)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**3,743**	20,420
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**(91)**	193
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	32	**720**	3,743

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 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 2010
HKFRS 7 (Amendments)	Disclosures - Transfers of Financial Assets
HKAS 12 (Amendments)	Deferred tax: Recovery of Underlying Assets
HKAS 24 (Revised)	Related Party Disclosure
HK (IFRIC) - Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement

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 FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

HKFRSs (Amendments)	Annual Improvements 2009-2011 Cycle[3]
HKAS 1 (Amendment)	Presentation of Financial Statements[2]
HKAS 12 (Amendment)	Deferred Tax: Recovery of Underlying Assets[1]
HKAS 19 (Amendment)	Employee Benefits[3]
HKAS 27 (2011)	Separate financial statements[3]
HKAS 28 (2011)	Investments in associates and joint ventures[3]
HKAS 32 (Amendment)	Financial instruments: Presentation - Offsetting financial assets and financial liabilities[4]
HKFRS 7 (Amendment)	Financial instruments: Disclosures - Offsetting financial assets and financial liabilities[3]
HKFRS 9	Financial Instruments[5]
HKFRS 10	Consolidated Financial Statements[3]
HKFRS 11	Joint Arrangements[3]
HKFRS 12	Disclosures of Interests in Other Entities[3]
HKFRS 13	Fair Value Measurement[3]
HK(IFRIC)–Int 20	Stripping Costs in the Production Phase of a Surface Mine[3]

1 Changes effective for annual periods beginning on or after 1 January 2012
2 Changes effective for annual periods beginning on or after 1 July 2012
3 Changes effective for annual periods beginning on or after 1 January 2013
4 Changes effective for annual periods beginning on or after 1 January 2014
5 Changes 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.

The Group had incurred losses of approximately HK$269,743,000 for the year ended 30 June 2012 and had net current liabilities of approximately HK$44,520,000 as at 30 June 2012. The ongoing operation of the Group is dependent on:

— the future performance of the operating businesses; and/or

— the additional fundings or loans from its shareholders or other parties.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 HK$20,000,000 to the Group. This facility is available to be drawn down by the Group at any time from 24 September 2012 until 30 September 2013. The directors thus believe that the Group has sufficient cash flows to meet its liabilities and financial obligations as and when they fall due and to carry on its businesses without a significant curtailment of operations in the coming twelve months from the date of these financial statements. Accordingly, the directors considered it is appropriate to prepare these financial statements on a going concern basis.

(a) Basis of consolidation

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

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

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

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

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

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

(h) Construction in progress

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

(i) 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)*

(j) 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.

(k) 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)*

(k) 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)*

(k) 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)*

(k) 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) 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).

(m) Inventories

Organic fertilisers

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

Harvested biological assets

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) 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)*

(o) 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)*

(p) 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).

(q) Employee benefits

(i) Paid leave carried forward

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Employee benefits *(Continued)*

(ii) Defined contribution retirement plan

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

The Group also operates a Mandatory Provident Fund Scheme ("the MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance and not previously covered by the defined contribution retirement plans as mentioned above. The MPF Scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$20,000 before 1 June 2012 or HK$25,000 on or after 1 June 2012. 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)*

(r) 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)*

(s) 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.

(t) 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)*

(u) 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..

(v) 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. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

(a) Fair values of biological assets

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

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

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

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

(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.

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

(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 (2011: HK$36,281,000) with impairment loss of approximately HK$36,281,000 for the year (2011: HK$109,394,000).

(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.

(f) Estimates of current tax

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

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

(g) Contingent considerations of acquisitions

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

5. CAPITAL RISK MANAGEMENT

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

6. FINANCIAL INSTRUMENTS

Categories of financial instruments

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

	2012	2011
	HK$'000	*HK$'000*
Financial assets		
Loan and receivables (including cash and bank balances)		
Trade receivables, net of allowances	**—**	664
Deposits and other receivables, net of allowances	**3,419**	2,118
Cash and bank balances	**724**	3,743
	4,143	6,525
Financial liabilities		
Other financial liabilities measured at amortised cost		
Trade payables	**—**	70
Other payables and accruals	**29,966**	36,476
Purchase consideration payable	**45,721**	52,461
Amount due to a related party	**—**	101
Obligation under finance lease	**185**	—
Advance from a related party	**4,842**	11,515
Bank overdraft, unsecured	**4**	—
	80,718	100,623

7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

Details of these financial instruments are disclosed in respective notes.

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

Liquidity risk

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

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

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

Liquidity risk *(Continued)*

	Within 1 year or on demand *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

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 2011					
Non-derivative financial liabilities					
Trade payables	70	—	—	70	70
Other payables and accruals	36,476	—	—	36,476	36,476
Amount due to a related party	101	—	—	101	101
Balance of purchase consideration to be settled by cash	10,000	—	—	10,000	10,000
Balance of purchase consideration to be settled by shares	6,740	—	—	6,740	6,740
Advance from a related party	—	11,515	—	11,515	11,515
	53,387	11,515	—	64,902	64,902

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.

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

Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to its variable-rate bank balances as detailed in Note 32. It is the Group's policy to keep it at floating rate of interest so as to minimise the fair value interest rate risk. If interest rates had been 50 basis points higher or lower and all other variables were held constant, the Group's loss for the year would be unchanged (2011: decrease or increase by approximately HK$28,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank balances.

Credit risk

At 30 June 2012, 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 (2011: none) of the total trade receivables due from the Group's largest customer and the five largest customers.

8. FAIR VALUE

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

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

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

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

The following table presents the group's financial instruments that are measured at fair value as 30 June 2012.

	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Liabilities				
Purchase consideration payables (Note 34)	—	—	—	—

The following table presents the group's financial instruments that are measured at fair value as 30 June 2011.

	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Liabilities				
Purchase consideration payables (Note 34)	—	—	6,740	6,740

The fair values of the purchase consideration payables that are not traded in an active market are determined by using valuation techniques. The key assumptions used for the valuation are set out in Note 34. Please refer to Note 4(g) for details of changes in these unobservable and subject input assumptions and their impact on the fair values estimate of purchase consideration payables.

8. FAIR VALUE *(Continued)*

The following table presents the changes in level 3 instruments for the year ended 30 June 2012:

	Purchase consideration payable *HK$'000*
Opening balance	6,740
Fair value recognised in the consolidated statement of comprehensive income	(6,740)
Closing balance	—

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

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

9. TURNOVER

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

	2012 **HK$'000**	2011 HK$'000
Sales of plantation materials	**3,213**	273,776
Sales of plantation products	**318**	15,740
Green technology income	**25,307**	13,500
Sales of environmental system	—	28,539
	28,838	331,555

10. SEGMENT INFORMATION

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

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

(i) Sales of plantation materials

(ii) Sales of 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.

10. SEGMENT INFORMATION *(Continued)*

Information regarding the above segment is reported below.

(a) Segment revenues and results

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

For the year ended 30 June 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)
Interest income					—
Finance costs					(9)
Loss before tax					(334,688)
Income tax credit					64,945
Loss for the year					(269,743)

10. SEGMENT INFORMATION *(Continued)*

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

For the year ended 30 June 2011

	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	13,500	273,776	28,539	15,740	331,555
Segment results before change in fair value of biological assets	11,971	(8,414)	2,096	(7,958)	(2,305)
Gain on change in fair value of biological assets less estimated point-of-sale costs	—	—	—	112,314	112,314
Segment results	11,971	(8,414)	2,096	104,356	110,009
Unallocated results					(142,315)
Interest income					19
Finance costs					(4,990)
Loss before tax					(37,277)
Income tax expense					(17,207)
Loss for the year					(54,484)

10. SEGMENT INFORMATION *(Continued)*

(b) Segment assets and liabilities

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

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**

At 30 June 2011

	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	4	120,961	—	1,068,572	1,189,537
Unallocated corporate assets					98,342
Total assets					1,287,879
Segment liabilities	—	233	—	1,550	1,783
Unallocated corporate liabilities					376,175
Total liabilities					377,958

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.

10. 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 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
Capital expenditure incurred during the year	—	—	—	—	—
Unallocated depreciation of property, plant and equipment					406
Unallocated capital expenditure					3,272

For the year ended 30 June 2011

	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	277	—	—	278
Amortisation of intangible assets	—	18,263	—	4,932	23,195
Impairment of intangible assets	—	60,366	—	—	60,366
Capital expenditure incurred during the year	6	4,505	—	31,384	35,895
Unallocated depreciation of property, plant and equipment					—
Unallocated capital expenditure					—

10. 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	
	2012	2011	**2012**	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Turnover from external customers	**18,046**	273,776	**10,792**	57,779	**28,838**	331,555
Segment assets	**975,840**	1,283,309	**4,255**	4,570	**980,095**	1,287,879
Capital expenditure						
– property, plant and equipment	—	2,682	**3,272**	6	**3,272**	2,688
– construction in progress	—	32,147	—	—	—	32,147
– prepaid lease payments	—	1,060	—	—	—	1,060
	—	35,889	**3,272**	6	**3,272**	35,895

10. SEGMENT INFORMATION *(Continued)*

Information about major customers

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

Customer	**Details**	**2012** *HK$'000*	2011 *HK$'000*
A	Green technology income	**14,515**	—
B	Green technology income	**10,792**	—
C	Sales of plantation materials and environmental system	—	95,887
D	Sales of plantation materials	—	95,887
E	Sales of plantation materials	—	87,991

11. OTHER GAINS AND LOSSES

	2012 *HK$'000*	2011 *HK$'000*
(Loss)/gain on changes in fair value of biological assets less estimated point-of-sale costs	**(183,729)**	112,314
(Loss)/gain on disposal of subsidiaries	**(4,479)**	34,056
Changes in fair value of purchase consideration payable	**6,740**	27,068
Exchange loss, net	**(119)**	(2,610)
Impairment loss on goodwill	**(36,281)**	(109,394)
Impairment loss on intangible assets	**(64,564)**	(60,366)
Impairment loss on interest in an associate	—	(532)
Loss on disposal of intangible assets	—	(28)
	(282,432)	508

12. OTHER INCOME

	2012	2011
	HK$'000	*HK$'000*
Rental Income	**1,110**	—
Interest income	**1**	19
Others	**190**	803
	1,301	822

13. FINANCE COSTS

	2012	2011
	HK$'000	*HK$'000*
Effective interest expenses on convertible notes	—	4,954
Finance lease interest	**8**	—
Other finance charges	**1**	36
	9	4,990

14. INCOME TAX (CREDIT)/EXPENSE

	2012	2011
	HK$'000	*HK$'000*
Current tax		
– Hong Kong	**1,502**	1,984
– PRC Enterprise Income Tax ("EIT")	**101**	11,642
Under-provision in prior year		
– Hong Kong	—	893
Deferred tax		
– current year	**(66,548)**	2,688
Income tax (credit)/expense	**(64,945)**	17,207

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.

14. INCOME TAX (CREDIT)/EXPENSE *(Continued)*

The income tax (credit)/expense 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:

	2012	2011
	HK$'000	*HK$'000*
Loss before tax	**(334,688)**	(37,277)
Tax calculated at applicable PRC tax rate of 25% (2011: 25%)	**(83,672)**	(9,319)
Tax effect of expenses not deductible for tax purpose	**24,389**	16,619
Tax effect of income not taxable for tax purpose	**(5,652)**	—
Origination and reversal of temporary differences	**—**	8,399
Effect of different tax rates of group companies operating in jurisdictions other than PRC	**(10)**	615
Under-provision in prior year	**—**	893
Income tax (credit)/expense	**(64,945)**	17,207

15. LOSS FOR THE YEAR

Loss for the year is arrived at after charging:

	2012	2011
	HK$'000	*HK$'000*
Staff costs including directors' emoluments	**6,058**	4,698
Depreciation of property, plant and equipment	**506**	278
Amortisation of intangible assets	**17,897**	23,195
Cost of inventories recognised as an expense	**2,279**	290,718
Auditor's remuneration		
– under-provision in prior years	**—**	68
– current year	**726**	1,169
Operating leases charges on property rentals	**1,713**	1,460
Impairment loss on amounts due from ex-subsidiaries	**4,189**	—
Impairment loss on long-term prepayments	**2,825**	—
Impairment loss on trade and other receivables recognised	**—**	3,995
Equity-settled share-based payment expense	**5,353**	—

16. STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	2012	2011
	HK$'000	*HK$'000*
Salaries, wages and other benefits	**6,058**	4,652
Contributions to defined contribution retirement plans	**30**	46
	6,088	4,698

Hong Kong

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme ("MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$20,000 before 1 June 2012 or HK$25,000 on or after 1 June 2012 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.

17. DIRECTORS' EMOLUMENTS

(a) Directors' emoluments

The emoluments paid or payable to each of seven (2011: six) directors during the year were as follows:

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	20	—	—	—	20
Independent non-executive directors:					
Mr. Wong Kwai Sang	75	—	—	—	75
Mr. Cheung Ngai Lam, Martin	120	—	—	—	120
Mr. Christopher David Thomas	75	—	—	—	75
	2,810	—	—	—	2,810

Note:

Mr. Zhou was appointed on 1 June 2012.

17. DIRECTORS' EMOLUMENTS *(Continued)*

(a) Directors' emoluments *(Continued)*

For the year ended 30 June 2011

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

No director has waived or agreed to waive any emoluments during the two years ended 30 June 2012 and 2011.

During the years ended 30 June 2012 and 2011, 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.

17. DIRECTORS' EMOLUMENTS *(Continued)*

(b) Senior management's emoluments

Of the five individuals with the highest emoluments in the Group, four (2011: three) were directors of the Company and none (2011: none) were ex-directors of the Company. Their emoluments is detailed in note 17(a).

The emoluments fall within the following band:

	Number of individuals	
	2012	2011
Nil – HK$2,000,000	**4**	4
HK$2,000,001 – HK$4,000,000	**1**	1
HK$6,000,001 – HK$8,000,000	—	—
HK$8,000,001 – HK$10,000,000	—	—

18. LOSS PER SHARE

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

	2012	2011
	HK$'000	*HK$'000*
Loss		
Loss for the purpose of basic and diluted loss per share	**(269,834)**	(54,117)

	2012	2011
	'000	*'000*
Number of shares *(note)*		
Weighted average number of ordinary shares for the purposes of calculating basic loss per share	**2,270,040**	5,777,223

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 January 2011.

No diluted losses 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.

19. DIVIDEND

The Board does not recommend the payment of any dividend for the year ended 30 June 2012 (2011: Nil).

20. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements *HK$'000*	Building *HK$'000*	Plant and machinery *HK$'000*	Furniture, fixtures and office equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
COST						
At 1 July 2010	147	—	1,293	89	76	1,605
Acquired on acquisition of subsidiaries	—	—	—	11	—	11
Additions	—	1,184	574	762	157	2,677
Disposal of subsidiaries	(147)	—	(560)	(656)	—	(1,363)
Exchange realignment	—	—	55	4	5	64
At 30 June 2011 and 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	—	—	—	**3,033**	**236**	**3,269**

20. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Leasehold improvements HK$'000	Building HK$'000	Plant and machinery HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
ACCUMULATED DEPRECIATION						
At 30 June 2010	147	—	—	3	—	150
Provision for the year	—	19	111	139	9	278
Disposal of subsidiaries	(147)	—	(90)	(103)	—	(340)
At 30 June 2011 and 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	—	—	—	**354**	**53**	**407**
CARRYING VALUES						
At 30 June 2012	—	—	—	**2,679**	**183**	**2,862**
At 30 June 2011	—	1,165	1,341	171	229	2,906

21. PREPAID LEASE PAYMENT

	2012	2011
	HK$'000	*HK$'000*
COST		
At 1 July	**1,060**	—
Addition	—	1,060
Exchange realignment	**14**	—
Disposal of subsidiaries	**(1,074)**	—
At 30 June	—	1,060
ACCUMULATED AMORTISATION		
At 1 July	**(19)**	—
Amortisation for the year	**(11)**	(19)
Disposal of subsidiaries	**30**	—
At 30 June	—	(19)
CARRYING VALUE		
At 30 June	—	1,041

The Group's prepaid lease payment comprise :

	2012	2011
	HK$'000	*HK$'000*
Leasehold land outside Hong Kong under medium-term lease	—	1,041

22. CONSTRUCTION IN PROGRESS

	2012	2011
	HK$'000	*HK$'000*
At 1 July	**763**	28,173
Additions	**40**	32,147
Disposal of subsidiaries	**(815)**	(59,750)
Exchange realignment	**12**	193
At 30 June	—	763

23. BIOLOGICAL ASSETS

	Standing timber *HK$'000*
At 1 July 2010	785,556
Harvested timber transferred to inventories and sold	(13,038)
Gain on changes in fair value less estimated point-of-sale costs	112,314
Exchange realignment	48,710
At 30 June 2011 and 1 July 2011	**933,542**
Harvested timber transferred to inventories and sold	—
Loss on changes in fair value less estimated point-of-sale costs	**(183,729)**
Exchange realignment	**17,251**
At 30 June 2012	**767,064**

The Group's biological assets represent standing timber on plantation land of approximately 60,000 Chinese Mu with lease term of 30 years, expiring in 2038. During the year, the Group did not harvest or sell any standing timber. Approximately 13,476 cubic meter timber, which had a fair value less estimated point-of-sale costs of approximately HK$13,038,000 were harvested and sold in the year ended 30 June 2011.

The Group's standing timber at 30 June 2012 were independently valued by Ascent Partners Transaction Service Limited ("Ascent Partners"). Ascent Partners has adopted market value approach for the valuation of standing timber. The method uses the present market value in terms of price per unit cubic meter of round logs and the total merchantable volume of timber in the forest at 30 June 2012 as basis for coming up the fair value less estimated point-of-sale costs. The principal assumptions adopted are as follows:

1. no material changes in the existing political, legal, technological, fiscal, economic conditions, climate and any other natural condition;

2. poplar trees can grow to certain size and can be legally cut in 8 years and in 5 years with organic fertilisers added; and

3. the growth rate of the price of the timber, the setup fee and maintenance fee for tree plantation, and the new terms of the concession fee will increase as the price index of forestry product in China.

Nature risk

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

24. GOODWILL

	HK$'000
COST	
At 1 July 2010	36,281
Arising on acquisition of subsidiaries	109,394
At 30 June 2011 and 1 July 2011	145,675
Disposal of subsidiaries	(53,673)
At 30 June 2012	**92,002**
ACCUMULATED IMPAIRMENT LOSSES	
At 1 July 2010	—
Impairment loss recognised during the year	(109,394)
At 30 June 2011 and 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	**(92,002)**
CARRYING VALUES	
At 30 June 2012	—
At 30 June 2011	36,281

Impairment testing on goodwill

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

– plantation materials
– green medical application
– green technology

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

	2012	2011
	HK$'000	*HK$'000*
Plantation materials	**36,281**	36,281
Green medical application	—	53,673
Green technology	**55,721**	55,721
	92,002	145,675

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.

24. GOODWILL *(Continued)*

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 medical application

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

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

During the year ended 30 June 2012, the relevant CGUs are disposed of upon disposal of subsidiaries.

Green technology

During the years ended 30 June 2011 and 2012, 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.

25. INTANGIBLE ASSETS

	Operating rights HK$'000 (Note a)	Patents HK$'000 (Note b)	Total HK$'000
COST			
At 1 July 2010	147,958	161,559	309,517
Acquisition on acquisition of subsidiaries	—	1,000	1,000
Disposal	—	(1,000)	(1,000)
At 30 June 2011 and 1 July 2011	147,958	161,559	309,517
Disposal	—	(1,542)	(1,542)
At 30 June 2012	**147,958**	**160,017**	**307,975**
ACCUMULATED AMORTISATION AND IMPAIRMENT			
At 1 July 2010	(7,996)	(4,963)	(12,959)
Amortisation for the year	(4,932)	(18,263)	(23,195)
Impairment loss recognised during the year	—	(60,366)	(60,366)
At 30 June 2011 and 1 July 2011	(12,928)	(83,592)	(96,520)
Amortisation for the year	(4,932)	(12,965)	(17,897)
Impairment loss recognised during the year	—	(64,564)	(64,564)
Written back on disposal	—	1,542	1,542
At 30 June 2012	**(17,860)**	**(159,579)**	**(177,439)**
CARRYING VALUES			
At 30 June 2012	**130,098**	**438**	**130,536**
At 30 June 2011	135,030	77,967	212,997

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.

26. LONG-TERM PREPAYMENTS

	2012	2011
	HK$'000	*HK$'000*
Prepayments of subcontracting fees	**65,981**	87,573
Less: current portion of long-term prepayments	**(29,496)**	(14,367)
Impairment loss on long-term prepayments	**(2,825)**	—
	33,660	73,206

The amount represents the prepayments of subcontracting fees for the period from 1 July 2012 to 30 June 2014 (2011: 1 July 2011 to 30 June 2014).

27. DEPOSIT PAID FOR ACQUISITION OF LONG TERM ASSETS

	2012	2011
	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.

28. INTEREST IN AN ASSOCIATE

	2012	2011
	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 investment in an associate	**(532)**	(532)
	—	—

Note:

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

For the year ended 30 June 2011, TAO Environment 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 provided.

Particulars of the Group's associate as at 30 June 2012 is set out as follows:

Name of associate	Place of incorporation/ establishment and operation	Group equity interest		Proportion of voting power held		Principal activity
		2012	2011	**2012**	2011	
TAO Environmental Engineering Co., Limited	The People's Republic of China ("PRC")	**38%**	38%	**38%**	38%	Research and development of organic technology in environmental products, fertilizers, machineries and consultancy service

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

	2012	2011
	HK$'000	*HK$'000*
Total assets	**236**	510
Total liabilities	**(157)**	(233)
Net assets	**79**	277
Group's share of net assets of associate	**30**	105
Revenue	**488**	223
Loss for the year	**(203)**	(586)
Other comprehensive loss	**—**	—
Group's share of loss and other comprehensive loss of associate for the year	**—**	(223)

29. INVENTORIES

	2012	2011
	HK$'000	*HK$'000*
Organic fertilisers		
Raw materials	**59**	967
Finished goods	**276**	820
	335	1,787

30. TRADE AND OTHER RECEIVABLES

	2012	2011
	HK$'000	*HK$'000*
Trade receivables	—	664
Prepayments, deposits and other receivables	**32,914**	19,038
	32,914	19,702

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:

	2012	2011
	HK$'000	*HK$'000*
RMB	**902**	100

31. AMOUNT DUE FROM NON-CONTROLLING INTERESTS

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

32. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components:

	2012	2011
	HK$'000	*HK$'000*
Cash at banks and on hand	**724**	3,743
Bank overdrafts	**(4)**	—
	720	3,743

32. CASH AND CASH EQUIVALENTS *(Continued)*

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

	2012	2011
	HK$'000	*HK$'000*
HK$	**568**	1,593
RMB	**152**	2,150
	720	3,743

33. TRADE AND OTHER PAYABLES

	2012	2011
	HK$'000	*HK$'000*
Trade payables	—	70
Other payables and accruals	**29,966**	36,476
	29,966	36,546

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

	2012	2011
	HK$'000	*HK$'000*
Within 30 days	—	70
31 - 90 days	—	—
91 - 180 days	—	—
Over 180 days	—	—
	—	70

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.

	2012	2011
	HK$'000	*HK$'000*
RMB	**21,016**	12,060

34. PURCHASE CONSIDERATION PAYABLES

	Notes	2012 HK$'000	2011 HK$'000
As at 1 July		**52,461**	—
Initial fair values of purchase consideration payables at the date of acquisition of Ally Goal Group (Note 41(a))	(a)	—	23,808
Initial fair values of purchase consideration payables at the date of acquisition of Bright Delight Group (Note 41(b))	(b)	—	55,721
Fair value adjustment (Note 11)	(c),(d)	**(6,740)**	(27,068)
As at 30 June		**45,721**	52,461
Represented by:			
Balance of purchase consideration to be settled by cash	(e)	**10,000**	10,000
Balance of purchase consideration to be settled by shares issued and held by escrow agent	(e)	**35,721**	35,721
Balance of purchase consideration to be settled by shares		—	6,740
		45,721	52,461

Notes:

(a) Pursuant to the acquisition agreement as set out in Note 41, as part of the consideration, 500 million of shares shall be issued to the vendor upon Ally Goal Group's achievement of the relevant profit guarantees during the relevant profit guarantee periods. The actual numbers of shares to be issued will be subject to the net profits reported by Ally Goal Group for the years ended 30 June 2011 and ending 30 June 2012. The number of shares that will be issued by the Company is calculated base on formula stipulated in the acquisition agreement. According to HKAS 32, the purchase consideration payables, which are contingent in nature, should be classified as liabilities.

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

(b) Pursuant to the acquisition agreement as set out in Note 41, the purchase consideration included 147 million of shares and cash of HK$20,000,000 (collectively "the Consideration"), which shall be payable in two equal instalments to the vendor upon Bright Delight Group's fulfillment of the guarantee profits during the guarantee periods. The Consideration will be subject to the net profits reported by Bright Delight Group for the years ended 30 June 2011 and ending 30 June 2012 and is calculated based on formula stipulated in the acquisition agreement. According to HKAS 32, the purchase consideration payables, which are contingent in nature, should be classified as liabilities.

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

34. PURCHASE CONSIDERATION PAYABLES *(Continued)*

Notes (Continued):

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

(d) 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 11).

(e) 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.

35. AMOUNT DUE TO A RELATED PARTY

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

36. OBLIGATION UNDER FINANCE LEASE

	2012	2011
	HK$'000	*HK$'000*
Wholly repayable within five years		
Obligation under finance lease	**185**	—
Less: Amount due within one year included under current liabilities	**(43)**	—
	142	—

Obligation under finance lease is repayable with the following periods:

	Present value		**Minimum payment**	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Within one year	**43**	—	**54**	—
In the second year	**46**	—	**54**	—
In the third to fifth year	**96**	—	**103**	—
	185	—	**211**	—
Finance charges			**(26)**	—
			185	—

Interest is charged on the outstanding balance of finance lease at the rate of 6.47% per annum (2011: Nil). The finance lease is secured by a motor vehicle of the group.

37. 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 2010	(196,389)	(34,991)	(40,390)	(271,770)
(Charged)/credited to statement of comprehensive income	(24,819)	1,233	20,898	(2,688)
At 30 June 2011 and 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	**(175,276)**	**(32,525)**	**(109)**	**(207,910)**

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:

	2012 *HK$'000*	2011 *HK$'000*
Deferred tax asset	—	—
Deferred tax liabilities	**(207,910)**	(274,458)
	(207,910)	(274,458)

At the end of the reporting period, the Group has no unused tax losses (2011: Nil).

38. ADVANCE FROM A RELATED PARTY

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

39. SHARE CAPITAL

	Number of ordinary shares *'000*	Amount *HK$'000*
Authorised ordinary shares of HK$0.05 (2011: HK$0.05) each:		
At 1 July 2010	10,000,000	100,000
Increase in authorised share capital (Note (a))	20,000,000	200,000
Consolidation of shares (Note (b))	(24,000,000)	—
At 30 June 2011 and 30 June 2012	6,000,000	300,000
Issued and fully paid ordinary shares of HK$0.05 (2011: HK$0.05) each		
At 1 July 2010	8,746,379	87,464
Conversion of covertible notes (Note (c))	572,190	10,937
Exercise of share options (Note 40)	77,460	775
Issue of new shares for acquisition of subsidiaries (Note (d))	347,000	9,350
Consolidation of shares (Note (b))	(7,572,511)	—
At 30 June 2011	2,170,518	108,526
Placement of new shares (Note (e))	360,000	18,000
Exercise of share options (Note (e))	34,878	1,744
At 30 June 2012	**2,565,396**	**128,270**

Notes:

For the year ended 30 June 2011

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

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

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

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

39. SHARE CAPITAL *(Continued)*

Notes (Continued):

For the year ended 30 June 2012

(e) All the shares issued during the year rank pari passu with the existing shares of the Company in all aspects.

(f) A special resolution was passed by the shareholders of the Company (the "Shareholders") at the annual general meeting of the Company held on 28 November 2011 (the "2011 AGM") to effect the capital reorganization (the "Capital Reorganization") in the following manners:

(1) the capital of the Company shall be reduced from HK$300,000,000 divided into 6,000,000,000 shares of the Company of HK$0.05 each (the "Shares") to HK$6,000,000 divided into 6,000,000,000 new shares of the Company of HK$0.001 each (the "New Shares"), by canceling paid-up capital to the extent of HK$0.049 on each issued Share and by reducing the nominal value of all the issued and unissued Shares from HK$0.05 to HK$0.001; and

(2) the authorized capital of the Company shall be increased to its former amount of HK$300,000,000 by the creation of an additional 294,000,000,000 New Shares.

The Capital Reorganization is conditional upon the following:

(1) the passing of the special resolution by the Shareholders to approve the Capital Reorganization at the 2011 AGM;

(2) the Grand Court of the Cayman Islands making an order to confirm the Capital Reduction and compliance with any conditions the Grand Court of the Cayman Islands may impose; and

(3) the Listing Committee of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") granting approval for the listing of, and permission to deal in, the New Shares in issue following the Capital Reorganization taking effect.

An ordinary resolution was passed by the Shareholders at an extraordinary general meeting of the Company held on 29 March 2012 (the "EGM") to effect the share consolidation (the "Share Consolidation"), immediately after the Capital Reorganization becoming effective, on the basis that every twenty issued and unissued New Shares will be consolidated into one consolidated share of the Company of HK$0.02 each (the "Consolidated Share").

After the Share Reorganization becoming effective, the authorized share capital of the Company will be HK$300,000,000 dividend into 15,000,000,000 Consolidated Shares.

The Share Consolidation is conditional upon the following:

(1) the passing of the necessary resolutions by the Shareholders to approve the Share Consolidation at the EGM;

(2) the Capital Reorganization becoming effective; and

(3) the Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in, the Consolidated Shares to be in issue.

As at the date of this report, the Company has not yet obtained an order made by the Grand Court of the Cayman Islands regarding the Capital Reorganization. Therefore, the Share Reorganization and the Share Consolidation have not been effective.

40. 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.

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

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

The movements in the share options of the Company during the year ended 30 June 2012 and 30 June 2011 are shown in the following tables:

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	0.585*	36,000,000*	—	—	—	36,000,000
Mr. Leung Kwong Choi	7/8/2009	7/8/2009 - 6/8/2012	0.585*	12,480,000*	—	—	—	12,480,000
Mr. Kwok Wai, Wilfred	7/8/2009	7/8/2009 - 6/8/2012	0.585*	12,480,000*	—	—	—	12,480,000
Mr. Cheung Ngai Lam	7/8/2009	7/8/2009 - 6/8/2012	0.585*	4,252,000*	—	—	—	4,252,000
Subtotal				65,212,000	—	—	—	65,212,000
Employees and others								
In aggregate	7/8/2009	7/8/2009 - 6/8/2012	0.585*	14,000,000*	—	—	(7,000,000)*	7,000,000
	19/1/2010	19/1/2010 - 18/1/2013	0.435*	39,100,000*	—	—	(39,100,000)*	—
	26/5/2010	26/5/2010 - 25/5/2013	0.375*	60,264,000*	—	—	(57,124,000)*	3,140,000
	20/7/2011	20/7/2011 - 19/07/2014	0.1346	—	71,000,000	(18,000,000)	(42,000,000)	11,000,000
	18/8/2011	18/8/2011 - 17/8/2014	0.1126	—	84,758,000	(16,878,000)	(49,880,000)	18,000,000
				113,364,000	155,758,000	(34,878,000)	(195,104,000)	39,140,000
Total				178,576,000	155,758,000	(34,878,000)	(195,104,000)	104,352,000
Weighted average exercise price (HK$)				0.48	0.12	0.12	0.28	0.45

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

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

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

Notes:

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

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

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

40. 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$0.1126	HK$0.1346	HK$0.375*	HK$0.435*	HK$0.585*
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 104,352,000* (2011: 178,576,000*) remaining exercisable share options outstanding under the share option scheme. Full exercise of the remaining exercisable share options represented subscription for 104,352,000* (2011: 178,576,000*) ordinary shares in the Company at approximately HK$46,929,000 (2011: HK$85,947,000).

34,878,000* (2011: 15,492,000)* share options were exercised during the year ended 30 June 2012.

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

41. ACQUISITION OF SUBSIDIARIES

During the year ended 30 June 2011

(a) *Ally Goal Limited*

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

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

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

41. ACQUISITION OF SUBSIDIARIES *(Continued)*

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

(a) Ally Goal Limited (Continued)

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

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

(b) Bright Delight Group Limited

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

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

41. ACQUISITION OF SUBSIDIARIES *(Continued)*

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

(b) Bright Delight Group Limited (Continued)

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

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

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

42. DISPOSAL OF SUBSIDIARIES

(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.

42. DISPOSAL OF SUBSIDIARIES *(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.

42. DISPOSAL OF SUBSIDIARIES *(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.

42. DISPOSAL OF SUBSIDIARIES *(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)

(d) Disposal of Benefun (BVI) Limited

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

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

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

42. DISPOSAL OF SUBSIDIARIES *(Continued)*

(e) Disposal of Ample Rich Enterprises Limited

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

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

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

(f) Effects of disposal of subsidiaries to the loss for the year ended 30 June 2011:

	HK$'000
Total net assets of subsidiaries at the date of disposal	(30,556)
Gain on disposal of subsidiaries	34,056
Total consideration	3,500
Net cash outflow arising on disposal of subsidiaries:	
Cash consideration	3,500
Cash and cash equivalents disposed of	(3,605)
	(105)

43. MAJOR NON-CASH TRANSACTIONS

The principal non-cash transaction during the year was the purchase consideration payable of HK$45,721,000 (2011: HK$52,461,000) as set out in Note 34.

During the year, the Group entered into finance lease arrangement in respect of a motor vehicle with capital value at the inception of the lease of HK$236,000 (2011: Nil).

44. 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:

	2012	2011
	HK$'000	*HK$'000*
Within one year	**3,980**	3,939
In the second to fifth years, inclusive	**9,848**	11,202
Over five years	**53,503**	54,871
	67,331	70,012

The Group leases a number of properties under operating leases. The leases run for an initial period of one to two years (2011: 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 (2011: thirty years), which is accounted for as an operating lease.

45. CAPITAL COMMITMENTS

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

	2012	2011
	HK$'000	*HK$'000*
Contracted for but not provided for in the consolidated financial statements		
– property, plant and equipment	—	726
– construction in progress	—	1,003
– investment in subsidiaries	—	3,010
– investment in projects	—	24,082
	—	28,821

46. CONTINGENT LIABILITIES

Litigation

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

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

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

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

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

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

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

On 25 January 2010, Hero Rich had discontinued the action against Concerned Directors with no order as to costs. The appeal filed by the Company against Hero Rich was dismissed by consent on 22 January 2010.

Regarding the assessment of damages, by the order made by Deputy High Court Judge L. Chan on 14 February 2012, the action against the Company was fully settled by mutual consent upon the payment made by the Company of an aggregated sum of HK$5.42 million during the year ended 30 June 2012.

At the end of the reporting period, there were no significant outstanding litigation and legal liabilities.

47. 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	**2012** ***HK$'000***	2011 *HK$'000*
Amount due to a related party/Advance from a related party, Choy Ping Fai	(i)	**4,842**	11,616
Salaries, wages and other benefits paid to a related party, Choy Ping Fai		**1,760**	—

(i) The amount due to a related party/ 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 17 and 47(a).

48. PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries at 30 June 2012 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 Direct	Indirect	Principal activities
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

48. PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation/ registration/ operations	Nominal value of issued ordinary share/registered capital	Percentage of equity interest held by the Company		Principal activities
			Direct	Indirect	
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. This is wholly-foreign owned enterprise established in the PRC with limited liability.

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

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

49. COMPARATIVE FIGURES

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

Five Year Summary

(Expressed in Hong Kong dollars)

	For the year ended 30 June				
	2008	2009	2010	2011	**2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Results					
Turnover	120,019	128,612	283,634	331,555	**28,838**
(Loss)/profit before tax	(38,026)	118,518	117,260	(37,277)	**(334,688)**
Income tax (expense)/credit	(3,309)	(22,510)	(49,362)	(17,207)	**64,945**
(Loss)/profit attributable to:					
Owners of the Company	(41,335)	96,008	68,102	(54,117)	**(269,834)**
Non-controlling interests	—	—	(204)	(367)	**91**
(Loss)/profit for the year	(41,335)	96,008	67,898	(54,484)	**(269,743)**

	As at 30 June				
	2008	2009	2010	2011	**2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Assets and liabilities					
Biological assets	—	676,123	785,556	933,542	**767,064**
Property, plant and equipment	1,092	332	1,455	2,906	**2,862**
Prepaid lease payment	—	—	—	1,041	—
Investment properties	54,379	—	—	—	—
Construction in progress	—	1,322	28,173	763	—
Goodwill	—	—	36,281	36,281	—
Deferred tax assets	203	—	—	—	—
Intangible assets	—	144,894	296,558	212,997	**130,536**
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)	35,715	(21,703)	10,385	(64,842)	**(44,520)**
Total assets less current liabilities	91,389	800,968	1,158,408	1,195,894	**901,602**
Non-current liabilities					
Convertible notes	—	(124,910)	(75,379)	—	—
Deferred tax liabilities	(5,514)	(205,254)	(271,770)	(274,458)	**(207,910)**
Obligations under finance lease	—	—	—	—	**(142)**
Advance from a related party	—	—	—	(11,515)	**(4,842)**
Net assets	85,875	470,804	811,259	909,921	**688,708**
Share capital	19,550	62,404	87,464	108,526	**128,270**
Non-controlling interests	—	—	489	4,251	—
Reserves	66,325	408,400	723,306	797,144	**560,438**
Total equity	85,875	470,804	811,259	909,921	**688,708**
(Loss)/earnings per share					
Basic	(2.30) cents	2.26 cents	4.72 cents*	(0.94) cents	**(11.89) cents**

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