CER

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

Annual Report 2010

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-Executive Directors

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

AUDIT AND REMUNERATION COMMITTEE

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

COMPANY SECRETARY

Mr. Lo King Fat, Lawrence, CPA

AUDITORS

Zhonglei (HK) CPA Company Limited

HONG KONG OFFICE

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

REGISTERED OFFICE

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

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

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

HONG KONG STOCK CODE

1130

SINGAPORE TRADING SYMBOL

BENE SP 20

WEBSITE

http://cergreen.com

Biographical Details of Directors

DIRECTORS

Executive Directors

Ms. KAM Yuen, aged 41, was appointed as Chief Executive Officer and Executive Director of the Company on 4 June, 2009. Ms. Kam is responsible for business development strategies and overall management of the Group. Ms. Kam was graduated in 1991 from the University of Hong Kong with a Bachelor Degree in Social Sciences (Economics) and subsequently received her MBA from the Hong Kong University of Science & Technology. She is also a holder of Bachelor of Laws (LLB) with the Manchester Metropolitan University and Chartered Financial Analysts. She has over 17 years working experience in selling and relationships management in various financial institutions such as Credit Suisse, Rabobank and Standard Chartered Bank. Having served the managerial positions in China market, Ms. Kam develops sophisticated management experiences and acquires extensive connections in China.

Mr. KWOK Wai, Wilfred, aged 37, was appointed as our Executive Director of the Company on 7 April 2009. Mr. Kwok possesses over 10-year frontier experiences in business and marketing in China. Mr. Kwok served the publicly listed Vertex group and introduced international media projects into China market in 2002. In 2003, Mr. Kwok partnered the publicly listed King Fook group to form exclusive Hong Kong company serving privileged airport ground services in major Chinese airports. Mr. Kwok has a decade of business development in organic fertilisers. With strong connection in China, he specialises in project merge and acquisition and negotiation with central government, local governments and corporations.

Mr. LEUNG Kwong Choi, aged 54, was appointed as an Executive Director of the Company on 6 October 2008. Mr.Leung holds a Bachelor of Social Science Degree from the Chinese University of Hong Kong. He had been working for 10 years in the marketing department of Hang Lung Development Ltd. since graduation. Mr. Leung had also served the positions of executive director of Top Glory Holdings Ltd., China Food Ltd. and Cheung Tai Hong Holdings Ltd., all of which are companies with shares listed on The Stock Exchange of Hong Kong Limited. Mr. Leung has over 28 years of real estate and business experience in Hong Kong and the PRC concentrating in property investment and development, acquisition and merger, deal marking and investment projects arrangement.

Biographical Details of Directors

Independent Non-Executive Directors

Mr. CHEUNG Ngai Lam, aged 41, was appointed as an Independent Non-executive Director of the Company on 4 July 2008. Mr. Cheung is a member of the American Institute of Certified Public Accountants and CPA Australia. Mr. Cheung obtained a Bachelor Degree in Social Sciences from the University of Hong Kong in 1991, a Master of Accounting Degree from Curtin University of Technology, Perth, Australia in 1997 and a Master of Science (Investment Management) Degree in Finance from the Hong Kong University of Science and Technology in 2001. He was an Independent Non-executive Director of Mascotte Holdings Limited (Stock Code: 136), a Hong Kong listed company, during the period from 9 March 2005 to 7 April 2008. Mr. Cheung currently works as the Corporate Development Director for Profound Heavy Industrial Limited before that he was engaged by Norstar Automobile Industrial Holding Limited. He is also an Independent Non-executive Director of Hong Long Holdings Limited (Stock Code: 1383), a Hong Kong listed company since January 2007. Mr. Cheung has extensive experience in accounting and capital markets; he served at Deloitte Touche from 1991 to 1994, and he was the Vice President and Executive Vice President of Daiwa Securities and Japan Asia Securities from 1994 to 2002 and 2002 to 2005 respectively. Mr. Cheung also worked as the Corporate Finance Director of Grant Thornton from 2005 to 2008.

Mr. WONG Kwai Sang, aged 58, appointed as an Independent Non-executive Director of the Company on 2 March 2009, 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 32, was appointed as an Independent Non-executive Director of the Company on 4 May 2009. Mr. Thomas graduated from Johns Hopkins University School of Advanced International Studies with a Master Degree in International Relations — Concentration in International Finance and Asian Studies. Mr. Thomas joined Deutsche Bank in 2001 to serve as the Analyst in Telecommunication Investment Banking. From 2002 to 2004, Mr. Thomas worked as an Analyst in Media and Technology Mergers and Acquisitions for Signal Hill Capital Group LLC, the boutique investment bank founded by former Global Head of Telecommunications at Deutsche Banc Alex. Brown, Inc. Mr. Thomas is currently the Regional Vice President (North America Division) of Snowland Tibetan Medicine Company which is a leading Tibetan medicine company in the herbal medicine market. Mr. Thomas has over 6 years experience in clientele development, sales and marketing to nationwide distributors and individual customers.

On behalf of the Board of directors (the "Directors"), I am pleased to present the Annual Report 2010 and the audited consolidated financial statements of China Environmental Resources Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 30 June 2010.

BUSINESS AND OPERATION REVIEW

In view of the intensified price competition and surge in material prices and production costs in the garment industry and the continued losses resulted from the segment of apparel manufacturing since 2006, the Group had gradually scaled down its apparel manufacturing and retailing business and discontinued such business during the year ended 30 June 2009. In addition, the Group has disposed of its investment property in the PRC, which was held by Wingo Asia Limited, during the year ended 30 June 2009.

On 14 October 2010, the Group entered into the Letter of Intent for the sale of its interests in Benefun (BVI) Limited and its subsidiaries, Wylkeen Investment Limited and Zhangzhou Golden River Estate Development Company Limited, which have been principally engaged in the apparel manufacturing business, renting business and property development business, of which activities remained sluggish during the year ended 30 June 2010. The Group considers that this possible disposal shall enable the Group to realize the value of the apparel manufacturing and property development and rental businesses which no longer has any significant business activities, and to concentrate its resources on cultivating the profitable green business in the PRC.

The Group has been continuing to explore new business opportunities for corporate development. On 5 October 2009, an extraordinary general meeting was held wherein a special resolution was passed, that the name of Company be changed to China Environmental Resources Group Limited. It signified the new chapter in the Group's green business of environmental, ecological and economical viabilities. The Group will dedicate to developing renewable, sustainable and valuable green resources serving both the mankind and the environment.

The Group is positioned to be the leading green business enterprise providing comprehensive green solutions in China. The Group is principally engaged in the business of research, development and application of technologies, manufacture, sale and distribution of products, materials and systems for green market segments vertically integrated from environmental system, plantation material, ecological plantation to green medical application.

ENVIRONMENTAL SYSTEM

In 2009, the Group successfully developed the waste-to-value "O-Live Organic Waste Treatment System" ("O-Live System") which is an automatic machine utilizing high temperature micro-organisms technology for environmental treatment of animal manures of livestock farms. Within 24 hours, O-Live System kills animal influenza and common disease bacteria and converts animal manures into raw materials for producing microbial organic fertilizer. Sale of environmental systems amounted to approximately HK$38,639,000 for the financial year, representing 13.6% of total turnover of the Group.

In 2010, the Group boardens its technology application by integrating micro-organisms technology with nanotechnology to develop the "O-Pure Sewage Treatment System" ("O-Pure System"). On 10 September 2010, the Group formed the joint venture with Wealthy Technology Development Limited to engage in business of specialized treatment of urban sewage, industrial wastewater, leachate treatment and high density liquid waste treatment.

Chairman's Statement

PLANTATION MATERIAL

The Group engages in the waste-to-value green business by utilizing the organic waste treated by O-Live System to be the organic raw materials for production of organic fertilizers. To further complete its range of technologies, the Group acquired from the Cathay Investment Fund Limited the patents which cover the technologies and processes in relation to the production of fertilizers.

In 2009, the Group partnered with The Agricultural No. 8 Division No. 142 Regiment of the Xinjiang Production and Construction Corps. (XPCC) to form the joint venture on respective 70:30 equity basis in Shihezi City, Xinjiang Region to engage in the production and sales of organic fertilizers.

Xinjiang is China's largest autonomous region of total area of 1,664,900 square kilometers. It is a major agricultural base and its primary industry accounted for 17.8% of GDP in 2007. The Chinese government had issued various policies and contributed billions of state revenues for the development of Xinjiang under its western development strategy. In 2010, Chinese government required 19 provinces and cities to contribute certain proportion of the local government revenues to support the production and construction of Xinjiang. Xinjiang Region achieved the above-scale industrial added value of RMB102.4 billion, with the growth rate of 14.8% in the first seven months of 2010. The government caliber revenue had achieved about RMB64.3 billion, with the growth rate of 38.6% in the same period. The <Several Policies and Regulations for Encouraging Foreign Investments> published by Xinjiang government had identified agriculture, forestry, livestock and environmental treatments as the key industries in the future development. The Group's green business will be in line with the encouraging development of Xinjiang.

In January 2010, the Group's organic fertilizer product (Tian Mi Mi) was awarded the 2009 leading brand in the industry of organic fertilizer market. The sales of organic fertilizers amounted to amounted to HK$180,012,000 for the financial year, representing 64.36% of total turnover of the Group.

ECOLOGICAL PLANTATION

Having utilized its microbial technology and organic fertilizer, the Group engages in ecological plantation for sustainable farming of timber resources and herbal crops. The Group owns ecological plantation site of 60,000 mu (Chinese Mu) in Shihezi City, Xinjiang Region, China. The site is about 150 kilometers west from Urumqi, the provincial capital, and is well connected with the China National Highway No. 312 and railways.

Ecological plantation business includes the plantation of fast growing, high yield, renewable, sustainable and self-growing timber resource, organic herbs and crops. Timber resource of poplar tree provides the raw material for wood product making industry, wood pulp for paper making industry, construction industry, infrastructural development in line with prospering China' West Development Plan. Herbal crops are basic ingredients for green and natural medicine. The sales of plantation products amounted to amounted to HK$52,023,000 for the financial year, representing 18.3% of total turnover of the Group.

GREEN MEDICAL APPLICATION

To explore further green business opportunity, the Group vertically penetrated its ecological plantation for organic farming of herbs and crops of high value green medicine. On 13 October, 2010, the Group completed the acquisition of the 100% equity interest in Ally Goal Limited. Ally Goal's wholly owned subsidiary is a company operating in the PRC and principally engaged in the research and development, application and sale of herbal product, biotechnology, green medical application and related products. The green medical business is housed in the research and development centre of approximate 8,000 square meters in the Songshan Lake Science and Technology Industrial Area in Dongguan, which was established by the government of Guangdong Province in 2001. By the end of 2008, total of 290 renowned international and national high-tech enterprises have their headquarters and R&D centers in the area.

Ally Goal has the research and management team of international standards in herbal medicinal plants, biotechnology and green medical applications, proprietary technology and intellectual property rights and clientele for related products sale. It will assist the Group's vertical integration of the green business, from the organic waste treatment by environmental system, bio-technological production of microbial organic fertilizer for plantation of organic medicinal herbs, further processing the organic medicinal herbs into high-value green medical and pharmaceutical products.

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. This year has been the seventh year that central document No.1 focused on the agriculture issues. The document accentuated that China should continue to increase input into agriculture and rural areas.

In addition, according to China's <the Eleventh Five-Year Plan for National Economic and Social Development>, Chinese government would be committed to energy saving and low-carbon economy. The Plan stated that the energy consumption of GDP per unit and the major pollutants discharged should be reduced by around 20% and 10% respectively.

Having based on the above two sectors blessed by China' prioritized policies, the Group is confident in capitalizing the green business opportunities stimulated by supportive government policies and booming green market.

Chairman's Statement

ENVIRONMENTAL SYSTEM

In 2010, the State Council issued important notices to ensure the realization of target to achieve energy saving and emission reduction under the <Eleventh Five-Year Plan>. At the same time, according to the plan, it can be forecasted that the total demand of meats will increase to 88.45 million tons by year 2015 from 84 million tons in 2010. Predicated upon the continuous development of China's agriculture and livestock farming, large amount of livestock farms would face the unavoidable problem of increasing organic waste, driving up demand for environmental treatment for this industry.

The Group's O-Live System provides economical and environmental treatment of the organic waste produced and discharged by the farms, and can kill most common harmful bacteria within 24 hours. It also turns the organic waste into raw materials for organic fertilizers by microbial technology, which will bring a new source of income to livestock farms.

In light of the success of O-Live system on the organic waste treatment, the Group widens its technology spectrum to develop O-Pure System for sewage treatment business. China is deficient in the water resource per capita. The total amount of water resource in China approximates to be 2.37 trillion cubic meters. However, the water resource per capita in China is only 1,784 cubic meters, which is approximately equal to one-fourth of the world's average level. Based on the statistics above and government's support to projects of energy saving and emission reduction, the Group has the reasons to believe that the sewage treatment industry would have large market opportunities.

PLANTATION MATERIAL

According to the National Bureau of Statistics, China's grain output has experienced six years' growth, which makes the total output of grain rank first in the world. In 2010, the central government proposed to arrange the input of RMB818.3 billion into "three rural", with an increase of RMB93 billion compared to the last year. However most of China's cultivable lands have been overdosed by chemical fertilizers and pesticides in the past decades, which made the land suffering from serious chemical pollution, deteriorating soil productivity and decreasing crops yield.

In order to ensure the continuous increase of crops yield and the sustainable use of cultivable lands, organic fertilizer offers effective, economical and sustainable solution for curing the chemically contaminated soil, increasing crops yield and cultivating organic food. The Group has the reasons to believe that the organic fertilizer industry would have large market opportunities.

ECOLOGICAL PLANTATION

According to the World Wide Fund for Nature (WWF), the demand-supply gap of the timber in China will reach over 125 million cubic meters in 2010. The demand for timber resources in construction, housing and wood products in the China is expected to grow in the long run in view of the economic expansion, infrastructural development and urbanization in China. The ecological plantation business of timber is expected to be on an upward trend due to their scarcity and the increasing demand, particularly when China is now the world's number one importer of industrial wood logs.

In addition, according to the Association of Chinese Medicine, the export of Chinese medicine is USD1.46 billion in 2009 and will maintain 11.72% of the growth rate. In order to seize the market opportunity, the Group's ecological plantation site in Shihezi City, Xinjiang Region, China of 60,000 mu is mainly used for the plantation of timber resource and high value herbal crops. The Group has reasons to believe that its ecological plantation would become one of driving force of profit for the Group.

GREEN MEDICAL APPLICATION

According to the National Bureau of Statistics, the industry of medicine had achieved sales revenue of RMB796.37 billion in the first eleven months of 2009, with the growth rate of 21.3%. With the development trends of population aging and urbanization, the Group believes that the development trends of Chinese medicine and herbal medicine would remain roboust in the future several years.

The Group's acquisition of Ally Goal and its subsidiary will immediately obtain internationally professional management, technology strength and clientele for green medical sector business of the Group.

The Group had made the vertical integration of the green business from organic waste treatment by environmental system, organic fertilizers produced by the raw materials from O-Live system, ecological plantation by the its organic fertilizers and utilize the herbal crops for making of green medical products of higher value. The Group has the confidence to capitalize the green business opportunities to create more value to the shareholders.

FINANCIAL REVIEW

For the year ended 30 June 2010, the Group recorded a consolidated turnover of continuing operations at approximately HK$279.7 million, representing an increase of 454% compared with the year ended 30 June 2009 (the "Previous Year"). The Group's gross profit and profit for the year from continuing operations were at approximately HK$92.3 million and HK$72.0 million respectively, and its basic and diluted earnings per share from continuing operations for the year was HK$1.00 and HK$0.92 respectively (for the Previous Year: restated gross profit and profit for the year from continuing operations were approximately HK$12.3 million and HK$112.9 million respectively, representing its diluted earnings per share from continuing operations was HK$2.18).

In calculating the Group's consolidated net profit, the administrative and other operating expenses of approximately HK$68.9 million included major items, such as other taxes of HK$25.3 million, rent of HK$7.3 million, commission of HK$7.3 million, amortization of Land concession right of HK$4.9 million and amortization of technology patents of approximately HK$4.9 million. Finance costs of approximately HK$10.9 million, not related to operation in nature, was interest expense on convertible notes.

Chairman's Statement

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2010, the Group's cash and cash equivalents, which were principally Renminbi and Hong Kong Dollar denominated, totally amounted to approximately HK$18.4 million. The Group was not exposed to any substantial risk in foreign exchange fluctuations. In general, the Group mainly used its Renminbi income receipt for operating expenses in China and did not use any financial instruments for hedging purpose.

As as 30 June 2010, the Group's current assets amounted to approximately HK$150.0 million and current liabilities amounted to approximately HK$139.6 million. The Group's net current assets, being its current assets minus its current liabilities, amounted to approximately HK$10.4 million. On 14 October 2010, the Group entered into non-legally binding letter of intent regarding possible disposal of some of its subsidiaries engaging in garment and property businesses. Net current liabilities classified as held for sale arrived at HK$31.0 million and its disposal will contribute to net current assets.

CHARGE ON THE GROUP'S ASSETS

As at 30 June 2010, the Group pledged bank deposits of HK$5 million to secure general banking facilities.

CAPITAL RAISING AND EXPENDITURE

During the year ended 30 June 2010, the Group did not carry out any equity fund raising activities except for the conversion of convertible notes and exercise of share options.

EMPLOYEES AND RETIREMENT BENEFIT SCHEME

The Group had approximately 73 employees in Hong Kong and the PRC as at 30 June 2010. The Group implements remuneration policy, bonus and share options scheme to ensure that pay scales of its employees are rewarded on a performance-related basis within the general framework of the Group's remuneration strategy.

APPRECIATION

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

Kam Yuen
Chairman

Hong Kong, 28 October 2010

The Directors have pleasure present their annual report together with the audited consolidated financial statements of the Group for the year ended 30 June 2010.

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, manufacture, sale and distribution of products, materials and systems for green market segments vertically integrated from environmental system, plantation material, ecological planation to green medical application.

RESULTS

The results of the Group for the year ended 30 June 2010 are set out in the consolidated statement of comprehensive income on page 26 and 27.

DIVIDEND

The Directors do not recommend the payment of a dividend for the year ended 30 June 2010 (2009: HK$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

Details of movements in share capital of the Company during the year are set out in Note 36 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 30 and 31.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment during the year are set out in Note 23 to the consolidated financial statements.

Report of the Directors

DIRECTORS

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

Executive Directors

Ms. Kam Yuen	
Mr. Kwok Wai, Wilfred	
Mr. Leung Kwong Choi	
Mr. Tan Sim Chew	(resigned on 14 May 2010)
Mr. Lo King Fat, Lawrence	(resigned on 19 January 2010)

Independent Non-Executive Directors

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

In accordance with the Company's Articles of Association, Mr. Kwok Wai, Wilfred and Mr. Wong Kwai Sang shall retire at the forthcoming annual general meeting being eligible, offer themselves for re-election at the annual general meeting.

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

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2010, the interests and short positions held by each director and chief executive of the Company and their associates in the 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 ("SFO")), as recorded in the register required to be kept by the Company under section 352 of the SFO or otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") contained in the Rules Governing the Listing of Securities on the Stock Exchange were as follows:

Long positions in shares and underlying shares of the Company

			Number of shares/underlying shares held in the Company			
	Name of Directors	***Capacity in which interests are held***	***Interests in shares***	***Interests under equity derivatives***	***Total interests***	***Total interests as to % to the issued share capital of the Company as at 30 June 2010*** *(Note 1)*
1.	Ms. Kam Yuen	Deemed interest and beneficial owner	1,520,520,000	1,273,750,000	2,794,270,000 *(Note 2)*	31.95%
2.	Mr. Leung Kwong Choi	Beneficial owner	–	62,400,000	62,400,000 *(Note 3)*	0.71%
3.	Mr. Kwok Wai, Wilfred	Beneficial owner	–	62,400,000	62,400,000 *(Note 3)*	0.71%
4.	Mr. Cheung Ngai Lam	Beneficial owner	–	21,260,000	21,260,000 *(Note 3)*	0.24%

Notes:

1. The percentage of shareholding was calculated on the basis of the Company's issued share capital of 8,746,379,000 shares as at 30 June 2010.

2. This represents 180,000,000 share options granted to Kam Yuen and interest in (i) 1,520,520,000 shares held by Capital Master International Limited ("Capital Master") and (ii) convertible notes giving rise to 1,093,750,000 underlying shares, held Blackpool Stadium Limited ("Blackpool"). The holder of the convertible notes is entitled to convert shares of the Company at any time during the period from 19 November 2008 to18 November 2011 (both days inclusive) for fully paid shares at a conversion price of HK0.064. The entire issued share capital of Capital Master and Blackpool are beneficially owned by Mr. Choi Ping Fai. Accordingly, Mr. Choy PIng Fai si deemed to have interests in the shares and underlying shares.

3. The relevant interests are share options granted pursuant to the Company's share option scheme adopted on 16 December 2005 (the "Scheme"). Upon exercise of the share options in accordance with the Scheme, the shares in the share capital of the Company are issuable.

Save as disclosed above, as at 30 June 2010, 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 Companys' share option scheme and valuation of options are set out in note 37 to the consolidated financial statements.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2010, the following persons, other than a director or chief executive of the Company or any of its subsidiaries, were interested or had short positions in more than 5% of the shares and underlying shares of the Company or its subsidiaries according to the register required to be kept under section 336 of the SFO in the respective amounts as follows:

Long positions in shares and underlying shares of the Company

		Number of shares/underlying shares held in the Company			
Name of Shareholders	***Capacity in which interests are held***	***Interests in shares***	***Interests under equity derivatives***	***Total interests***	***Total interests as to % to the issued share capital of the Company as at 30 June 2010*** *(Note 1)*
Choy Ping Fai	Beneficial owner	1,520,520,000	1,093,750,000	2,614,270,000 *(Note 2)*	29.89%
Blackpool Stadium Limited	Beneficial owner	—	1,093,750,000	1,093,750,000 *(Note 2)*	12.50%
Capital Master International Limited	Beneficial owner	1,520,520,000	—	1,520,320,000 *(Note 2)*	17.38%

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 of the Company as at 30 June 2010 (Note 1)
The Cathay Investment Fund, Limited	Beneficial owner	1,318,000,000	—	1,318,000,000	14.96%
Edmond de Rothschild Asset Management	Fund Manager	607,400,000	—	607,400,000	6.89%

Notes:

1. The percentage of shareholding was calculated on the basis of the Company's issued share capital of 8,746,379,000 shares as at 30 June 2010.

2. These include interest in (i) 1,520,520,000 shares held by Capital Master International Limited ("Capital Master") and (ii) convertible notes giving rise to 1,093,750,000 underlying shares, held by Blackpool Stadium Limited ("Blackpool"). The holder of the convertible notes is entitled to convert shares of the Company at any time during the period from 19 November 2008 to 18 November 2011 (both days inclusive) for fully paid shares at a conversion price of HK$0.064. The entire issued share capital of Capital Master and Blackpool are beneficially owned by Mr. Choy Ping Fai. Accordingly, Mr. Choy Ping Fai is to have interests in the shares and underlying 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 of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

The Directors are of the opinion that during the year ended 30 June 2010, the Directors of the Company had no interests in any businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group.

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

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

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, the sales to the Group's five largest customers accounted for approximately 83% of the total sales of continuing operations for the year and the sales to the largest customer included therein amounted to 21%. Purchases from the Group's five largest suppliers accounted for approximately 90% of the total purchases for the year and the purchase from the largest supplier included therein amounted to approximately 29%.

None of the directors of the Company, 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 Company's Articles of Association, or the companies law of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

EVENTS AFTER THE END OF REPORTING PERIOD

Details of the significant events after the end of reporting period are set out in Note 47 to the consolidated financial statements.

PUBLIC FLOAT

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

AUDITORS

BDO Limited, resigned as auditors of the Company on 18 June 2010. On 24 June 2010, Shinewing (HK) CPA Limited ("Shinewing") was appointed auditors of the Company. On 7 October 2010, Shinewing resigned as auditors of the Company and Zhonglei (HK) CPA Limited ("Zhonglei ") was appointed as auditors of the Company. A resolution will be proposed at the forthcoming annual general meeting to re-appoint Zhonglei as auditors of the Company.

On behalf of the Board

Kam Yuen
Chairman

Hong Kong, 28 October 2010

Corporate Governance Report

The Board of directors (the "Directors") of the Company (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 all applicable code provisions as set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Listing Rules throughout the year ended 30 June 2010 except for deviation disclosed herein:

THE BOARD

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

BOARD COMPOSITION

The Board currently comprises six Directors, with three Executive Directors and three Independent Non-Executive Directors.

During the year ended 30 June 2010, the Board held four regular board meetings and additional board meetings were held as and when necessary. The Directors participated in persons or through electronic means of communication . The attendance of each Director is set out as follows:

Name of Director		**Number of Board meetings attended/eligible to attend**
Executive Directors		
Ms. Kam Yuen	(Chairman and Chief Executive Officer)	7/7
Mr. Kwok Wai, Wilfred		7/7
Mr. Leung Kwong Choi		7/7
Mr. Lo King Fat Lawrence (resigned on 19 January 2010)		6/7
Mr. Tan Sim Chew (resigned on 14 May 2010)		5/7

Name of Directors	Number of Board meetings attended/eligible to attend
Independent Non-Executive Directors	
Mr. Cheung Nga Lam	7/7
Mr. Wong Kwai Sang	6/7
Mr. Christopher David Thomas	7/7

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 of the Company who considers it necessary to seek independent professional advice in order to perform his/her duties as a director of the Company may convene, or request the Company Secretary of the Company to convene, a meeting of the Board to approve the consultation of independent legal or other professional advisor for advice. For regular Board meetings, an agenda and accompanying board papers of the meeting are sent in full to all directors at least three days before the intended date of a meeting.

Every Director is entitled to have access to the advice and services of the Company Secretary with a view to ensure that the Board procedures, and all applicable rules and regulations, are complied with. All minutes are kept by the Company Secretary and are open for inspections by any Director during normal office hours by giving reasonably advance notice. Minutes of Board meetings and Board committees meetings record in sufficient details the matters considered in the meetings and decisions reached. Draft and final versions of minutes of 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.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

The Company does not have a separate chairman and chief executive officer and Ms. Kam Yuen, an Executive Director of the Company, currently assumes both roles. The Board believes that the vesting of the roles of chairman and chief executive officer in the same person provides the Group with strong and consistent leadership and allows for more effective planning and execution of long-term busienss strategies, as well as ensuring effective oversight of management. The Board also believes that the Company already has a strong corporate governance structure and as such the present structure is considered to be appropriate under the circumstances.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

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

The Independent Non-Executive Directors are appointed for a specific term, subject to retirement by rotation under the Articles of Association of the Company. Mr. Cheung Ngai Lam, one of the Independent Non-Executive Directors has appropriate accounting or related financial management expertise as required under Rule 3.10 of the Listing Rules. The Board has received from each Independent Non-Executive Directors a written annual confirmation of their independence and is satisfied with their independence in accordance with the Listing Rules. The Company considers that all Independent Non-Executive Directors meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent.

AUDIT COMMITTEE

The Audit Committee currently comprises the three Independent Non-Executive Directors of the Company, namely, Mr. Cheung Ngai Lam, Mr. Wong Kwai Sang and Mr. Christopher David Thomas.

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

Committee member	**Number of Committee meetings attended/eligible to attend**
Mr. Cheung Ngai Lam	3/3
Mr. Wong Kwai Sang	3/3
Mr. Christopher David Thomas	2/3

The primary duties of the Audit Committee are:

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

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

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

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

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

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

REMUNERATION COMMITTEE

The Board has established a Remuneration Committee, comprising three Independent Non-Executive Directors. The role and function of the Remuneration Committee include formulation of the remuneration policy, review and recommending to the Board the annual remuneration policy, and determination of the remuneration of the Executive Directors.

Set out below is the summary of work of the Remuneration Committee done for the year ended 30 June 2010

– to review of the remuneration policy for 2009/2010; and

– to review of the remuneration of the Directors.

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

Details of the Directors emoluments are set out in Note 17 to the consolidated financial statement of this annual report.

NOMINATION COMMITTEE

The Board of Directors has not established a nomination committee. According to the articles of association of the Company, the Board has the power from time to time and at any time to appoint any person as a director either to fill a casual vacancy or as an addition to the Board. In assessing nomination of new directors, the Board will take into consideration of the nominee's qualification, ability and potential contributions to the Company.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Listing Rules for securities transactions by the Directors of the Company. Having made specific enquiry, all Directors confirmed that they have complied with the required standard set out in the Model Code throughout the year ended 30 June 2010.

ACCOUNTABILITY AND AUDIT

The Directors acknowledge their responsibility for preparing, with the support from the finance department, taken charge by the qualified accountant of the Company, the consolidated financial statements for each financial year which give true and fair view of the state of affairs of the Group in presenting the interim and annual consolidated financial statements, and announcements to shareholders. The Directors aim to present a clear and understandable assessment of the Group's position and prospects. The Board is not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern, the Board therefore continues to adopt the going concern approach in preparing the accounts. The Board acknowledges its responsibility to present a clear and understandable assessment in the Company's annual and interim reports, other price-sensitive announcement and other financial disclosures required under the Listing Rules, and reports to the regulators.

The responsibility of the external auditors with respect to the financial reporting and the qualified opinion arising from limitation of audit scope are set out in the section "Independent Auditor's Report" on pages 24 to 25.

INTERNAL CONTROLS

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

REMUNERATION OF THE AUDITORS

The remuneration in respect of audit services provided by auditors of the Group, Zhonglei (HK) CPA Company Limited, for the period ended 30 June 2010 is HK$550,000. The Company also paid to Shinewing (HK) CPA Limited a total audit fees of HK$260,000 for various audit services prior to their resignation as auditors of the Company on 7 October 2010. In addition, a fee of HK$36,290 was paid to Skylight CPA & Co. for non-audit services regarding the internal control review of the Company on the sales and receipts cycles on the sale of fertilisers.

COMMUNICATIONS WITH SHAREHOLDERS

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

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

An annual general meeting of the Company was held on 7 December 2009 ("2009 AGM"). A notice convening the 2009 AGM was despatched to the shareholders in the circular dated 30 October 2010 together with the 2009 Annual Report. All the resolutions proposed at the 2009 AGM were passed by shareholders. The results of the poll were published on the websites of the Stock Exchange and of the Company.

An extraordinary general meeting ("EGM") was held on 9 March 2010 at which, inter alia, an ordinary resolution in respect of the allotment and issue of 1,425,000,000 considerations shares was proposed. A notice convening the EGM was despatched to the shareholders in the circular dated 9 February 2010. The resolution was put to the vote of the shareholders at the EGM and passed by way of poll.

The forthcoming annual general meeting of the Company will be held on 6 December, 2010. A notice convening the annual general meeting will be published on the websites of the Stock Exchange at www.hkexnews.hk and the Company at www.cergreen.com and despatched to shareholders of the Company on or around 31 October 2010.

Independent Auditor's Report

中磊（香港）會計師事務所有限公司
ZHONGLEI (HK) CPA Company Limited

TO THE MEMBERS OF
CHINA ENVIRONMENTAL RESOURCES GROUP LIMITED
中國環境資源集團有限公司
(FORMERLY KNOWN AS BENEFUN INTERNATIONAL HOLDINGS LIMITED
前名為奮發國際控股有限公司)
(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 26 to 105, which comprise the consolidated statement of financial position as at 30 June 2010, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements 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. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

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

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

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

BASIS FOR QUALIFIED OPINION

For the year ended 30 June 2008, the preceding auditor was unable to obtain any evidence to substantiate certain alleged transactions of garment business of approximately HK$30.63 million and had qualified their opinion accordingly. Details of the qualified audit opinion are set out in the independent auditor's report dated 22 October 2008.

The preceding auditor's opinion on the consolidated financial statements of the Group for the year ended 30 June 2009, which form the basis for the corresponding figures presented in the current year's consolidated financial statements, was qualified by the preceding auditor because of the significance of the possible effect of the limitations on the scope of the audit in relation to transactions handled by an external sub-contractor of fertilizer production. Details of the qualified audit opinion are set out in the independent auditor's report dated 22 October 2009 issued by the preceding auditor and included in the Company's annual report for the year ended 30 June 2009.

For the year ended 30 June 2010, taxation of approximately HK$23.24 million and other tax related payables of approximately HK$25.32 million were recorded during the year ended 30 June 2010. However, we have not been provided sufficient information to assure the system of internal control on the financial reporting and taxation cycles are effectively maintained by the Group that we could rely on for the purpose of our audit. We have been unable to obtain adequate reliable information, or to carry out any alternative audit procedures to satisfy ourselves that the provision of taxation and other tax related payables and any other related contingent liabilities were properly recorded and disclosed.

Any adjustment found to be necessary in relation to the captioned matters would affect the results and cash flows of the Group for the year and net assets at 30 June 2010.

QUALIFIED OPINION ARISING FROM LIMITATION OF AUDIT SCOPE

In our opinion, except for the possible effects of matters described in the basis for qualified opinion paragraph, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 30 June 2010, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of Hong Kong Companies Ordinance.

ZHONGLEI (HK) CPA COMPANY LIMITED
Certified Public Accountants (Practising)
Chan Chi Kei Ronald
Practising Certificate Number: P04255

Hong Kong
30 October 2010

Suites 216-218, 2/F Shui On Centre,
6-8 Harbour Road, Wanchai,
Hong Kong

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2010

	Notes	2010 HK$'000	2009 HK$'000 (Restated)
Continuing operations			
Turnover	9	**279,703**	50,488
Cost of sales		**(187,366)**	(38,185)
Gross profit		**92,337**	12,303
Gain on changes in fair value of biological assets less estimated point-of-sale costs	21	**151,607**	81,188
Other income and gains, net	11	**391**	1,083
Excess of fair value of net assets acquired over considerations	38	**—**	72,745
Equity-settled share-based payment expense		**(42,144)**	—
Selling and distribution expenses		**(996)**	(5)
Administrative and other operating expenses		**(68,883)**	(14,861)
Finance costs	12	**(10,926)**	(15,905)
Profit before tax		**121,386**	136,548
Income tax expense	13	**(49,362)**	(23,640)
Profit for the year from continuing operations		**72,024**	112,908
Discontinued operations			
Loss for the year from discontinued operations	14	**(4,126)**	(16,900)
Profit for the year	15	**67,898**	96,008
Other comprehensive income			
Exchange differences arising on translation of foreign operations		**—**	92
Total comprehensive income for the year		**67,898**	96,100
Profit (loss) for the year attributable to:			
Owners of the Company		**68,102**	96,008
Non-controlling interests		**(204)**	—
		67,898	96,008

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2010

	Notes	2010 HK$'000	2009 HK$'000 (Restated)
Total comprehensive income (loss) attributable to:			
Owners of the Company		**68,102**	96,100
Non-controlling interests		**(204)**	—
		67,898	96,100
Earnings per share from continuing and discontinued operations			
– Basic (cents per share)	19	**0.94**	2.26
– Diluted (cents per share)	19	**0.87**	1.88
Earnings per share from continuing operations			
– Basic (cents per share)	19	**1.00**	2.66
– Diluted (cents per share)	19	**0.92**	2.18

Consolidated Statement of Financial Position

At 30 June 2010

	Notes	2010 HK$'000	2009 HK$'000
Non-current assets			
Property, plant and equipment	23	**1,455**	332
Construction in progress	25	**28,173**	1,322
Biological assets	21	**785,556**	676,123
Goodwill	22	**36,281**	—
Intangible assets	26	**296,558**	144,894
		1,148,023	822,671
Current assets			
Inventories	27	**11,549**	8,845
Trade and other receivables	28	**100,822**	45,699
Amount due from a director	32	**9**	—
Tax recoverable		**—**	151
Cash and cash equivalents	29	**18,375**	9,518
		130,755	64,213
Assets classified as held for sale	30	**19,239**	—
		149,994	64,213
Current liabilities			
Trade and other payables	31	**59,836**	67,837
Amounts due to directors	32	**—**	2,013
Amount due to a related party	32	**738**	3,895
Provisions	34	**—**	6,568
Tax payable		**28,839**	5,603
		89,413	85,916
Liabilities classified as held for sale	30	**50,196**	—
		139,609	85,916

Consolidated Statement of Financial Position

At 30 June 2010

	Notes	2010 HK$'000	2009 HK$'000
Net current assets (liabilities)		**10,385**	(21,703)
Total assets less current liabilities		**1,158,408**	800,968
Non-current liabilities			
Convertible notes	33	**75,379**	124,910
Deferred tax liabilities	35	**271,770**	205,254
		347,149	330,164
NET ASSETS		**811,259**	470,804
Capital and reserves			
Share capital	36	**87,464**	62,404
Non-controlling interests		**489**	—
Reserves		**723,306**	408,400
TOTAL EQUITY		**811,259**	470,804

The consolidated financial statements on pages 26 to 105 were approved and authorised for issue by the Board of Directors on 30 October 2010 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 2010

	Equity attributable to owners of the Company											
	Share capital	Share premium	Capital reserve	Employee share-based compensation reserve	Convertible notes equity reserve	Statutory surplus reserve fund	Foreign exchange revaluation reserve	Revaluation reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(Note a)		*(Note b)*		*(Note c)*	*(Note d)*	*(Note e)*				
At 1 July 2008	19,550	173,660	–	2,401	–	3,090	11,322	22,783	(146,931)	85,875	–	85,875
Profit for the year	–	–	–	–	–	–	–	–	96,008	96,008	–	96,008
Other comprehensive income for the year	–	–	–	–	–	–	92	–	–	92	–	92
Total comprehensive income for the year	–	–	–	–	–	–	92	–	96,008	96,100	–	96,100
Recognition of equity component of convertible notes	–	–	–	–	41,456	–	–	–	–	41,456	–	41,456
Disposal of investment properties (previously classified as property, plant and equipment)	–	–	–	–	–	–	–	(22,783)	22,783	–	–	–
Conversion of convertible notes	42,188	227,813	–	–	(27,983)	–	–	–	–	242,018	–	242,018
Recognition of equity-settled share-based payments	666	7,090	–	(2,401)	–	–	–	–	–	5,355	–	5,355
Transfer between reserves	–	–	–	–	–	2,312	–	–	(2,312)	–	–	–
At 30 June 2009	**62,404**	**408,563**	**–**	**–**	**13,473**	**5,402**	**11,414**	**–**	**(30,452)**	**470,804**	**–**	**470,804**

Consolidated Statement of Changes in Equity

For the year ended 30 June 2010

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

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) 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.

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

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

(e) Revaluation reserve comprised increase in fair value, net of income tax, of property, plant and equipment that were previously carried at revalued amount before transfer to investment properties as a result of change in use.

Consolidated Statement of Cash Flows

For the year ended 30 June 2010

	Notes	2010 HK$'000	2009 HK$'000
OPERATING ACTIVITIES			
Profit (loss) before tax			
– from continuing operations		**121,386**	136,548
– from discontinued operations	14	**(4,126)**	(18,030)
		117,260	118,518
Adjustments for:			
Interest income		**(15)**	(30)
Finance costs		**—**	168
Equity-settled share-based payments		**42,144**	—
Depreciation of property, plant and equipment		**85**	622
Fair value loss on investment properties		**—**	1,216
Impairment loss on trade and other receivables		**—**	4,125
Loss on disposal of property, plant and equipment and investment properties		**—**	15,643
Excess of fair value of net assets acquired over considerations		**—**	(72,745)
Amortisation of intangible assets		**9,895**	3,064
Gain on changes in fair value of biological assets less estimated point-of-sale costs		**(151,607)**	(81,188)
Harvested timber transferred from biological assets		**42,174**	5,972
Imputed interests on convertible notes and promissory notes		**10,926**	15,905
Operating cash flows before movements in working capital		**70,862**	11,270
(Increase) decrease in inventories		**(2,704)**	53,394
Increase in trade and other receivables		**(71,930)**	(12,130)
Increase in amount due from a director		**(9)**	—
Increase (decrease) in trade and other payables		**34,945**	(36,131)
(Decrease) increase in amounts due to directors		**(2,013)**	78
(Decrease) increase in amount due to a related party		**(3,157)**	3,895
Cash generated from operations		**25,994**	20,376
Income tax refunded (paid) outside Hong Kong		**151**	(558)
NET CASH FROM OPERATING ACTIVITIES		**26,145**	19,818
INVESTING ACTIVITIES			
Purchases of property, plant and equipment		**(1,595)**	(815)
Payments for construction in progress		**(26,851)**	(1,322)
Acquisition of subsidiaries, net cash outflow	38	**(18)**	(1,887)
Capital injection from non-controlling interests		**693**	—
Capital injection from a shareholder		**30**	—
Interest received		**15**	30
NET CASH USED IN INVESTING ACTIVITIES		**(27,726)**	(3,994)

Consolidated Statement of Cash Flows

For the year ended 30 June 2010

	2010 *HK$'000*	2009 *HK$'000*
FINANCING ACTIVITIES		
Repayment of promissory notes	—	(41,070)
Net proceeds from exercise of share options	12,483	5,355
Interest paid	—	(168)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	12,483	(35,883)
NET (INCREASE) DECREASE IN CASH AND CASH EQUIVALENTS	10,902	(20,059)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	9,518	28,199
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	—	1,378
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	20,420	9,518
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Represented by:		
Bank balances, deposit and cash	23,365	9,518
Bank overdraft	(4,990)	—
Cash and cash equivalents included in assets classified as held for sale	2,045	—
	20,420	9,518

Notes to the Consolidated Financial Statements

For the year ended 30 June 2010

1. GENERAL

China Environmental Resources Group Limited (the "Company"), formerly known as Benefun International Holdings Limited and renamed as China Environmental Resources Group Limited on 1 December 2009, 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 No.11, 1/F., Yideyuan, Tianfumingcheng, Area 40 of Development Area, Shihezi, Xinjiang.

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 property development for sales, sales and distribution of plantation products, environmental machines and organic fertilisers. The Group was also engaged in property development for sales, which was classified as discontinued operations during the year ended 30 June 2010 (Note 30).

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 issued in 2008
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009[1]
HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKAS 39 (Amendments)	Eligible Hedged Items
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendments)	Vesting Conditions and Cancellations
HKFRS 3 (Revised 2008)	Business Combinations
HKFRS 7 (Amendments)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) – Int 17	Distribution of Non-cash Assets to Owners
HK(IFRIC) – Int 18	Transfer of Assets from Customers

[1] Amendments that are effective for annual periods beginning on or after 1 July 2009.

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

Except as described below, the adoption of the new and revised HKFRSs had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

New and revised HKFRSs affecting presentation and disclosure only

HKAS 1 (Revised 2007) Presentation of Financial Statements

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the consolidated financial statements.

Improving Disclosures about Financial Instruments
(Amendments to HKFRS 7 Financial Instruments: Disclosures)

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements in respect of financial instruments which are measured at fair value. The amendments also expand and amend the disclosures required in relation to liquidity risk. The Group has not provided comparative information for the expanded disclosures in accordance with the transaction and provision set out in the amendments.

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

HKFRSs (Amendments)	Improvements to HKFRSs 2009 [1]
HKFRSs (Amendments)	Improvements to HKFRSs 2010 [2]
HKAS 24 (Revised)	Related Party Disclosures [3]
HKAS 32 (Amendment)	Classification of Rights Issues [4]
HKFRS 1 (Amendments)	Additional Exemptions for First-time Adopters [1]
HKFRS 1 (Amendments)	Limited Exemption from Comparative
HKFRS 7	Disclosures for First-time Adopters [5]
HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions [1]
HKFRS 9	Financial Instruments [6]
HK (IFRIC) - Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement [3]
HK (IFRIC) - Int 19	Extinguishing Financial Liabilities with Equity Instruments [5]

1 Effective for annual periods beginning on or after 1 January 2010.
2 Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate.
3 Effective for annual periods beginning on or after 1 January 2011.
4 Effective for annual periods beginning on or after 1 February 2010.
5 Effective for annual periods beginning on or after 1 July 2010.
6 Effective for annual periods beginning on or after 1 January 2013.

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

HKFRS 9 *Financial Instruments* introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The standard requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

In addition, as part of *Improvement to HKFRSs (2009)*, HKAS17 *Leases* has been amended in relation to the classification of leasehold land. The amendments will be effective from 1 January 2010, with earlier application permitted. Before the amendments to HKAS17, leasees were required to classify leasehold land as operating leases and presented as prepaid lease payments in the consolidated statement of financial position. The amendments have removed such requirement. Instead, the amendments require the classification of leasehold land to be based on the general principles set out in HKAS 17, that are based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. The application of amendments to HKAS 17 might affect the classification and measurement of the Group's leasehold land.

The directors of the Company anticipate that the application of the other new and revised Standards, Amendments or Interpretations will have no material impact on the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Basis of consolidation

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

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

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

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

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

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

(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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Business combinations *(Continued)*

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Goodwill

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Property, plant and equipment

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

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

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

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

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

(f) Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair value. Gains or losses arising from changes in the fair value of investment property are included in profit of loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposals. 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 asset) is included in the profit or loss in the period in which the item is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Intangible assets

Intangible assets acquired in a business combination

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

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

Research and development expenditure

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

Patents

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

(h) Biological assets

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

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

(i) Construction in progress

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) 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)*

Financial assets (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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Financial instruments *(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 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.

Convertible notes

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

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

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

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

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

Properties under development

Completed properties and properties under development for sale are stated at the lower of cost and net realisable value. Cost includes the cost of land, development expenditure, borrowing costs capitalised in accordance with the Group's accounting policy, and other directly attributable expenses. On completion, the properties are transferred to completed porperties held for sale. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale, determined by management based on prevailing market conditions.

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 basis:

Sales of organic fertilisers and environmental machines

Revenue from sales of fertilisers and environmental machines is recognised on transfer of risks and rewards of ownership, which is at the time of delivery and the title is passed to customer.

Sales of plantation products

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

Sale of apparel

Revenue from sales of goods is recognised on transfer of risks and rewards of ownership, which generally is when the goods are delivered to customers and title is passed.

Sale of properties held for sale

Revenue arising from properties held for sale is recognised upon the signing of the sale and purchase agreements or the issue of an occupation permit by the relevant government authorities, whichever is the later. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the consolidated statement of financial position under trade and other payables.

Rental income from operating leases

Rental income receivable under operating leases is recognised in the consolidated statement of comprehensive income in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives granted are recognised in the consolidated statement of comprehensive income as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

Technical service income

Sub-contracting fees 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 and deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(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 reserve). Such exchange differences previously accumulated in the foreign exchange revaluation reserve is reclassified to profit or loss in the period in which the foreign operation is disposed of.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2010

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(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.

(ii) Defined contribution retirement plan

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

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

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

(iii) Termination benefits

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

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 goods or services are measured at the fair values of the goods or 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 goods or services received are recognised as expenses, with a corresponding increase in equity (employee share-based compensation reserve), when the counterparties render services, unless the goods or services qualify for recognition as assets.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(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.

(u) Related parties

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

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

(b) the party is an associate;

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

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

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

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

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

(a) Determining whether an arrangement contains a lease

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

(b) Fair values of biological assets

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

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

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

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

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

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

(d) Impairment on goodwill

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

The carrying amount of goodwill at the end of reporting period was approximately HK$36,281,000 (2009: Nil) with no impairment loss for the year.

(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) Impairment of investments in subsidiaries

The Company assesses whether there are any indicators of impairment for investments in subsidiaries at each reporting date. Investments in subsidiaries are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management, must estimate the expected future cash flows from the subsidiaries and choose a suitable discount rate in order to calculate the present value of those cash flow.

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

(g) 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.

(h) Provision for properties for development

The Group assesses the carrying amounts of properties for development according to their net realise value based on the realisability of these properties, taking into account costs to completion based on past experience and net sales value based on prevailing market conditions. Provision is made when events or changes in circumstances indicate that the carrying amounts may not be realised.

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:

	2010	2009
	HKD'000	*HKD'000*
Financial assets		
Loan and receivables (including cash and cash equivalents)		
Trade receivables, net of allowances	**81,920**	24,034
Deposits and other receivables, net of allowances	**4,510**	21,665
Amount due from a director	**9**	—
Cash and cash equivalents	**18,375**	9,518
	114,814	55,217
Financial liabilities		
Other financial liabilities measured at amortised cost		
Trade payables	**4,857**	21,805
Other payables and accruals	**54,979**	46,032
Amounts due to directors	**—**	2,013
Amount due to a related party	**738**	3,895
Convertible notes	**75,379**	124,910
	135,953	198,655

7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include trade receivables, deposits and other receivables, amount due from a director, cash and cash equivalents, trade payables, other payables and accruals, amount due to directors, amount due to a related party and liabilities component of convertible notes.

Details of these financial instruments are disclosed in respective notes.

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

Liquidity risk

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

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

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

Liquidity risk *(Continued)*

	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total undiscounted cash flow	Carrying amounts
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 30 June 2010					
Non-derivative financial liabilities					
Trade payables	**4,857**	**—**	**—**	**4,857**	**4,857**
Other payables and accruals	**54,979**	**—**	**—**	**54,979**	**54,979**
Amount due to a related party	**738**	**—**	**—**	**738**	**738**
Convertible notes	**—**	**75,379**	**—**	**75,379**	**75,379**
	60,574	**75,379**	**—**	**135,953**	**135,953**
At 30 June 2009					
Non-derivative financial liabilities					
Trade payables	21,805	—	—	21,805	21,805
Other payables and accruals	46,032	—	—	46,032	46,032
Amounts due to directors	2,013	—	—	2,013	2,013
Amount due to a related party	3,895	—	—	3,895	3,895
Convertible notes	—	—	124,910	124,910	124,910
	73,745	—	124,910	198,655	198,655

Currency risk

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

Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to its variable-rate bank balances as detailed in Note 29. It is the Group's policy to keep it at floating rate of interest so as to minimise the fair value interest rate risk. If interest rates had been 50 basis points higher or lower and all other variables were held constant, the Group's profit for the year would decrease or increase by approximately HK$919,000 (2009: HK$476,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank balances.

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

Credit risk

At 30 June 2010, 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 concentration of credit risk as 18% and 60% (2009: 29% and 96%) of the total trade receivables due from the Group's largest customer and the five largest customers, respectively.

8. FAIR VALUE

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, income from leasing of property earned 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:

	Continuing operations		Discontinued operations		Total	
	2010	2009	**2010**	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
		(Restated)		*(Restated)*		
Technical service income	**9,029**	—	**—**	—	**9,029**	—
Sales of organic fertilisers	**180,012**	43,121	**—**	—	**180,012**	43,121
Sales of environmental machines	**38,639**	—	**—**	—	**38,639**	—
Sales of plantation products (Note)	**52,023**	7,367	**—**	—	**52,023**	7,367
Apparel manufacturing	**—**	—	**—**	328	**—**	328
Property development	**—**	—	**3,931**	70,963	**3,931**	70,963
Property rental income	**—**	—	**—**	6,833	**—**	6,833
	279,703	50,488	**3,931**	78,124	**283,634**	128,612

Note:

During the year ended 30 June 2009, one of the subsidiaries of the Company signed a sales contract with an independent third party at a consideration of HK$57,823,000 ("Sales Contract"). According to the Sales Contract, this third party is allowed to harvest standing timber in a specific area within the next twelve months from the date of the Sales Contract.

The Group has recognised approximately HK$52,023,000 (2009: HK$5,800,000) of the Sales Contract as turnover during the year ended 30 June 2010.

10. SEGMENT INFORMATION

The Group has adopted HKFRS 8 "Operating Segments" with effect from the financial year beginning 1 July 2009. HKFRS 8 is a disclosure standard that 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 for the purpose of allocating resources to segments and assessing their performance. In contrast, the predecessor standard (HKAS 14 "Segment Reporting") required an entity to identify two sets of segments (business and geographical), using a risks and returns approach. In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has not resulted in a re-designation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14. Nor has the adoption of HKFRS 8 changed the basis of measurement of segment profit or loss.

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) Technical service income

(ii) Sales of organic fertilisers

(iii) Sales of environmental machines

(iv) Sales of plantation products

For the divisions of apparel manufacturing, property development and property rental, these segments were discontinued during the year ended 30 June 2010. Further details of discontinued operations are set out in Note 14.

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 2010

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

10. SEGMENT INFORMATION *(Continued)*

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

For the year ended 30 June 2009 (Restated)

	Continuing operations					Discontinued operations				
	Technical service income	Sales of organic fertilisers	Sales of environmental machines	Sales of plantation products	Sub-total	Apparel manufacturing	Property development	Property rental	Sub-total	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:										
– External sales	–	43,121	–	7,367	50,488	328	70,963	6,833	78,124	128,612
Segment results before change in fair value of biological assets	–	8,101	–	(3,510)	4,591	(18,439)	10,046	6,565	(1,828)	2,763
Gain on change in fair value of biological assets less estimated point-of-sale costs	–	–	–	81,188	81,188	–	–	–	–	81,188
Segment results	–	8,101	–	77,678	85,779	(18,439)	10,046	6,565	(1,828)	83,951
Unallocated results										50,610
Interest income										30
Finance costs										(16,073)
Profit before Tax										118,518
Income tax expense										(22,510)
Profit for the year										96,008

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 2010

	Continuing operations					Discontinued operations				
	Technical service income	Sales of organic fertilisers	Sales of environmental machines	Sales of plantation products	Sub-total	Apparel manufacturing	Property development	Property Rental	Sub-total	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment assets	5,614	174,517	61,598	992,761	1,234,490	2,283	16,885	–	19,168	1,253,658
Unallocated corporate assets										44,359
Total assets										1,298,017
Segment liabilities	1,664	38,217	684	18,956	59,521	43,980	1,299	4,842	50,121	109,642
Unallocated corporate liabilities										377,116
Total liabilities										486,758

At 30 June 2009 (Restated)

	Continuing operations					Discontinued operations				
	Technical service income	Sales of organic fertilisers	Sales of environmental machines	Sales of plantation products	Sub-total	Apparel manufacturing	Property development	Property rental	Sub-total	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment assets	–	29,308	–	826,816	856,124	2,321	22,132	57	24,510	880,634
Unallocated corporate assets										6,250
Total assets										886,884
Segment liabilities	–	28,304	–	205,733	234,037	41,376	6,551	2,500	50,427	284,464
Unallocated corporate liabilities										131,616
Total liabilities										416,080

10. SEGMENT INFORMATION *(Continued)*

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

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

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

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

(c) Other segment information

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

For the year ended 30 June 2010

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

10. SEGMENT INFORMATION *(Continued)*

(c) Other segment information*(Continued)*

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

For the year ended 30 June 2009 (Restated)

	Continuing operations					Discontinued operations				
	Technical service income	Sales of organic fertilisers	Sales of environmental machines	Sales of plantation products	Sub-total	Apparel manufacturing	Property development	Property rental	Sub-total	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Other segment information:										
Depreciation of property, plant and equipment	–	78	–	–	78	523	21	–	544	622
Amortisation of intangible assets	–	–	–	3,064	3,064	–	–	–	–	3,064
Impairment loss on trade and other receivables recognised	–	–	–	–	–	2,939	1,186	–	4,125	4,125
Loss on disposal of property, plant and equipment, and investment properties	–	–	–	–	–	–	–	15,643	15,643	15,643
Capital expenditure incurred during the year	–	1,584	–	–	1,584	553	–	–	553	2,137

Geographical information

The Group including continuing and discontinued operations comprises the following main geographic segments:

	Mainland China		**Hong Kong**		**Total**	
	2010	2009	**2010**	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Turnover from external customers	**112,200**	128,612	**171,434**	—	**283,634**	128,612
Segment assets	**128,597**	881,635	**1,169,420**	5,249	**1,298,017**	886,884
Capital expenditure						
– property, plant and equipment	**1,578**	809	**17**	6	**1,595**	815
– construction in progress	**26,851**	1,322	**—**	—	**26,851**	1,322
	28,429	2,131	**17**	6	**28,446**	2,137

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**	**2010** *HK$'000*	2009 *HK$'000*
A	Sales of organic fertilizers and environmental machines	**55,754**	—
B	Sales of organic fertilisers	**55,510**	16,529
C	Sales of organic fertilisers and plantation products	**59,323**	—
D	Sales of organic fertilisers	**49,389**	—
E	Sales of organic fertilisers	**—**	13,518

11. OTHER INCOME AND GAINS (LOSS), NET

	Continuing operations		**Discontinued operations**		**Total**	
	2010 *HK$'000*	2009 *HK$'000* *(Restated)*	**2010** *HK$'000*	2009 *HK$'000* *(Restated)*	**2010** *HK$'000*	2009 *HK$'000*
Sales of organic fruits	**350**	—	**—**	—	**350**	—
Interest income	**7**	10	**8**	20	**15**	30
Technical service income	**—**	1,020	**—**	—	**—**	1,020
Loss on disposal of property, plant and equipment and investment properties	**—**	—	**—**	(15,643)	**—**	(15,643)
Gain on disposal of a subsidiary	**—**	—	**—**	57	**—**	57
Fair value loss on investment properties	**—**	—	**—**	(1,216)	**—**	(1,216)
Others	**34**	53	**—**	740	**34**	793
	391	1,083	**8**	(16,042)	**399**	(14,959)

12. FINANCE COSTS

	Continuing operations		Discontinued operations		Total	
	2010	2009	**2010**	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
		(Restated)		*(Restated)*		
Effective interests expense on convertible (Note 33)	**10,926**	8,383	**—**	—	**10,926**	8,383
Effective interests expense on promissory notes	**—**	7,522	**—**	—	**—**	7,522
Other finance charges	**—**	—	**—**	168	**—**	168
	10,926	15,905	**—**	168	**10,926**	16,073

13. INCOME TAX EXPENSE

	Continuing operations		Discontinued operations		Total	
	2010	2009	**2010**	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
		(Restated)		*(Restated)*		
Current tax						
– Hong Kong	**—**	—	**—**	—	**—**	—
– PRC Enterprise Income Tax ("EIT")	**23,236**	5,602	**—**	4,181	**23,236**	9,783
Deferred tax (Note 35)						
– current year	**26,126**	18,038	**—**	(5,311)	**26,126**	12,727
Income tax expense	**49,362**	23,640	**—**	(1,130)	**49,362**	22,510

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.

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 and reduced corporate profits tax rate from 17.5% to 16.5%, which is effective from the year of assessment 2008/2009. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both years.

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

Xinjiang Gold Vantage Forestry Limited ("XJGV"), a wholly-owned subsidiary of the Company, operates in forestry business in PRC. It is subjected to corporate income tax rate of 15% as it has applied for exemption of relevant preferential tax treatment.

13. INCOME TAX EXPENSE *(Continued)*

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

	2010	2009
	HKD'000	*HKD'000*
		(Restated)
Profit (loss) before tax		
– from continuing operations	**121,386**	136,548
– from discontinued operations	**(4,126)**	(18,030)
	117,260	118,518
Tax calculated at applicable PRC tax rate of 25% (2009: 25%)	**29,315**	29,629
Tax effect of expenses not deductible for tax purpose	**25,068**	15,630
Tax effect of income not taxable for tax purpose	**—**	(19,275)
Tax effect of tax loss not recognised	**—**	740
Utilisation of tax losses previously not recognised	**(6)**	(5,154)
Effect of different tax rates of group companies operating in jurisdictions other than PRC	**(5,015)**	940
Income tax expense	**49,362**	22,510

14. DISCONTINUED OPERATIONS

On 14 October 2010, the Company entered into the non-legally binding letter of intent with Hangfull Limited, an independent third party, in relation to the possible disposal of entire issued share capital of Benefun (BVI) Limited and its subsidiaries regarding apparel manufacturing business, property development and renting business for an aggregate non-refundable deposits of HK$1,000,000. The assets and liabilities attributable to those businesses, which is expected to be sold within twelve months, have been classified as discontinued operations in the consolidated statement of comprehensive income accordingly.

The sales, results and cash flow of the discontinued operations were as follows. The comparative statement of comprehensive income and related notes have been re-presented as if the operations discontinued during the year had been discontinued at the beginning of the comparative period:

14. DISCONTINUED OPERATIONS *(Continued)*

	2010	2009
	HK$'000	*HK$'000*
		(Restated)
Turnover (Note 9)	**3,931**	78,124
Cost of sales	**(4,519)**	(55,179)
Gross profit	**(588)**	22,945
Other income and gains (losses), net (Note 11)	**8**	(16,042)
Distribution costs	**(76)**	(4,553)
Administrative and other operating expenses	**(3,470)**	(20,212)
Finance costs (Note 12)	**—**	(168)
Loss before tax	**(4,126)**	(18,030)
Income tax credit (Note 13)	**—**	1,130
Loss for the year (Note 15)	**(4,126)**	(16,900)

Loss for the year from discontinued operations included the following:

	2010	2009
	HK$'000	*HK$'000*
		(Restated)
Staff costs including director's emoluments	**2,565**	2,513
Depreciation of property, plant and equipment	**12**	544
Cost of inventories recognised as an expense	**4,519**	55,179
Auditor's remuneration - current year	**25**	26
Operating leases charges on property rentals	**72**	619
Loss on disposal of property, plant and equipment and investment properties	**—**	15,643
Impairment loss on trade and other receivables recognised	**—**	4,125
Exchange differences, net	**—**	(93)
Rental income from investment properties less outgoings of HK$Nil (2009: HK$268,000)	**—**	(6,565)

14. DISCONTINUED OPERATIONS *(Continued)*

Cash flows from discontinued operations:

	2010	2009
	HK$'000	*HK$'000*
		(Restated)
Net cash inflow from operating activities	**266**	3,168
Net cash outflow from investing activities	**(391)**	(533)
Net cash outflow from financing activities	**—**	(166)
Net cash (outflow) inflow	**(125)**	2,469

15. PROFIT (LOSS) FOR THE YEAR

Profit (loss) for the year is arrived at after charging (crediting):

	Continuing operations		**Discontinued operations**		**Total**	
	2010	2009	**2010**	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
		(Restated)		*(Restated)*		
Staff costs including directors' emoluments (Note 16)	**30,734**	2,177	**2,565**	2,513	**33,299**	4,690
Depreciation of property, plant and equipment (Note 23)	**73**	78	**12**	544	**85**	622
Amortisation of intangible assets (Note 26)	**9,895**	3,064	**—**	—	**9,895**	3,064
Cost of inventories recognised as an expense	**187,366**	38,185	**4,519**	55,179	**191,885**	93,364
Auditor's remuneration						
– under-provision in prior year	**733**	—	**—**	—	**733**	—
– current year	**815**	955	**25**	26	**840**	981
Operating leases charges on property rentals	**625**	716	**72**	619	**697**	1,335
Loss on disposal of property, plant and equipment and investment properties	**—**	—	**—**	15,643	**—**	15,643
Impairment loss on trade and other receivables,recognised	**—**	—	**—**	4,125	**—**	4,125
Exchange differences, net	**—**	(3)	**—**	(93)	**—**	(96)
Rental income from investment properties less outgoings of HK$ Nil (2009: HK$268,000)	**—**	—	**—**	(6,565)	**—**	(6,565)

16. STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	Continuing operations		**Discontinued operations**		**Total**	
	2010	2009	**2010**	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
		(Restated)		*(Restated)*		
Salaries, wages and other benefits	**4,946**	2,143	**2,521**	2,496	**7,467**	4,639
Contributions to defined contribution retirement plans	**23**	34	**44**	17	**67**	51
Equity-settled share-based payment expense	**25,765**	—	**—**	—	**25,765**	—
	30,734	2,177	**2,565**	2,513	**33,299**	4,690

Hong Kong

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

The PRC

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

17. DIRECTORS' EMOLUMENTS

(a) Directors' emoluments

The emoluments paid or payable to each of eight (2009: thirteen) directors during the year were as follows:

For the year ended 30 June 2010

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

17. DIRECTORS' EMOLUMENTS *(Continued)*

(a) Directors' emoluments *(Continued)*

For the year ended 30 June 2009

Name of director	Fees	Salaries, wages and other benefits	Equity-settled share-based payment expense	Contributions to defined contribution retirement plans	Total 2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors:					
Mr. Tan Sim Chew (Note i)	—	897	—	—	897
Mr. Fu Zi Cong (Note ix)	—	278	—	—	278
Mr. Lo King Fat (Note ii)	—	703	—	12	715
Mr. Zhong Ma Ming (Note x)	—	193	—	—	193
Mr. Leung Kwong Choi (Note iii)	133	—	—	—	133
Ms. Kam Yuen (Note iv)	162	—	—	—	162
Mr. Kwok Wai, Wilfred (Note v)	42	—	—	—	42
Independent non-executive directors:					
Mr. Wong Kwai Sang (Note vi)	20	—	—	—	20
Mr. Tsang Chun Pong (Note xi)	8	—	—	—	8
Mr. Li Chun Ming (Note xii)	60	—	—	—	60
Mr. Cheung Ngai Lam, Martin (Note vii)	119	—	—	—	119
Mr. Tsang Chung Yu (Note xiii)	45	—	—	—	45
Mr. Christopher David Thomas (Note viii)	10	—	—	—	10
	599	2,071	—	12	2,682

Notes:

i) Mr. Tan Sim Chew was resigned on 14 May 2010
ii) Mr. Lo King Fat was resigned on 19 January 2010
iii) Mr. Leung Kwong Choi was appointed on 6 October 2008
iv) Ms. Kam Yuen was appointed on 4 June 2009
v) Mr. Kwok Wai, Wilfred was appointed on 7 April 2009
vi) Mr. Wong Kwai Sang was resigned on 4 July 2008 and appointed on 2 March 2009
vii) Mr. Cheung Ngai Lam, Martin was appointed on 4 July 2008
viii) Mr. Christopher David Thomas was appointed on 4 May 2009
ix) Mr. Fu Zi Cong was resigned on 12 December 2008
x) Mr. Zhong Ma Ming was resigned on 12 December 2008
xi) Mr. Tsang Chun Pong was resigned on 16 August 2008
xii) Mr. Li Chun Ming was resigned on 4 June 2009
xiii) Mr. Tsang Chung Yu was appointed on 16 August 2008 and resigned on 20 March 2009

17. DIRECTORS' EMOLUMENTS *(Continued)*

(a) Directors' emoluments *(Continued)*

No director has waived or agreed to waive any emoluments during the two years ended 30 June 2010 and 2009.

During the years ended 30 June 2010 and 2009, no emolument was paid by the Group to the directors as an inducement to join or upon joining the Group, or as compensation for loss of office.

(b) Senior management's emoluments

Of the five individuals with the highest emoluments in the Group, three (2009: two) were directors of the Company, two (2009: two) were ex-directors of the Company. Their emoluments is detailed in note 17(a).

The emoluments fall within the following band:

	Number of individuals	
	2010	2009
Nil – HK$2,000,000	**—**	5
HK$2,000,001 – HK$4,000,000	**4**	—
HK$6,000,001 – HK$8,000,000	**—**	—
HK$8,000,001 – HK$10,000,000	**1**	—

18. PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY

Of the consolidated profit for the year attributable to owners of the Company of approximately HK$68,102,000 (2009: approximately HK$96,008,000), a loss of approximately HK$66,199,000 (2009: approximately HK$9,731,000) has been dealt with in the financial statements of the Company.

19. EARNINGS PER SHARE

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

For continuing and discontinued operations

Earnings	**2010** ***HK$'000***	2009 *HK$'000* *(Restated)*
Earnings for the purpose of basic earnings per share	**68,102**	96,008
Effect of dilutive potential ordinary shares:		
Interest on convertible notes, net of tax	**9,123**	7,000
Earnings for the purposes of diluted earnings per share	**77,225**	103,008

Number of shares	**2010** ***'000***	2009 *'000*
Weighted average number of ordinary shares for the purposes of basis earnings per share	**7,212,061**	4,244,431
Effect of dilutive potential ordinary shares:		
Convertible notes and share options	**1,668,030**	1,246,575
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**8,880,091**	5,491,006

19. EARNINGS PER SHARE *(Continued)*

For continuing operations

	2010	2009
	HK$'000	*HK$'000*
		(Restated)
Earnings for the purpose of basic earnings per share for continuing and discontinued operations	**68,102**	96,008
Add: Loss for the year from discontinued operations	**4,126**	16,900
Earnings for the purposes of basic earnings per share: for continuing operations	**72,228**	112,908
Effect of dilutive potential ordinary shares: Interest on convertible notes, net of tax	**9,123**	7,000
Earnings for the purposes of diluted earnings per share for continuing operations	**81,351**	119,908

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

For discontinued operations

Basic loss per share for the discontinued operations is HK$0.06 cents per share (2009: loss of HK$0.40 cents per share) and diluted loss per share for the two years ended 30 June 2010 and 2009 has not presented as it was anti-dilutive to the Group. The calculation is based on the loss for the year from the discontinued operations of approximately HK$4,126,000 (2009: HK$16,900,000). The denominators detailed above for basic and diluted earnings are approximately 7,212,061,000 shares (2009: 4,244,431,000 shares) and 8,880,091,000 shares (2009: 5,491,006,000 shares) respectively.

20. DIVIDENDS

The board of directors of the Company do not recommend the payment of any dividend for the year ended 30 June 2010 (2009: Nil).

21. BIOLOGICAL ASSETS

	Standing timber HK$'000
Acquisition through business combination at 19 November 2008 (Note 38)	**600,907**
Harvested timber transferred to inventories and sold	**(5,972)**
Gain on changes in fair value less estimated point-of-sale costs	**81,188**
At 30 June 2009 and 1 July 2009	**676,123**
Harvested timber transferred to inventories and sold	**(42,174)**
Gain on changes in fair value less estimated point-of-sale costs	**151,607**
At 30 June 2010	**785,556**

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. A fair value less estimated point-of-sale costs of approximately HK$42,174,000 and HK$5,972,000 were harvested and sold in the year ended 30 June 2010 and 2009 respectively.

Pursuant tot the legal opinion which issued by a PRC qualified solicitor dated 16 October 2009, the vendor has in substance transferred the right and obligation of this plantation land to the Group. The documents regarding the right transfer are still in process at the end of the reporting period.

The Group's standing timber at 30 June 2010 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 2010 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. the country risk premium for China is added to account for any risks and uncertainties as a result of operations in China. The resulted estimation of the discount rate is derived to be 12.91%; and

3. according to the China Statistical Year Book 2009 from National Bureau of Statistics of China, the average annual growth of the price of forestry products in Xinjiang over the year 2006 to 2008 is 4.0%. Ascent Partners have assumed that the new terms of the concession fee will grow at 4.0% in Xinjiang.

21. BIOLOGICAL ASSETS *(Continued)*

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.

22. GOODWILL

	HK$'000
Cost	
At 1 July 2009	—
Arising on acquisition of subsidiaries during the year (Note 38)	36,281
At 30 June 2010	36,281

Note:

Goodwill arose on acquisition of 100% equity interest of Triple Harvest Holdings Limited and its subsidiaries on 23 March 2010.

Impairment testing on goodwill

Acquisition of Triple Harvest Holdings Limited and its subsidiaries ("Triple Harvest Group")

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.

During the year ended 30 June 2010, the Group performed impairment review for goodwill based on cash flow forecasts derived from the most recent financial budget for the next five years approved by the management using a discount rate of 14%. As the recoverable amount of the relevant CGUs exceeds the carrying value of goodwill, no impairment shall be recognised.

23. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements 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 2008	—	2,738	5,657	2,933	11,328
Acquired on acquisition of subsidiaries	171	—	—	—	171
Additions	—	256	519	40	815
Disposals	(24)	(2,738)	(6,146)	(2,969)	(11,877)
Exchange adjustments	—	—	(24)	(4)	(28)
At 30 June 2009 and 1 July 2009	147	256	6	—	409
Additions	—	1,037	83	475	1,595
Assets reclassified as held for sale	—	—	—	(399)	(399)
At 30 June 2010	**147**	**1,293**	**89**	**76**	**1,605**
ACCUMULATED DEPRECIATION					
At 1 July 2008	—	2,738	4,738	2,760	10,236
Provided for the year	77	—	433	112	622
Disposals	(1)	(2,738)	(5,149)	(2,871)	(10,759)
Exchange adjustments	—	—	(21)	(1)	(22)
At 30 June 2009 and 1 July 2009	76	—	1	—	77
Provided for the year	71	—	2	12	85
Assets reclassified as held for sale	—	—	—	(12)	(12)
At 30 June 2010	**147**	**—**	**3**	**—**	**150**
CARRYING VALUES					
At 30 June 2010	**—**	**1,293**	**86**	**76**	**1,455**
At 30 June 2009	71	256	5	—	332

24. INVESTMENT PROPERTIES

	2010	2009
	HK$'000	*HK$'000*
Fair value		
At 1 July	**—**	54,379
Change in fair value	**—**	(1,216)
Disposals	**—**	(52,972)
Exchange adjustments	**—**	(191)
At 30 June	**—**	—

(a) Through the acquisition of Ample Rich Enterprises Limited ("Ample Rich") and its subsidiaries (collectively known as "Ample Rich Group") during the year ended 30 June 2009, the Group acquired a favorable rights to use and operate the plantation land. The fair value of operating rights over the plantation land was determined based on a valuation report issued by Messrs. Ascent Partners Transaction Service Limited, independent qualified professional valuers not connected to the Group using discount cash flows method. The operating right is stated at cost less accumulated amortisation and impairment losses subsequently. Amortisation is charged to consolidated statement of comprehensive income over the lease term of 30 years.

(b) Through the acquisition of Triple Harvest Holdings Limited ("Triple Harvest") and its subsidiaries (collectively known as the "Triple Harvest Group") during the year ended 30 June 2010, the Group acquired a number of patented technologies in relation to the production of fertilisers. The fair values of patents on acquisition was determined based on a valuation report issued by Messrs. Avista Valuation Advisory Limited ("Avista"), independent qualified professional valuers not connected to the Group using relief royalty method. In order to determine an appropriate royalty rate to apply in analysis, Avista has adopted 6.5% as royalty rate after considering seven comparable patents which royalty nature is agrochemical fertiliser related. The patents are stated at cost less accumulated amortisation and impairment losses subsequently. Amortisation is charged to consolidated statement of comprehensive income on a straight-line basis over the remaining useful life of approximately 7 years since acquisition.

25. CONSTRUCTION IN PROGRESS

	2010	2009
	HK$'000	*HK$'000*
At 1 July	**1,322**	—
Additions	**26,851**	1,322
At 30 June	**28,173**	1,322

26. INTANGIBLE ASSETS

	Operating rights	**Patents**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
	(Note a)	***(Note b)***	
COST			
Acquisition on acquisition of subsidiaries (Note 38)	147,958	—	147,958
At 30 June 2009 and 1 July 2009	147,958	—	147,958
Acquisition on acquisition of subsidiaries (Note 38)	—	161,559	161,559
At 30 June 2010	**147,958**	**161,559**	**309,517**
ACCUMULATED AMORTISATION AND IMPAIRMENT			
Amortisation for the year	(3,064)	—	(3,064)
At 30 June 2009 and 1 July 2009	(3,064)	—	(3,064)
Amortisation for the year	(4,932)	(4,963)	(9,895)
At 30 June 2010	**(7,996)**	**(4,963)**	**(12,959)**
CARRYING VALUES			
At 30 June 2010	**139,962**	**156,596**	**296,558**
At 30 June 2009	144,894	—	144,894

Notes:

(a) The intangible assets relate to the favourable aspect of the right to use and operate the plantation land, which in substance is an operating leases (Note 38), acquired in the acquisition 100% equity interest of Ample Rich Enterprises Limited ("Ample Rich") and its subsidiaries (collectively referred to as the "Ample Rich Group"), where the acquiree is the lessee. The fair value on acquisition was determined based on a valuation report prepared by an independent valuer using discount cash flows method at the date of acquisition and the estimated present value of payments due under the agreement entered into by Ample Rich Group. 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, acquired in the acquisition 100% equity interest of Triple Harvest Holdings Limited ("Triple Harvest") and its subsidiaries. The intangible assets are amortized using straight-line method over the estimated lease term of 7 to 10 years.

27. INVENTORIES

	2010	2009
	HK$'000	*HK$'000*
Properties under development		
Completed properties / properties under development for sale	**—**	4,524
Organic fertilisers		
Raw materials	**7,670**	4,321
Environmental machineries	**3,879**	—
	11,549	8,845

Properties under development included construction cost and cost of land use right which is located in Zhangzhou City of PRC.

28. TRADE AND OTHER RECEIVABLES

	2010	2009
	HK$'000	*HK$'000*
Trade receivables	**111,966**	30,468
Prepayments, deposits and other receivables	**18,902**	45,277
	130,868	75,745
Less: Allowances for doubtful debts	**(30,046)**	(30,046)
	100,822	45,699

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

	2010	2009
	HK$'000	*HK$'000*
At 1 July	**30,046**	28,080
Impairment loss recognised during the year	**—**	4,125
Written off as uncollectible during the year	**—**	(2,047)
Exchange difference	**—**	(112)
At 30 June	**30,046**	30,046

28. TRADE AND OTHER RECEIVABLES *(Continued)*

The Group has individually assessed all trade and other receivables and provided in full for all receivables that are considered not recoverable. At 30 June 2010, included in the impairment loss of trade receivables are individually impaired trade receivables with an aggregate balance of approximately HK$30,046,000 (2009: HK$30,046,000) which are due to long outstanding. The Group does not hold any collateral over these balances.

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

	2010	2009
	HK$'000	*HK$'000*
Less than 1 month past due	**340**	19,433
1 to 3 months past due	**8,114**	3,726
More than 3 months but less than 12 months past due	**37,001**	—
More than 12 months past due	**—**	875
Amount past due at the end of the reporting period but not impaired	**45,455**	24,034

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

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

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

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

	2010	2009
	'000	*'000*
RMB	**67,559**	38,488
USD	**—**	21

29. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components:

	2010	2009
	HK$'000	*HK$'000*
Cash at banks and in hand	**18,365**	9,518
Pledged bank deposits	**5,000**	—
	23,365	9,518
Bank overdraft	**(4,990)**	—
	18,375	9,518

Bank balances carry interest at market rates which range from 0.01% to 1.04% (2009: 0.01% to 0.6%) per annum. The pledged bank deposits carry fixed interest rate at 0.7% per annum (2009: Nil).

Pledged bank deposits represent deposits pledged bank secure banking facilities granted to the Group. Deposits amounting to approximately HK$5,000,000 (2009: Nil) have been pledged to secure bank overdrafts.

Included in cash and cash equivalents 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:

	2010	2009
	'000	*'000*
USD	**4**	4
HKD	**1,283**	2

30. ASSETS/LIABILITIES CLASSIFIED AS HELD FOR SALE

On 14 October 2010, the Company entered into the non-legally binding letter of intent with Hangfull Limited, an independent third party, in relation to the possible disposal of entire issued share capital of Benefun (BVI) Limited and its subsidiaries regarding apparel manufacturing business and property development and renting business for an aggregate non-refundable deposits of HK$1,000,000. The assets and liabilities attributable to those businesses, which is expected to be sold within twelve months, have been classified as a disposal group held for sale and are presented separately in the consolidated statement of financial position accordingly.

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

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

31. TRADE AND OTHER PAYABLES

	2010	2009
	HK$'000	*HK$'000*
Trade payables	**4,857**	21,805
Property forward sales deposits and instalments received	**—**	3,483
Other payables and accrual	**54,979**	42,549
	59,836	67,837

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

	2010	2009
	HK$'000	*HK$'000*
Within 30 days	**2,080**	6,355
31 - 90 days	**—**	3,752
91 - 180 days	**—**	767
Over 180 days	**2,777**	10,931
	4,857	21,805

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

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

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

	2010	2009
	'000	*'000*
RMB	**18,296**	52,847

32. AMOUNT(S) DUE FROM (TO) DIRECTOR(S)/A RELATED PARTY

The amounts due are unsecured, non-interest bearing and repayable on demand.

33. CONVERTIBLE NOTES

On 19 November 2008, pursuant to the acquisition of 100% interest in Ample Rich Group (Note 38) from the Blackpool Stadium Limited (the "Vendor"), the Company issued zero coupon convertible notes ("Convertible Notes") as part of the consideration.

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

(a) Conversion period

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

(b) Security Convertible Notes

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

Pursuant to a legal letter dated 25 October 2010 issued by Messer. Donald Yap, Cheng & Kwong Solicitors ("Donald"), an independent third party. If Ample Rich Group contributed to the Group a net profit before tax of range between HK$60,000,000 to HK$130,000,000, the Vendor is no longer entitled to any security and the Security Convertible Note of HK$60,000,000 should be released to the Vendor during the year ended 30 June 2010, Security Convertible Notes in the principal amount of HK$60,000,000 were converted by the Vendor to subscribe for 937,500,000 ordinary shares at a conversion price of HK$0.064 per share.

(c) Profit Guarantee

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

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

33. CONVERTIBLE LOAN NOTES *(Continued)*

(d) Valuation of liability component

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

The movements of the Convertible Notes are as follows:

	Nominal Value	**Liability component**	**Equity reserve component**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Issue of Convertible Notes	400,000	358,544	41,456	400,000
Effective interest expenses	—	8,383	—	8,383
Conversion of Convertible Notes	(270,000)	(242,017)	(27,983)	(270,000)
At 30 June 2009 and 1 July 2009	130,000	124,910	13,473	138,383
Effective interest expenses	—	10,926	—	10,926
Conversion of Convertible Notes	(60,000)	(60,457)	(6,219)	(66,676)
At 30 June 2010	**70,000**	**75,379**	**7,254**	**82,633**

Set out below are details of conversion of the Convertible Notes during the year ended 30 June 2010:

Date of conversion	Principal amount of the Convertible Notes	Number of ordinary shares issued
	HK$'000	*'000*
23 November 2009	20,000	312,500
1 December 2009	40,000	625,000

34. PROVISIONS

	Onerous contracts
	HK$'000
At 1 July 2008	6,598
Exchange difference	(30)
At 30 June 2009 and 1 July 2009	6,568
Reclassified as held for sale	(6,568)
At 30 June 2010	—

Provisions are made for obligations under onerous contracts, principally relate to tenancy agreements, where the net unavoidable costs of meeting the obligations exceed the economic benefits expected to be received.

35. DEFERRED TAX

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

Deferred tax assets (liabilities)	Revaluation of properties	Provision for inventories and receivables	Accelerated (depreciation allowances) accounting depreciation	Biological assets	Intangible assets	Patent	Other temporary differences	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 July 2008	(8,553)	1,508	4,268	–	–	–	(2,534)	(5,311)
Credited (charged) to statement of comprehensive income	8,553	(1,508)	(4,268)	(18,804)	766	–	2,534	(12,727)
Acquired through business combination	–	–	–	(150,226)	(36,990)	–	–	(187,216)
At 30 June 2009 and 1 July 2009	–	–	–	(169,030)	(36,224)	–	–	(205,254)
(Charged) credited to statement of comprehensive income	–	–	–	(27,359)	1,233	–	–	(26,126)
Acquired through business combination	–	–	–	–	–	(40,390)	–	(40,390)
At 30 June 2010	**—**	**—**	**—**	**(196,389)**	**(34,991)**	**(40,390)**	**—**	**(271,770)**

35. DEFERRED TAX *(Continued)*

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

	2010	2009
	HK$'000	*HK$'000*
Deferred tax asset	**—**	—
Deferred tax liability	**(271,770)**	(205,254)
	(271,770)	(205,254)

At the end of the reporting period, the Group has unused tax losses of approximately HK$19,664,000 (2009: HK$19,664,000). No deferred tax has been recognised in respect of the tax losses due to the unpredictability of future income stream.

The tax losses can be carried forward for a period of five years, which will be expiring on 1 January 2013.

36. SHARE CAPITAL

	Par value per share	Number of ordinary shares	Amount
	HK$	*'000*	*HK$'000*
Authorised:			
At 30 June 2009 and 2010	0.01	10,000,000	100,000
Issued and fully paid:			
At 1 July 2008	0.01	1,955,029	19,550
Conversion of convertible notes (Note (a))	0.01	4,218,750	42,188
Exercise of share options (Note 37)	0.01	66,600	666
At 30 June 2009 and 1 July 2009	0.01	6,240,379	62,404
Conversion of convertible notes (Note (b))	0.01	937,500	9,375
Issue of new shares for acquisition of patents (Note (c))	0.01	1,425,000	14,250
Exercise of share options (Note 37)	0.01	143,500	1,435
At 30 June 2010	0.01	8,746,379	87,464

Notes:

(a) During the year ended 30 June 2009, the Group has issued HK$400 million convertible notes as part of consideration for acquiring Ample Rich Group (Note 33). A principal amount of HK$270,000,000 were converted by such convertible notes holders to subscribe for 4,218,750,000 ordinary shares at a conversion price of HK$0.064 per share.

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

(c) Pursuant to an ordinary resolution passed at an extraordinary general meeting on 9 March 2010, 1,425,000,000 ordinary shares of HK$0.01 each were issued and allotted on 23 March 2010 as part of consideration in acquiring patents from Cathay Investments Fund Limited at HK$0.11 each (Note 38).

37. EQUITY SETTLED SHARE–BASED PAYMENT TRANSACTIONS

The existing share option scheme of the Company was approved on 16 December 2005 ("Share Option Scheme"). The purpose of the Share Option Scheme is to provide the Group with a flexible means of giving incentive to, rewarding, remunerating, and/or providing benefits to the participant and to provide the participant with the opportunity to acquire a personal stake in the Group and to build common objectives of the Group and the participant for the betterment of business and profitability of the Group and its shareholders as a whole.

The board of directors may, at their discretion, invite any participant to take up options. An option is deemed to have been granted and accepted by the grantee upon his or her signing the duplicate letter comprising acceptance of the option and paying HK$1 by way of consideration for the grant thereof.

The subscription price for shares in the Company under the Share Option Scheme will be highest of (i) the closing price of the shares in the Company as stated in the Stock Exchange's daily quotations sheet on the offer date (which date must be a business day), (ii) a price being the average of the closing prices of the shares in the Company as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the offer date, and (iii) the nominal value of a share of the Company.

The total number of shares in the Company which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company shall not in aggregate exceed 10% of the total number of shares in the Company in issue as at the date of approval of the Share Option Scheme. An option may be exercised during a period to be determined by the Directors in its absolute discretion and in any even such period shall not be longer than 10 years from the date upon which the option is granted.

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

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

The movements in the share options of the Company during the year ended 30 June 2010 and 30 June 2009 are shown in the following table:

For the year ended 30 June 2010 Name of category of participant	Date of grant	Exercise period	Exercise price per share	Number of share options At 1 July 2009	Granted during the year	Exercised during the year	Lapsed during the year (Note a)	At 30 June 2010
Directors								
Ms. Kam Yuen	7/8/2009	7/8/2009 – 6/8/2012	0.117	–	180,000,000	–	–	180,000,000
Mr. Leung Kwong Choi	7/8/2009	7/8/2009 – 6/8/2012	0.117	–	62,400,000	–	–	62,400,000
Mr. Kwok Wai, Wilfred	7/8/2009	7/8/2009 – 6/8/2012	0.117	–	62,400,000	–	–	62,400,000
Mr. Cheung Ngai Lam	7/8/2009	7/8/2009 – 6/8/2012	0.117	–	21,260,000	–	–	21,260,000
Subtotal				–	326,060,000	–	–	326,060,000
Employees and others (Note b)								
In aggregate	7/8/2009	7/8/2009 – 6/8/2012	0.117	–	221,800,000	–	(46,400,000)	175,400,000
	19/1/2010	19/1/2010 – 18/1/2013	0.087	–	354,000,000	(143,500,000)	–	210,500,000
	26/5/2010	26/5/2010 – 25/5/2013	0.075	–	363,780,000	–	–	363,780,000
				–	939,580,000	(143,500,000)	(46,400,000)	749,680,000
Total				–	1,265,640,000	(143,500,000)	(46,400,000)	1,075,740,000
Weighted average exercise price (HK$)				–	0.10	0.09	0.12	0.10

Notes:

(a) During the year ended 30 June 2010, Mr. Tan Sim Chew was resigned as director and his options of 46,400,000 were lapsed.

(b) During the year ended 30 June 2010, the status of Mr. Lo King Fat, Lawrence was changed from director into employee. As such, his share options of 46,000,000 were reclassified from the director category to employees and others category.

For the year ended 30 June 2009 Name of category of participant	Date of grant	Exercise period	Exercise price per share	Number of share options At 1 July 2008	Granted during the year	Exercised during the year	Lapsed during the year	A 30 June 2009
Directors								
Mr. Tan Sim Chew	25/1/2008	25/7/2008 – 24/7/2011	0.804	16,000,000	–	(16,000,000)	–	–
Mr. Lo King Fat, Lawrence	25/1/2008	25/7/2008 – 24/7/2011	0.804	16,000,000	–	(16,000,000)	–	–
Subtotal				32,000,000	–	(32,000,000)	–	–
Employees and others								
In aggregate	25/1/2008	25/7/2008 – 24/7/2011	0.804	34,600,000	–	(34,600,000)	–	–
Total				66,600,000	–	(66,600,000)	–	–
Weighted average exercise price (HK$)				0.08	–	0.08	–	–

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

The following table lists the inputs to the model used:

	Share options granted on			
	26 May 2010	**19 January 2010**	**7 August 2009**	**25 January 2008**
Option pricing model used	**Binominal**	**Binominal**	**Binominal**	**Black-Scholes**
Fair value per share option at measurement date	HK$0.0237	HK$0.0303	HK$0.0416	HK$0.0360
Weighted average share price at grant date	HK$0.067	HK$0.081	HK$0.109	HK$0.08
Exercise price	HK$0.075	HK$0.087	HK$0.117	HK$0.0804
Weighted average contractual life	3 years	3 years	3 years	3 years
Remaing contractual life	2.90 years	2.55 years	2.10 years	Nil
Expected volatility	65.43%	68.86%	71.26%	108.34%
Risk-free interest rate	0.97%	0.98%	1.16%	1.45%

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

At the end of the reporting period, the Company had 1,075,740,000 (2009: Nil) remaining exercisable share options outstanding under the share option scheme. The exercise in full of the remaining exercisable share options were represented to subscribe for 1,075,740,000 (2009: Nil) ordinary shares in the Company at approximately HK$104,268,000 (2009: Nil).

143,500,000 (2009: 66,600,000) share options were exercised during the year ended 30 June 2010.

During the year ended 30 June 2010, an amount of HK$42,144,100 (2009: Nil) has been recognised as equity-settled share-based payment expense in the consolidated statement of comprehensive income.

38. ACQUISITION OF SUBSIDIARY

During the year ended 30 June 2010

Triple Harvest Group

On 23 March 2010 (the "Acquisition Date"), the Group acquired 100% equity interest of Triple Harvest Holdings Limited ("Triple Harvest") and its subsidiaries (collectively referred to as the "Triple Harvest Group") at the fair value of consideration of HK$157.45 million which is satisfied by (i) HK$0.7 millions by cash and (ii) HK$156.75 million by the issue of 1,425 million shares of the Company (i.e. a price of HK$0.11 per share as of the Acquisition Date) . Upon the Acquisition, the Company acquired the unique technologies in relation to the production of fertilisers to cater for the market demand for plantation materials.

The Directors are of the opinion that the acquiree's assets and liabilities approximate their fair values. The net assets acquired in the transaction and Goodwill arising are as follows:

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

The main factor leading to excess of considerations over fair value of net assets acquired is synergy generated with the patents. The Group is capable of producing specialised products to accommodate diversified market orders and to enhance operating profit.

38. ACQUISITION OF SUBSIDIARY *(Continued)*

During the year ended 30 June 2009

Ample Rich Group

On 19 November 2008, the Group acquired 100% equity interest of Ample Rich Group. Ample Rich Group's principal activity is engaged in the business of plantation, research and development on related plantation technologies, manufacture, sale and distribution of plantation products. The total consideration of HK$500 million is satisfied by the issuance of (i) HK$400 million convertible notes and (ii) HK$100 million promissory note.

The initial accounting for the above acquisition has been determined provisionally in the Group's interim financial statements for the six months period ended 31 December 2008. After finalisation of professional valuation in relation to certain underlying assets and liabilities of Ample Rich Group, there were changes in estimates. The changes are increase in other receivables, intangible asset and related deferred tax liabilities for the amounts of HK$475,000, HK$147,958,000 and HK$36,990,000 respectively.

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

	Pre-acquisition carrying amount *HK$'000*	**Fair value adjustments** *HK$'000*	**Fair value** *HK$'000*
Assets and liabilities acquired			
Property, plant and equipment	171	—	171
Other receivables	3,155	—	3,155
Biological assets (Note 21)	—	600,907	600,907
Intangible asset (Note 26)	—	147,958	147,958
Cash and cash equivalents	77	—	77
Amount due to a director	(4,226)	—	(4,226)
Trade and other payables	(74)	—	(74)
Deferred tax liabilities	—	(187,216)	(187,216)
Net identifiable assets and liabilities	(897)	561,649	560,752
Assignment of loan			1,705
			562,457
Fair value of the consideration for the acquisition:			
Portion satisfied by the issue of convertible notes			400,000
Portion satisfied by the issue of promissory note			87,748
Direct transaction cost			1,964
			489,712
Excess of fair value of net assets acquired over considerations			(72,745)
Purchase considerations settled in cash			(1,964)
Cash and cash equivalents acquired			77
Net cash outflow on acquisition			(1,887)

38. ACQUISITION OF SUBSIDIARY *(Continued)*

The main factor leading to excess of fair value of net assets acquired over considerations is a bargain purchase.

Pursuant to the sale and purchase agreement, the purchase consideration was contingent on the results of Ample Rich Group where its guarantee profit for the year ended 30 June 2009 and 2010 should be no less than HK$60 million and HK$70 million respectively (the "Guarantee Profit"). For more details please refer to Note 33.

39. NON-CASH TRANSACTION

During the year, the Company issued of 1,425 million shares as part of consideration to acquired 100% equity interest of Triple Harvest Group indicated in Note 38.

40. 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:

	2010	2009
	HK$'000	*HK$'000*
Within one year	**5,768**	205
In the second to fifth years, inclusive	**12,387**	4,658
Over five years	**51,667**	77,279
	69,822	82,142

The Group leases a number of properties under operating leases. The leases run for an initial period of one to two years (2009: one to six years). In addition, one of the subsidiaries has contracted to use and operate certain plantation land with an initial period of thirty years (2009: thirty years), which is accounted for as an operating lease.

41. CAPITAL COMMITMENTS

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

	2010	2009
	HK$'000	*HK$'000*
Contracted for but not provided for in the consolidated financial statements	**18,284**	25,773

42. CONTINGENT LIABILITIES

Litigation

(a) Hero Rich Writ

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 from Hero to HKSCC.

On 25 January 2010, Hero Rich had discontinued the action against Concerned Directors with no order as to costs. The Company has obtained the Appeal Dismissal by Consent from High Court on 22 January 2010.

42. CONTINGENT LIABILITIES *(Continued)*

Litigation *(Continued)*

(b) *China Magic Summons*

On 23 June 2009, the Company received an Originating Summons from China Magic Enterprises Limited ("China Magic") seeking a declaration that the decline by the Company to register the transfer of 468,750,000 ordinary shares of the Company ("Shares B") from China Magic to HKSCC was not made in accordance with the M&A and hence unlawful and a declaration to declare that China Magic was legitimately entitled to have transfer of the Shares B from China Magic to HKSCC.

The Company had noted disputes, inter alia, over the legal titles of total 703,125,000 ordinary shares, that are the aggregate of Shares A and Shares B (the "Disputed Shares") which are the subject matter of some legal proceedings in the High Court of the Hong Kong Special Administrative Region. In order to protect the interest of shareholders, the Company will act in accordance with the outcome of legal proceedings between the parties claiming ownership of the Disputed Shares.

On 21 December 2009, the Company had acted in accordance with the outcome of the legal proceedings to register the transfer of 486,750,000 ordinary shares of the Company from China Magic to HKSCC.

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

43. 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	**2010**	2009
		HK$'000	*HK$'000*
Amount due to directors, Tan Sim Chew and Kam Yuen	(i)	**—**	2,013
Amount due to related party, Choy Ping Fai	(ii)	**1,505**	3,895

Notes:

(i) The amounts due to directors, Tan Sim Chew and Kam Yuen are unsecured, interest-free and have no fixed repayment terms.

(ii) The amount due to a related party Choy Ping Fai, who is the spouse of the Company's director, Kam Yuen is unsecured, interest-free and has no fixed repayment term.

(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.

44. PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries at 30 June 2010 are as follows:

Name of subsidiary	Place of incorporation/ registration/ operations	Nominal value of issued ordinary share/registered capital	Percentage of equity interest held by the Company		Principal activities
			Direct	Indirect	
Fun (Xiamen) Enterprises Corporation Limited * (Note a)*	The PRC	Singapore Dollar ("S$")15,300,000	—	100%	Garment manufacturing and retailing
Benefun (BVI) Limited	British Virgin Islands ("BVI")	1 share of US$1	100%	—	Investment holding
Wylkeen Investment Limited	BVI	1 share of US$1	100%	—	Investment holding
Wingo Asia Limited	BVI	1 share of US$1	—	100%	Property investment
Zhangzhou Golden River Estate Development Company Limited*	The PRC	RMB13,300,000	100%	—	Property development
Top Ace Enterprises Limited	Hong Kong ("HK")	2 shares of HK$1 each	—	100%	Provision of management services
Timar Investment Limited	BVI	1 share of US$1	—	100%	Provision of management services
State Chance Limited	BVI	1 share of US$1	100%	—	Provision of sales referral services
Ample Rich Enterprises Limited	BVI	1 share of US$1	100%	—	Investment holding
Gold Vantage Enterprises Limited	HK	1 share of HK$1	—	100%	Investment holding
Xinjiang Gold Vantage Forestry Limited*	The PRC	RMB600,000	—	100%	Sales and distribution of plantation products and organic fertilisers
Foshan Gold Vantage Forestry Limited*	The PRC	RMB600,000	—	100%	Plantation related business
Triple Harvest Holdings Limited (Note b)	BVI	1 share of US$1	100%	—	Dormant
Star Asset Holdings Limited (Note b)	HK	1 share of HK$1	—	100%	Dormant
Xinjiang Protech Biology Limited* (Note b)	The PRC	RMB600,000	—	100%	Research and development
Keen Info Investments Limited (Note c)	HK	1 share of HK$1	—	100%	Provision of technical services
Gold Vantage Xinan Biotechnology Company Limited * (Note d)	The PRC	RMB2,000,000	—	70%	Production and sales of organic fertilisers

* *The English names are for identification only.*

44. PRINCIPAL SUBSIDIARIES *(Continued)*

Notes:

a. This is wholly-foreign owned enterprise established in the PRC with limited liability.
b. These were acquired by the Group on 28 December 2009.
c. This subsidiary was established by the Group on 28 January 2010.
d. This subsidiary was established by the Group on 16 April 2010.

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.

45. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2010	2009
	HK$'000	*HK$'000*
Non-current asset		
Investments in subsidiaries	**684,295**	512,811
Current assets		
Other receivables	**—**	1,717
Amounts due from subsidiaries	**44,374**	52,933
Amount due from a related party	**776**	—
Cash and cash equivalents	**33**	2,003
	45,183	56,653
Current liabilities		
Other payables	**8,434**	2,843
Amounts due to subsidiaries	**87,571**	88,266
Amount due to a director	**—**	32
Amount due to a related party	**—**	954
	96,005	92,095
Net current liabilities	**(50,822)**	(35,442)
Total assets less current liabilities	**633,473**	477,369
Non-current liability		
Convertible notes	**75,379**	124,910
NET ASSETS	**558,094**	352,459
Capital and reserves		
Share capital	**87,464**	62,404
Reserves	**470,630**	290,055
TOTAL EQUITY	**558,094**	352,459

46. RESERVES

	Share premium	Employee share-based compensation reserve	Convertible notes equity reserve	Contributed surplus	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 July 2008	173,660	2,401	–	65,261	(187,511)	53,811
Recognition of equity component of convertible notes	–	–	41,456	–	–	41,456
Conversion of convertible notes	227,813	–	(27,983)	–	–	199,830
Recognitions of equity-settled share-based payments						
Total comprehensive loss	7,090	(2,401)	–	–	–	4,689
for the year	–	–	–	–	(9,731)	(9,731)
At 30 June 2009	408,563	–	13,473	65,261	(197,242)	290,055
Issue new shares for acquisition of patents	142,500	–	–	–	–	142,500
Conversion of convertible notes	57,301	–	(6,219)	–	–	51,082
Recognition of equity-settled share-based payments	–	42,144	–	–	–	42,144
Exercise of share options	15,397	(4,349)	–	–	–	11,048
Total comprehensive loss for the year	–	–	–	–	(66,199)	(66,199)
At 30 June 2010	**623,761**	**37,795**	**7,254**	**65,261**	**(263,441)**	**470,630**

47. EVENTS AFTER THE END OF REPORTING PERIOD

(a) Pursuant to an announcement of the Company dated 10 September 2010, the Company's wholly-owned subsidiary, Energy Ally Limited ("EAL") entered into the joint venture agreement ("JV Agreement") with an independent third party, Wealthy Technology Development Limited ("WTD"), under which the parties have agreed to form the joint venture which will be principally engaged in environmental industry specialised in urban sewage, industrial wastewater, leachate treatment and solid waste treatment (the "JV") on 10 September 2010.

Pursuant to the terms of the JV Agreement, the registered capital of the JV will be HK$4,000,000. The Group will contribute an aggregate of up to HK$2,040,000 in cash for 51% of the equity interest in JV.

WTD will contribute HK$1,960,000 in cash for 49% of the equity interest in JV. Upon establishment, the JV will become an indirect non-wholly owned subsidiary of the Company.

(b) Pursuant to the announcements of the Company dated 11 June 2010, 30 September 2010, 13 October 2010, the Company has completed the acquisition of entire issued share capital of Ally Goal Limited on 13 October 2010 at a total consideration of HK$70,400,000.

The Group shall pay to the vendor cash of HK$20,000,000 on or before 30 November 2010 and issue 200,000,000 consideration shares at the price of HK$0.072 per consideration share to the vendor. The balance of 500,000,000 consideration shares shall be issued to the vendor upon Ally Goal Limited's achievement of the relevant profit guarantee during the profit guarantee period, the relevant calculation remains unchanged. The Company's issuance of consideration shares shall not be more than 700,000,000 shares in aggregate.

(c) Pursuant to an announcement of the Company dated 14 October 2010, the Company entered into non-legally binding letter of intent ("Letter of Intent") with Hangfull Limited (the "Purchaser"), an independent third party, in relation to the possible disposal of entire issued share capital of Benefun (BVI) Limited, Wylkeen Investment Limited and Zhangzhou Golden River Estate Development Company Limited (collectively known as "Disposal Group") on 14 October 2010. The Purchaser shall pay a non-refundable deposit of HK$1,000,000 to the Group within fourteen days from the date of Letter of Intent before conducting the due diligence on the Disposal Group. The Letter of Intent shall remain valid until 31 December 2010.

Five Year Summary

(Expressed in Hong Kong dollars)

	For the year ended 30 June				
	2006	2007	2008	2009	**2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Results					
Turnover	219,447	153,726	120,019	128,612	**283,634**
(Loss) profit before tax	(5,112)	(38,715)	(38,026)	118,518	**117,260**
Income tax (expense) credit	(1,018)	468	(3,309)	(22,510)	**(49,362)**
(Loss) profit attributable to:					
Owners of the Company	(6,130)	(38,247)	(41,335)	96,008	**68,102**
Non-controlling interests	—	—	—	—	**(204)**
(Loss) profit for the year	(6,130)	(38,247)	(41,335)	96,008	**67,898**

	As at 30 June				
	2006	2007	2008	2009	**2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Assets and liabilities					
Biological assets	—	—	—	676,123	**785,556**
Property, plant and equipment	59,811	20,151	1,092	332	**1,455**
Investment properties	—	39,784	54,379	—	**—**
Construction in progress	1,147	1,272	—	1,322	**28,173**
Payment for leasehold land held for own use under operating leases	1,176	109	—	—	**—**
Goodwill	—	—	—	—	**36,281**
Deferred tax asses	52	36	203	—	**—**
Intangible assets	—	—	—	144,894	**296,558**
Net current assets (liabilities)	44,683	35,868	35,715	(21,703)	**10,385**
Total assets less current liabilities	106,869	97,220	91,389	800,968	**1,158,408**
Non-current liabilities					
Other financial liabilities	(5,820)	—	—	—	**—**
Convertible notes	—	—	—	(124,910)	**(75,379)**
Deferred tax liabilities	(1,539)	(1,802)	(5,514)	(205,254)	**(271,770)**
Net assets	99,510	95,418	85,875	470,804	**811,259**
Share capital	13,319	16,350	19,550	62,404	**87,464**
Non-controlling interests	—	—	—	—	**489**
Reserves	86,191	79,068	66,325	408,400	**723,306**
Total equity	99,510	95,418	85,875	470,804	**811,259**
(Loss) earnings per share					
Basic	(0.46) cents	(2.66) cents	(2.30) cents	2.26 cents	**0.94 cents**