YUESHOU

Yueshou Environmental Holdings Limited

粵首環保控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1191)

Create a bright future together

Annual Report 2009

Contents

Corporate Information

DIRECTORS

Executive Directors

Mr. Yu Hong *(Chairman)*
Mr. Chim Kim Lun, Ricky
Mr. Li Bin
Mr. Yu Shu Liang

Independent Non-executive Directors

Mr. Kwong Ping Man
Mr. Zhang Xi Chu
Ms. Sun Zhili

COMPANY SECRETARY AND QUALIFIED ACCOUNTANT

Mr. Wan Hon Keung

AUDITORS

HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants
31/F., Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

PRINCIPAL BANKERS

Hong Kong
Chong Hing Bank Limited

China
Agricultural Bank of China

WEBSITE

http://www.yueshou.hk

STOCK CODE

1191

LEGAL ADVISERS

On Bermuda Law
Conyers Dill & Pearman
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1 Connaught Place
Hong Kong

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Room D, 32/F.
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89 Queensway
Hong Kong

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

PRINCIPAL PLACE OF BUSINESS

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19 Des Voeux Road Central, Hong Kong

SHARE REGISTRAR AND TRANSFER OFFICE

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Butterfield Fulcrum Group (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM08
Bermuda

Hong Kong
Tricor Secretaries Limited
26/F., Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

Chairman's Statement

On behalf of the Board of Directors (the "Board"), I hereby present to the shareholders of Yueshou Environmental Holdings Limited (the "Company", together with its subsidiaries, the "Group") the annual report and audited consolidated results for the year ended 31 July 2009.

BUSINESS REVIEW

The outbreak of the global financial tsunami in the second half year of 2008 had seriously dampened the world's economy, propounding devastating blow to the normal operation of international business environment. With its escalating globalization in trade, China was by no means immune. Its domestic economy, especially the industrial sector, was seriously affected. Hence, sales revenue of the environmental business series of the Group was significantly affected. For the year ended 31 July 2009, turnover of our principal business was HK$120,473,000, a decrease of 42.0% when compared with the same period last year. Of which, turnover of sales of chemical agents and petroleum chemical products was HK$59,649,000, turnover of installation services was HK$44,513,000 and turnover of provision of technical services was HK$15,932,000.

BUSINESS DIRECTION AND DEVELOPMENT

1. Principal Businesses – Desulphurization and Denitration

The environmental projects of gas desulphurization and denitration are currently the mainstream direction and important segment in eradicating atmospheric contamination with complement of the industrial economic development of our state. During the "Eleventh Five-Year Plan" period, the state intensified the construction investments in infrastructure of environmental facility. With the new mentality put forward by the government in environmental works, it had adopted comprehensive measures to facilitate the progress of contamination prevention and emission reduction, encouraged the all round development of environmental industry. Of these measures, in order to enhance the domestic manufacturing participation in engineering technology and facility of desulphurization and denitration works, the country has given strong support to the optimized development of gas denitration technology in both its policy direction and promotion. Currently, the gas denitration technology in the country has already entered into its massive scale industrial demonstration stage.

In accommodation with national policy, the Company enhanced its efforts in its research and development since 2008, including the selection of advanced technology and production facilities that are used in facilitating the development of circulating economy, utilization of resources integration and effective control in pollution; and technological innovative advancement was performed. We promoted less consumption in resources, high and efficient by-product, extermination of second-time pollution and the production costs control in desulphurization technology and optimization process, and focused towards to the development of denitration technology. Refer to the state's modeled gas denitration projects, the Company formulated its business strategy in respect of innovative technology in coal and gas denitration industry and set up a denitration task force. While consolidating our desulphurization business on one hand, we can also develop our market share in gas denitration, seizing the opportunities of this potential market and promote and apply the innovative technologies to our existing client base, with the purpose of enhancing the branded value and awareness of "Yueshou" in environmental desulphurization and denitration.

2. Development of New Business – Ecological Forestry

In early 2006, the state promulgated the "Law of Regenerating Energy And Resources" and had actively initiated the development and utilization of regenerating energy and resources, and facilitated the healthy development of investment projects in regenerating energy and resources. In responding to a series of policies and measures formulated by the state in respect of forestry development and the full ignition of forestry engineering major in the ecological construction, the Group had already commenced its specific topic research on ecological forestry and assessment on relevant investment projects since last year. In February this year, the Group acquired 7 lots of forestry land with a total land area of 5,744 Chinese Mou located in Raoping County, Guangdong Province, the PRC, and the right to manage the operation of forestry and trees grown on those forestry land, at a cash consideration of RMB45,000,000. The transaction was fully completed in this September. Currently, the Group has commenced the construction works in respect of ecological forestry.

Chairman's Statement

PROSPECT

In echoing to the development trend of global economy, the state has put forth corresponding stimulating economic measures since last October, including the national investment plan for the following two years with a total amount of RMB4,000 billion. Of which, sound foundation for environmental protection projects and ecological environmental protection industry is provided in terms of capital funding, macro policy and law and regulations rationalization. The above measures also include the on-going increases in investment scale of solution in environmental pollution and ecological environmental construction towards the second half period of the "Eleventh Five-Year Plan", targeting a total investment amount of approximately RMB333.6 billion at the eight major environmental protection projects including the desulphurization works in coal power plants. These investments will fuel up the growing momentum of environmental industry in China at a steady rate of 12%-15% per annum. The state expects that, towards the end of the "Eleventh Five-Year Plan", the total market size of environmental industry shall reach RMB1,100 billion, and the total investment amount in environmental industry shall attain RMB1,400 billion, representing approximately 1.5% of gross domestic products at the same period.

In complementing to the state's new mentality towards environmental protection industry, the Company will insist on its market-oriented approach, continue to improve the comprehensive development of our internal industry chain, sustain our presence through innovative measures and strive to develop technologies in energy conservation, emission reduction and new energy and resources with the purpose of enhancing our market competitiveness. Under the premises of sustaining a stable development of our principal businesses, the Company will actively carry out research and development works in new technology for ecological energy and resources, and seek for co-operative partners to develop new projects in ecological forestry proactively, in-depth exploration regarding the growing potential of comprehensive environmental protection industry and create better returns to our shareholders.

APPRECIATION

On behalf of the Board, I would like to extend my sincere appreciation to our shareholders for their trust and support. I would also like to thank our staffs for their dedication, contribution, diligence and integrity.

Yu Hong
Chairman

Hong Kong, 20 November 2009

Management Discussion and Analysis

BUSINESS REVIEW AND SEGMENT INFORMATION

Due to the global financial crisis, the electric power generated by the power plants in mainland China reduced significantly since the second half of the year 2008, the Group's turnover for the sales of sulphur fixing agents was remarkably affected. For the year ended 31 July 2009, the Group's total turnover decreased by 41.9% to approximately HK$120.5 million (2008: HK$210.7 million). The profit from operations also decreased significantly by 54.4% to approximately HK$35.8 million (2008: HK$78.5 million).

The entire turnover for the year was generated from the business segments in the PRC (2008: 100%).

Environmental protection operations

During the year ended 31 July 2009, environmental protection operations divided into three sections, namely installation services, sales of chemical agents and petroleum chemical products, and the provision of technical services.

Turnover of the installation services was recorded approximately HK$44.5 million (2008: HK$30.0 million), which accounted for approximately 37.0% of the Group's total turnover (2008: 14.2%).

Turnover of the sales of chemical agents and petroleum chemical products was recorded approximately HK$59.6 million (2008: HK$147.1 million), which accounted for approximately 49.5% of the Group's total turnover (2008: 69.8%).

Turnover of the provision of technical services was recorded approximately HK$15.9 million (2008: HK$28.6 million), which accounted for approximately 13.2% of the Group's total turnover (2008: 13.6%).

Property development

The turnover amounted to approximately HK$0.4 million (2008: HK$1.9 million) for the year was derived from property development, representing approximately 0.3% of the Group's total turnover (2008: 0.9%).

For the financial year ended 31 July 2009, there was a loss arising from change in value of investment properties located in Shunde, Guangdong Province, the PRC for about HK$13.1 million.

LIQUIDITY, FINANCIAL RESOURCES & GEARING

The operation of the Group was mainly financed by internal resources generated and banking facilities such as bank loans, finance leases and overdrafts. As at 31 July 2009, the total secured bank borrowings amounted to approximately HK$44.7 million, representing an increase of approximately HK$18.8 million as compared with the amount of HK$25.9 million. As at 31 July 2008. 58.7% of the secured bank borrowings will be repayable within one year, the remaining secured bank borrowings will be repayable within one to two years, the weighted average effective interest rate on the bank loans is 5.75% per annum.

As at the balance sheet date, the current ratio was 2.54 (2008: 2.26). In respect to the gearing ratio (defined as a ratio of total bank borrowings to net asset) was 5.4% (2008: 3.2%). Shareholders' equity increased by 2.3% to HK$821.7 million (2008: HK$803.2 million).

FOREIGN CURRENCY EXPOSURE

Borrowings and sales and purchases of the Group are generally transacted in Hong Kong Dollar and Renminbi. For the year ended 31 July 2009, the Group was not subject to any significant exposure to foreign exchange rates risk. Hence, no financial instrument for hedging was employed.

PLEDGE OF ASSETS

Details of pledge of assets of the Group are set out in Note 44 to the financial statements.

FUTURE PLANS

In catering for the state's current industrial investment direction and its launching of policies for supporting environmental protection ("EP") industry, the Group will continue to expand the all round development in the comprehensive EP industry. On the basis of consolidating the EP desulphurization projects of our principal business, we will focus on the expansion of sustainable development of EP projects for highly efficient energy conservation, EP denitration, ecological forestry, etc. including:

1. Enhance technological equipment, continue to perform research and development and comprehensive utilization of scrap materials. Through chemical processes to extract highly efficient and non-polluted additives for EP sulphur fixing agents, in order to enhance their effectiveness and quality;

2. Expand the sales coverage and appropriate markets for sulphur fixing agents;

3. Expand different kinds of drying process, semi-drying process, moisturized process in desulphurization technology, promote the industrial integration of desulphurization and dust-removal;

4. Devote our efforts in denitration market, establish electrical power production value chain and serve the EP construction comprehensively;

5. Actively develop EP energy conservation projects, provide all sorts of highly efficient energy conservation products and the correlated technological services; and

6. Manage and develop ecological forest business, develop forest resources and all kinds of renewable and sustainable forestry ecology projects.

At the same time, in accordance with our enterprise objectives and external economic situation, the focus of internal management works of the Group includes:

1. Strengthening the administration of construction in progress, controlling stringently the progress of the construction and its pricing. In respect of the development of new projects, to prepare the feasibility evaluation and cost budgets in full;

2. Enhancing the software and hardware equipment in technology and research of the Group, continuing to recruit the outstanding technical professionals and management elites; in-depth standardization management of the Group;

3. Enhancing the internal assets management and capital operations of the Group and optimizing the resources utilization of the enterprise.

The Group is confident that the various EP development plans and focus of internal works mentioned above can strongly enhance the core competitiveness of the Group, increase our profitability, and achieve for better returns to the shareholders.

Management Discussion and Analysis

MATERIAL ACQUISITIONS AND DISPOSALS

On 27 February 2009, Guangzhou Yueshou Industry Company Limited, a wholly owned subsidiary of the Company, entered into a transfer agreement with Raoping County Xi Yuan Forestry Company Limited and Mr. Pan Jing Xi for acquiring the right to possess and use the forestry and trees grown on seven lots of land with total land area of approximately 5,744 Chinese Mou（畝）(one Chinese Mou is equivalent to 66,667 square metres) located in Raoping County, Guangdong Province, the PRC (the "Forest Lands") and the right to manage the operation of the Forest Lands under the applicable laws and regulations in the PRC, including the right to use the Forest Lands at a cash consideration of RMB45 million. As at the balance sheet date, the Group has obtained the licences of six lots of land with total land area of approximately 5,320.5 Chinese Mou. The licence of the remaining one lot of land with total land area of approximately 423.5 Chinese Mou was obtained in September 2009.

During the second quarter of 2009, the Group disposed its entire equity interest in Build Policy Limited and Mega Pacific Holdings Limited by deregistration. The total gain arised from the disposal of these subsidiaries was about HK$4,770,000.

EMPLOYEES

As at the balance sheet date, the Group hired about 80 employees both in Hong Kong and China (2008: about 70). Remuneration package of the employees includes monthly salary, medical claims and (if considered appropriate) share options. The remuneration policies are formulated on the basis of performance of individual employees, the prevailing industry practice and market condition. As to our investment on human resources, education subsidies would be granted to the Group's employees, with a view to reinforce the competence of all levels of our employees. Share options would be granted to respective employees with outstanding performance and contributions to the Group.

CONTINGENT LIABILITIES

Details of contingent liabilities of the Group are set out in Note 45 to the financial statements.

Brief Biographical Details of Directors

EXECUTIVE DIRECTORS

Mr. Yu Hong, aged 40, has been an Executive Director of the Company since November 2007 and the Chairman of the Company since August 2008. Mr. Yu is the founder of Yueshou Environmental Group, and presides over the business development, corporate strategy, company policy and general management of the Group. He has over 14 years of experience in product development, marketing and corporate operation in desulphurization industry of environment-friendly construction field in the People's Republic of China. As one of the chief officers of the Group's research team, he has possessed six application patents granted by the State Intellectual Property Office of the People's Republic of China in the aspect of environment-friendly desulphurization. Mr. Yu is also the sole beneficial owner of Give Power Technology Limited, a substantial shareholder of the Company.

Mr. Chim Kim Lun, Ricky, aged 40, has been an Executive Director of the Company since May 2007. He holds a Bachelor's degree in Arts from the University of British Columbia in Canada and has over 10 years of commercial, industrial and investment experiences. He is also the chairman and an executive director of Asia Resources Holdings Limited, and an executive director of Bestway International Holdings Limited and Huscoke Resources Holdings Limited, which are all listed on the Main Board of The Stock Exchange of Hong Kong Limited. He was an executive director of Bel Global Resources Holdings Limited for the period from April 2007 to November 2008, Hengli Properties Development (Group) Limited for the period from June 2007 to December 2008 and Karce International Holdings Company Limited for the period from August 2007 to April 2009, which are listed on the Main Board of The Stock Exchange of Hong Kong Limited. Mr. Chim is the son of Mr. Chim Pui Chung who is the sole owner of Golden Mount Limited, a substantial shareholder of the Company.

Mr. Li Bin, aged 37, has been an Executive Director of the Company since November 2007. He holds a Bachelor's degree in Industrial and Commercial Management from Jinan University in the People's Republic of China. He has over 14 years of experience in shipping and logistic industry. Mr. Li is currently the managing director of Evertop Logistics Company Limited.

Mr. Yu Shu Liang, aged 52, has been an Executive Director of the Company since December 2008. He is a veteran entrepreneur with over 20 years of experience in corporation establishment and business management. He is currently the Vice General Manager of Guangzhou Yueshou Industry Co. Ltd., a wholly owned subsidiary of the Company, and is responsible for its daily administrative operations.

Brief Biographical Details of Directors

FORMER EXECUTIVE DIRECTORS

Mr. Fok Po Tin, aged 50, resigned as the Chairman and Executive Director of the Company in August 2008. Before his resignation, he was responsible for the strategic planning and overall management of the Group. He holds a Bachelor's degree in Business Administration with honors from the Chinese University of Hong Kong and a Bachelor's degree in Laws from the Beijing University. He is currently a practicing solicitor of High Court of Hong Kong and is the principal partner of Henry Fok & Company, Solicitors. Mr. Fok has over 13 years of extensive experience as a solicitor of general practice and is very familiar with commercial law. He was an executive director of Bestway International Holdings Limited for the period from September 2007 to June 2009 and Xian Yuen Titanium Resources Holdings Limited for the period from March 2007 to April 2009, of which both companies are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

Mr. Guo Han Biao, aged 44, ceased to be the Executive Director of the Company since December 2008. He holds a Master's degree in Economics from Sun Yat-Sen University in the People's Republic of China, a Bachelor's degree from Nanjing Forestry University in the People's Republic of China, a Diploma of Law and a Diploma of Management of Foreign Related Industrial Enterprise from Renmin University of China. He has over 10 years of experience in capital operation, finance, law, corporate governance, human resources, and marketing accompanied with his prominent leadership and professional qualifications. Mr. Guo is currently the director and the vice president of Shenzhen Seg Co., Limited (its A Shares and B Shares are listed on the Shenzhen Stock Exchange in the People's Republic of China).

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Kwong Ping Man, aged 45, has been an Independent Non-executive Director of the Company since July 2007. He has over 10 years of experience in accounting and administration. Mr. Kwong is a graduate from Curtin University of Technology in Australia with a Bachelor's degree in Commerce Accounting, and obtained a Master's degree in Professional Accounting from the Hong Kong Polytechnic University in November 2003. Mr. Kwong is a Certified Practising Accountant of the Australian Society of Certified Practising Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. He is also an associate member of the Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries. Mr. Kwong is also an independent non-executive director of Century Sunshine Ecological Technology Holdings Limited and Mitsumaru East Kit (Holdings) Limited, which are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

INDEPENDENT NON-EXECUTIVE DIRECTORS *(Continued)*

Mr. Zhang Xi Chu, aged 46, has been an Independent Non-executive Director of the Company since October 2008. He holds a professional title of Assistant Engineer in Construction & Installation of Architecture granted by the People's Republic of China. He has over 20 years of working experience in architectural design, construction and installation field.

Ms. Sun Zhili, aged 41, has been an Independent Non-executive Director of the Company since July 2009. She holds a Bachelor's degree from Nanjing Normal University and a Master's degree from the University of Houston. Ms. Sun has over 12 years of working experience in corporate finance and investment banking field. She is currently an executive director and vice president in charge of corporate development of China Mass Media Corp., a leading television advertising company in China with its shares listed on the New York Stock Exchange.

FORMER INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Sun Tak Keung, aged 45, resigned as an Independent Non-executive Director of the Company in October 2008. He has over 10 years of marketing and trading experiences in daily consumable goods in Hong Kong and overseas. Mr. Sun is also an independent non-executive director of Xian Yuen Titanium Resources Holdings Limited and Huscoke Resources Holdings Limited, which are listed on the Main Board of The Stock Exchange of Hong Kong Limited. He was an executive director of Polyard Petroleum International Group Limited which is listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the period from March 2002 to November 2007.

Mr. Cheng Kwok Hing, Andy, aged 38, resigned as an Independent Non-executive Director of the Company in April 2009. He has over 15 years of experience in accounting and administration. Mr. Cheng was an executive director of Bel Global Resources Holdings Limited for the period from April 2007 to July 2008, Karce International Holdings Company Limited for the period from August 2007 to April 2009, and Huscoke Resources Holdings Limited for the period from September 2007 to November 2009, which are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Board is committed to establish and maintain high standards of corporate governance in order to protect the interests of our shareholders. The Company has applied the principles and complied with all the code provisions of the Code on Corporate Governance Practices ("CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") throughout the year ended 31 July 2009, except for the following deviations:

1. Code Provision A.2.1

Code provision A.2.1 of the CG Code provides that, "The roles of chairman and chief executive officer ("CEO") should be separated and should not be performed by the same individual. The division of responsibilities between the chairman and CEO should be clearly established and set out in writing." Following the resignation of Mr. Fok Po Tin, Mr. Yu Hong has been the Chairman of the Company since 11 August 2008. The Company does not maintain the office of CEO and the day-to-day operation of the Company is managed by the Chairman. Since the Group is still at the development stage, the Board considers that vesting the roles of both Chairman and CEO in the same person can maximize effectiveness and ensure execution of the business plan and strategy of the Group.

2. Code Provision A.4.1

Under the code provision A.4.1 of the CG Code, Non-executive Directors should be appointed for a specific term and subjected to re-election. However, all the Independent Non-executive Directors of the Company are not appointed for specific terms but are subjected to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Bye-laws of the Company. The Company considers that sufficient measures have been taken to ensure good corporate governance practices of the Company are maintained.

The Board will continuously review and improve the corporate governance standards and practices of the Company, including whether the separation of the roles of the Chairman and the CEO is necessary to ensure that business activities and decision-making processes are regulated in a proper and prudent manner.

DIRECTOR'S SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as contained in Appendix 10 of the Listing Rules. In response to specific enquiry made by the Company, all Directors confirmed they have complied with the required standard set out in the Model Code throughout the year ended 31 July 2009.

THE BOARD

As at the date of this report, the Board comprises 7 Directors. There are 4 Executive Directors (including the Chairman) and 3 Independent Non-executive Directors. Detailed biographies outlining each individual Director's range of specialist experience are set out in the section entitled "Biographical Details of Directors" in this Annual Report.

The Board has established two Board committees including the Audit Committee and Remuneration Committee. The Board and the Board committees meet regularly every fiscal year and additional meetings would be arranged if and when necessary. Twelve meetings were held by the Board during the year ended 31 July 2009. Attendance of the meetings of the Board and those of the committees are set out as follows:

		Attendance/Number of Meetings		
			Audit	Remuneration
Name of Directors	*Notes*	**Board**	**Committee**	**Committee**
Executive Directors				
Mr. Yu Hong *(Chairman)*	*2*	12/12		
Mr. Chim Kim Lun, Ricky		12/12		
Mr. Li Bin		12/12		
Mr. Yu Shu Liang	*3*	8/8		
Mr. Fok Po Tin	*4*	1/1		
Mr. Guo Han Biao	*5*	0/2		
Independent Non-executive Directors				
Mr. Kwong Ping Man		12/12	2/2	2/2
Mr. Zhang Xi Chu	*6*	10/10	2/2	
Ms. Sun Zhili	*7*	1/1		1/1
Mr. Sun Tak Keung	*8*	1/2		
Mr. Cheng Kwok Hing, Andy	*9*	9/9	2/2	1/1

THE BOARD *(Continued)*

Notes:

1. The counting of attendance for Directors started the joining date of Directors or committee members and finalized as at his resignation date.

2. Mr. Yu Hong was appointed as Chairman of the Company with effect from 11 August 2008.

3. Mr. Yu Shu Liang was appointed as Executive Director of the Company with effect from 16 December 2008.

4. Mr. Fok Po Tin resigned as Chairman and Executive Director of the Company with effect from 11 August 2008.

5. Mr. Guo Han Biao was appointed as Executive Director of the Company with effect from 25 August 2008 but ceased to be an Executive Director of the Company with effect from 15 December 2008.

6. Mr. Zhang Xi Chu was appointed as Independent Non-executive Director of the Company with effect from 15 October 2008.

7. Ms. Sun Zhili was appointed as Independent Non-executive Director of the Company with effect from 3 July 2009.

8. Mr. Sun Tak Keung resigned as Independent Non-executive Director of the Company with effect from 15 October 2008.

9. Mr. Cheng Kwok Hing, Andy resigned as Independent Non-executive Director of the Company with effect from 23 April 2009.

There is a clear division of responsibilities between the Board and the management. The Board is responsible for formulating and deciding on strategy, policy, guidance and monitoring implementation thereof and overseeing the performance of the management. While day-to-day management of the Group is delegated to the management team of each respective subsidiary under the overall management and leadership of the Chairman and other Executive Directors. Without prejudice to the generality of the responsibility aforesaid, the Board is responsible for:

- Formulating the strategy and policy for the operation and development of the businesses of the Group and monitoring the implementation thereof;

- Recommending dividends;

- Reviewing and approving the annual and interim reports;

- Establishing and maintaining good corporate governance standards and practices; and

- Ensuring and monitoring other continuing obligations and compliance of the Company under the Listing Rules.

THE BOARD *(Continued)*

The Board believes that the balance of power and authority is adequately ensured by the operating of the Board, which comprises experienced and high caliber individuals with a sufficient number thereof being Independent Non-executive Directors.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Company does not maintain the office of CEO. The usual leadership and day-to-day management duties of CEO are vested in the Chairman of the Company. Following the resignation of Mr. Fok Po Tin, Mr. Yu Hong has been the Chairman of the Company since 11 August 2008.

INDEPENDENT NON-EXECUTIVE DIRECTORS

It is noted that there is a deviation in the appointment of Non-executive Directors from CG Code A.4.1 as discussed above. However, the Board considers that sufficient measures have been taken to ensure that the corporate governance practices of the Company are similar to those under the CG Code. According to the Bye-laws of the Company, every director (including every Non-executive Director) is subject to retirement by rotation at least once every three years. One-third of the directors must retire from office at each annual general meeting and their re-election is subjected to the votes of shareholders.

The roles of the Independent Non-executive Directors include the following:

- provision of independent judgment at the Board;
- dealing with issues arriving from potential conflicts of interests between the major shareholders (or, as the case may be, Director, or management and the minority shareholders);
- serving on audit and remuneration committees; and
- scrutinizing the performance of the Group as necessary.

The Board complied with Rules 3.10(1) and (2) of the Listing Rules relating to the appointment of all the three Independent Non-executive Directors. Each of the Independent Non-executive Director has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all Independent Non-executive Directors meet the independence guidelines set out in Rule 3.13 of the Listing Rules.

NOMINATION OF DIRECTORS

The Company has not established any nomination committee. The Board will identify individuals who are suitably qualified to become board members when necessary. The Board will give due consideration to the suitability of a candidate for directorship based on the experience, qualification and other relevant factors of the candidates. All candidates must also meet the standards as set forth in Rule 3.09 of the Listing Rules. A candidate who is appointed as an Independent Non-executive Director should also meet the independence criteria set out in Rule 3.13 of the Listing Rules.

AUDIT COMMITTEE

The Audit Committee was set up with the responsibilities of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee currently comprises all three Independent Non-executive Directors, namely Mr. Kwong Ping Man (Chairman of the Audit Committee), Mr. Zhang Xi Chu and Ms. Sun Zhili.

The Audit Committee held two meetings during the year ended 31 July 2009 to review the annual and interim results of the year. The Audit Committee is of the opinion that such statements comply with the applicable accounting standards, the Listing Rules and legal requirements, and that adequate disclosures have been made.

REMUNERATION COMMITTEE

The Remuneration Committee was set up with the responsibility for providing recommendations to the Board the remuneration policy of all the Directors and the senior management. The Remuneration Committee comprises two of the Independent Non-executive Director, Mr. Kwong Ping Man (Chairman of Remuneration Committee) and Ms. Sun Zhili. The Remuneration Committee has specific written Terms of Reference which follow closely with the requirement of the CG code. During the year ended 31 July 2009, two meetings were held by the Remuneration Committee and it reviewed the remuneration packages of Directors and senior management.

The Remuneration Committee is authorized to investigate any matter within its Terms of Reference and seek any information it requires from any employee or Director of the Company and obtain outside legal or other independent professional advice at the cost of the Company if it considers necessary.

AUDITORS' REMUNERATION

HLB Hodgson Impey Cheng ("HLB") have been appointed by the shareholders annually as the external auditors of the Group since 2004. For the year ended 31 July 2009, the fees charged to accounts of the Group for HLB's statutory audit amounted to approximately HK$725,000.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors are responsible for the preparation of financial statements for each financial period, which give a true and fair view of the state of affairs of the Group and of the results and cash flow for that period. In preparing the financial statements for the year ended 31 July 2009, the Directors have selected suitable accounting policies and applied them consistently; adopted appropriate Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards; made adjustments and estimations that are prudent and reasonable; and have prepared the accounts on the going concern basis.

INTERNAL CONTROL

The Board has overall responsibility for the system of internal controls of the Group and for reviewing its effectiveness. The Board is committed to implementing an effective and sound internal controls system to safeguard the interests of the shareholders and the Group's assets.

The Board, with the assistance of the heads of the finance team and the operating units of the Group, performed financial, operational compliance controls and risk management reviews of the Company and its subsidiaries. Summaries of major audit findings and control weaknesses, if any, as identified by the Board will be related to the operating units who will take the follow-up actions under the monitoring of the Board.

COMMUNICATION WITH SHAREHOLDERS

Communication with shareholders could enhance the confidence of investors. The primary communication channel between the Company and its shareholders include the publication of interim and annual reports, annual general meeting and other general meetings; the Company encourages all shareholders to attend annual general meeting. The Company's website also provides regularly updated Group information to shareholders; enquires on matters relating to shareholdings and the business of the Group are welcome, and are dealt with in an informative and timely manner.

Report of the Directors

The Directors have pleasure in presenting their annual report and the audited financial statements of Yueshou Environmental Holdings Limited (the "Company", together with its subsidiaries, the "Group") for the year ended 31 July 2009.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Company's principal subsidiaries are set out in Note 49 to the financial statements.

ADOPTION OF CHINESE NAME AS SECONDARY NAME

Pursuant to a special resolution passed by the shareholders of the Company at the annual general meeting held on 15 December 2008, and with subsequent approval of the Registrar of Companies in Bermuda and the Registrar of Companies in Hong Kong, the Chinese name "粵首環保控股有限公司" has been adopted as the secondary name of the Company.

SEGMENT INFORMATION

An analysis to the Group's turnover and contribution to results by principal activity and geographical area of operations for the year ended 31 July 2009 is set out in Note 7 to the financial statements.

RESULTS AND APPROPRIATIONS

The Group's results for the year ended 31 July 2009 and the state of affairs of the Company and the Group as at 31 July 2009 are set out in the financial statements on pages 28 to 33.

The Directors do not recommend the payment of a final dividend for the year ended 31 July 2009 (2008: Nil).

FIVE YEARS FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five years is set out on page 125.

SHARE CAPITAL AND CONVERTIBLE NOTES

Details of movements in the share capital and convertible notes of the Company during the year are set out in Note 32 and Note 36 to the financial statements respectively.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in Note 34 to the financial statements and in the consolidated statement of changes in equity on pages 34 to 35 respectively.

DISTRIBUTABLE RESERVES

The Company's reserves available for distribution to shareholders as at 31 July 2009 comprise share premium and retained profit totaling of approximately HK$129,243,000 (2008: HK$144,498,000).

Pursuant to the Companies Act 1981 of Bermuda, the Company's share premium account of HK$292,537,000 (2008: HK$292,537,000) can be distributed in the form of fully paid shares.

INVESTMENT PROPERTIES

Details of movements in the investment properties of the Group during the year are set out in Note 18 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in Note 20 to the financial statements.

DIRECTORS

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

Executive Directors:

Mr. Yu Hong *(Chairman)*	Appointed as Chairman on 11 August 2008
Mr. Chim Kim Lun, Ricky	
Mr. Li Bin	
Mr. Yu Shu Liang	Appointed on 16 December 2008
Mr. Fok Po Tin	Resigned on 11 August 2008
Mr. Guo Han Biao	Appointed on 25 August 2008, but resigned on 15 December 2008

Independent Non-executive Directors:

Mr. Kwong Ping Man	
Mr. Zhang Xi Chu	Appointed on 15 October 2008
Ms. Sun Zhili	Appointed on 3 July 2009
Mr. Sun Tak Keung	Resigned on 15 October 2008
Mr. Cheng Kwok Hing, Andy	Resigned on 23 April 2009

DIRECTORS *(Continued)*

In accordance with bye-law 87(1) and 87(2) of the Bye-laws of the Company, Mr. Yu Hong and Mr. Kwong Ping Man, being an Executive Director and an Independent Non-executive Director respectively, will retire from office by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

In accordance with bye-law 86(2) of the Bye-laws of the Company, Mr. Yu Shu Liang and Ms. Sun Zhili, being an Executive Director and an Independent Non-executive Director respectively, who were appointed subsequent to the last annual general meeting of the Company held on 15 December 2008, shall hold office only until the forthcoming annual general meeting after their respective appointment and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

BRIEF BIOGRAPHICAL DETAILS OF DIRECTORS

Brief biographical details of the Directors of the Company are set out on pages 10 to 12 of this annual report.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the heading of "Directors' and chief executives' interests in shares" and the share option scheme as disclosed below, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors of the Company to acquire such rights in any other body corporate.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 31 July 2009, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which (a) were required to be notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, to be notified to the Company and the Stock Exchange, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

Long positions in shares of the Company

Name of Director	Number of shares held	Percentage of the issued share capital in the Company *(Note b)*
Yu Hong	1,710,000,000 *(Note a)*	71.19%

Note a: As at 31 July 2009, Mr. Yu Hong held 100,000,000 shares ("Shares") of HK$0.05 each in the Company and was the sole beneficial owner of Give Power Technology Limited ("Give Power") which in turn was the sole beneficial owner of HK$322,000,000 zero-coupon convertible notes due 2012 issued by the Company at a conversion price of HK$0.20 each (which entitle Give Power to 1,610,000,000 Shares upon exercise of the conversion rights attached to such convertible notes in full).

Note b: Based on the number of 2,401,999,999 Shares of the Company in issue as at 31 July 2009.

Save as disclosed above, as at 31 July 2009, none of the Directors nor the chief executives of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have taken under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules.

SHARE OPTION SCHEME

Details of the Company's share option scheme is set out in Note 33 to the financial statements.

No options were granted to any Directors and employees of the Company during the two years ended 31 July 2008 and 31 July 2009 pursuant to the new share option scheme adopted on 10 January 2002.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance to which the Company, its ultimate holding company or any subsidiaries of its ultimate holding company 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.

SUBSTANTIAL SHAREHOLDERS

Interests of substantial shareholders

So far as being known to the Directors, as at 31 July 2009, the following shareholders had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or recorded in the register kept by the Company pursuant to Section 336 of the SFO:

Long positions in shares of the Company

Name of shareholders	Capacity	Number of shares held	Percentage of the issued share capital in the Company *(Note d)*
Golden Mount Limited *(Note a)*	Beneficial owner	313,334,000	13.04%
Chim Pui Chung *(Note a)*	Interest in a controlled corporation	313,334,000	13.04%
Give Power Technology Limited *(Note b)*	Beneficial owner	1,610,000,000 *(Note c)*	67.03%
Yu Hong *(Note b)*	Personal interest and interest in a controlled corporation	1,710,000,000 *(Note c)*	71.19%
Sun Ying Chung	Beneficial owner	270,000,141	11.24%

SUBSTANTIAL SHAREHOLDERS *(Continued)*

Long positions in shares of the Company *(Continued)*

Note a: Golden Mount Limited is wholly-owned by Mr. Chim Pui Chung.

Note b: Give Power Technology Limited is wholly-owned by Mr. Yu Hong.

Note c: As at 31 July 2009, Mr. Yu Hong held 100,000,000 shares ("Shares") of HK$0.05 each in the Company and was the sole beneficial owner of Give Power Technology Limited ("Give Power") which in turn was the sole beneficial owner of HK$322,000,000 zero-coupon convertible notes due 2012 issued by the Company at a conversion price of HK$0.20 each (which entitle Give Power to 1,610,000,000 Shares upon exercise of the conversion rights attached to such convertible notes in full).

Note d: Based on the number of 2,401,999,999 Shares of the Company in issue as at 31 July 2009.

Save as disclosed above, the Company has not been notified of any persons other than substantial shareholders who had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or recorded in the register kept by the Company pursuant to Section 336 of the SFO as at 31 July 2009.

CONNECTED TRANSACTIONS

Details of the discloseable connected transactions of the Group are set out in Note 48 to the financial statements.

MAJOR SUPPLIERS AND CUSTOMERS

The five largest customers of the Group for the year accounted for approximately 35.6% of the Group's turnover. The Group's largest customer accounted for approximately 24.9% of its turnover for the year.

The five largest suppliers of the Group for the year accounted for approximately 83.0% of the Group's purchase. The Group's largest supplier accounted for approximately 65.8% of its purchase for the year.

As far as the Directors are aware, neither the Directors, their associates nor those shareholders (which to the knowledge of the Directors own more than 5% of the Company's share capital) had any interest in the Group's five largest customers.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

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

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company as at the date of this annual report, the Company has maintained the prescribed public float under the Listing Rule.

RETIREMENT BENEFITS SCHEME

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees in Hong Kong under the jurisdiction of the Hong Kong Employment Ordinance. Particulars of the MPF are set out in Note 46 to the financial statements.

CORPORATE GOVERNANCE

Particulars of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 13 to 18 of the annual report.

AUDITORS

A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint Messrs. HLB Hodgson Impey Cheng as auditors of the Company.

On Behalf of the Board

Yu Hong
Chairman

Hong Kong, 20 November 2009

Independent Auditors' Report

HLB 國衛會計師事務所
Hodgson Impey Cheng

Chartered Accountants
Certified Public Accountants

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

TO THE SHAREHOLDERS OF
YUESHOU ENVIRONMENTAL HOLDINGS LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Yueshou Environmental Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 28 to 124, which comprise the consolidated and company balance sheets as at 31 July 2009, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement 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.

AUDITORS' 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, in accordance with Section 90 of the Bermuda Companies Act, 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 auditors' judgment, 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 auditors consider 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.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 July 2009 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 the Hong Kong Companies Ordinance.

HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants

Hong Kong, 20 November 2009

Consolidated Income Statement

for the year ended 31 July 2009

	Notes	2009 HK$'000	2008 HK$'000
Continuing operations			
Turnover	8	**120,473**	207,593
Cost of sales		**(59,200)**	(123,583)
Gross profit		**61,273**	84,010
Other revenue	8	**6,266**	8,426
Other income	9	**6,057**	5,998
Administrative expenses		**(26,498)**	(23,708)
Impairment loss recognised in respect of trade and other debtors		**(3,969)**	(454)
(Loss)/gain arising from change in fair value of investment properties	18	**(13,560)**	4,262
Gain arising from changes in fair value of plantation assets less estimated point-of-sale costs	19	**6,203**	–
Profit from operations	9	**35,772**	78,534
Net loss arising from change in fair value of derivative financial instruments		**–**	(6,278)
Gain arising from disposal of subsidiaries	42	**4,770**	805
Gain arising from disposal of an associate		**–**	2,151
Share of result of an associate		**–**	(111)
Finance costs	10	**(17,901)**	(23,891)
Profit before taxation		**22,641**	51,210
Taxation	12	**(804)**	(11,584)
Profit for the year from continuing operations		**21,837**	39,626
Discontinued operations			
Loss for the year from discontinued operations	11	**–**	(5,131)
Profit for the year		**21,837**	34,495

Consolidated Income Statement

for the year ended 31 July 2009

	Notes	2009 HK$'000	2008 HK$'000
Attributable to:			
– Equity holders of the Company		**21,837**	23,653
– Minority interests		**–**	10,842
		21,837	34,495
Dividends	16	**–**	–
Profit per share	17		
From continuing and discontinued operations			
– basic		**HK$0.009**	HK$0.014
– diluted		**HK$0.009**	HK$0.014
From continuing operations			
– basic		**HK$0.009**	HK$0.018
– diluted		**HK$0.009**	HK$0.015

The accompanying notes form an integral part of these financial statements.

Consolidated Balance Sheet

at 31 July 2009

	Notes	2009 HK$'000	2008 HK$'000
ASSETS			
Non-current assets			
Investment properties	18	**119,844**	133,472
Plantation assets	19	**24,484**	–
Property, plant and equipment	20	**39,497**	42,226
Properties under development	21	**43,000**	43,000
Goodwill	23	**715,868**	715,868
Intangible assets	24	**71,805**	50,515
		1,014,498	985,081
Current assets			
Properties held for sale	21	**17,722**	17,910
Trade and other debtors	26	**139,494**	122,785
Deposits and prepayments	27	**25,118**	28,132
Inventories	28	**1,453**	639
Amounts due from customers for contract work	29	**10,202**	1,030
Other deposit	30	**9,268**	9,169
Cash and bank balances	31	**6,367**	9,735
		209,624	189,400
Total assets		**1,224,122**	1,174,481
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	32	**120,100**	120,100
Reserves	34(a)	**701,634**	682,190
		821,734	802,290
Minority interest		**–**	888
Total equity		**821,734**	803,178

Consolidated Balance Sheet

at 31 July 2009

	Notes	2009 HK$'000	2008 HK$'000
LIABILITIES			
Non-current liabilities			
Bank borrowings – due after one year, secured	35	**18,450**	–
Deferred income	25	**7,975**	8,032
Amount due to a shareholder	41	**22,000**	22,000
Convertible notes	36	**259,216**	242,464
Deferred taxation	37	**12,109**	14,999
		319,750	287,495
Current liabilities			
Bank borrowings – due within one year, secured	35	**26,261**	25,905
Trade and other creditors	38	**40,192**	39,026
Accrued charges	39	**2,859**	5,489
Amounts due to customers for contract work	29	**513**	1,085
Loan from a shareholder	40	**3,000**	3,000
Amount due to a director	41	**5,305**	1,387
Taxation payable		**4,508**	7,916
		82,638	83,808
Total liabilities		**402,388**	371,303
Total equity and liabilities		**1,224,122**	1,174,481
Net current assets		**126,986**	105,592
Total assets less current liabilities		**1,141,484**	1,090,673

Approved by the Board of Directors on 20 November 2009 and signed on its behalf by:

Yu Hong	**Li Bin**
Director	*Director*

The accompanying notes form an integral part of these financial statements.

Balance Sheet

at 31 July 2009

	Notes	2009 HK$'000	2008 HK$'000
ASSETS			
Non-current assets			
Investments in subsidiaries	*22*	**384,002**	384,001
Current assets			
Other receivables		**–**	6
Deposits and prepayments	*27*	**122**	128
Other deposit	*30*	**9,268**	9,169
Amounts due from subsidiaries	*22*	**478,810**	479,308
Cash and bank balances	*31*	**98**	97
		488,298	488,708
Total assets		**872,300**	872,709
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	*32*	**120,100**	120,100
Reserves	*34(b)*	**433,367**	448,622
Total equity		**553,467**	568,722

Balance Sheet

at 31 July 2009

	Notes	2009 HK$'000	2008 HK$'000
LIABILITIES			
Non-current liabilities			
Convertible notes	36	**259,216**	242,464
Deferred taxation	37	**10,751**	13,515
		269,967	255,979
Current liabilities			
Loan from a shareholder	40	**3,000**	3,000
Other creditors	38	**10,644**	12,528
Accrued charges	39	**2,539**	1,670
Amounts due to subsidiaries	22	**32,683**	30,810
		48,866	48,008
Total liabilities		**318,833**	303,987
Total equity and liabilities		**872,300**	872,709
Net current assets		**439,432**	440,700
Total assets less current liabilities		**823,434**	824,701

Approved by the Board of Directors on 20 November 2009 and signed on its behalf by:

Yu Hong *Director*

Li Bin *Director*

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 July 2009

	Attributable to equity holders of the Company											
	Share capital *HK$'000*	**Share premium** *HK$'000*	**Capital reserve** *HK$'000*	**Exchange reserve** *HK$'000*	**Distributable reserve** *HK$'000* *(Note (a))*	**Contributed surplus** *HK$'000*	**Convertible notes reserve** *HK$'000*	**Statutory reserves** *HK$'000*	**Retained profit/ (accumulated loss)** *HK$'000*	**Sub-total** *HK$'000*	**Minority-interest** *HK$'000*	**Total** *HK$'000*
At 1 August 2007	50,900	84,937	11,613	5,878	77,033	143,218	95,645	–	27,975	497,199	12,734	509,933
Exchange differences arising from translation of overseas operations	–	–	–	16,410	–	–	–	–	–	16,410	–	16,410
Net income recognised directly in equity	–	–	–	16,410	–	–	–	–	–	16,410	–	16,410
Net profit for the year	–	–	–	–	–	–	–	–	23,653	23,653	10,842	34,495
Total recognised income and expense for the period	–	–	–	16,410	–	–	–	–	23,653	40,063	10,842	50,905
Transfer to statutory reserves	–	–	–	–	–	–	–	9,764	(9,764)	–	–	–
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	(22,688)	(22,688)
Equity component of convertible notes	–	–	–	–	–	–	76,430	–	–	76,430	–	76,430
Conversion of convertible notes	69,200	207,600	–	–	–	–	(91,292)	–	–	185,508	–	185,508
Reversal upon conversion of convertible notes	–	–	–	–	–	–	15,702	–	–	15,702	–	15,702
Deferred tax arising from issue of convertible notes	–	–	–	–	–	–	(12,612)	–	–	(12,612)	–	(12,612)

Consolidated Statement of Changes in Equity

for the year ended 31 July 2009

	Attributable to equity holders of the Company											
	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000	Exchange reserve HK$'000	Distributable reserve HK$'000 (Note (a))	Contributed surplus HK$'000	Convertible notes reserve HK$'000	Statutory reserves HK$'000	Retained profit/ (accumulated loss) HK$'000	Sub-total HK$'000	Minority-interest HK$'000	Total HK$'000
At 31 July 2008 and 1 August 2008	120,100	292,537	11,613	22,288	77,033	143,218	83,873	9,764	41,864	802,290	888	803,178
Exchange differences arising from translation of overseas operations	–	–	–	(2,393)	–	–	–	–	–	(2,393)	–	(2,393)
Net income recognised directly in equity	–	–	–	(2,393)	–	–	–	–	–	(2,393)	–	(2,393)
Net profit for the year	–	–	–	–	–	–	–	–	21,837	21,837	–	21,837
Total recognised income and expense for the period	–	–	–	(2,393)	–	–	–	–	21,837	19,444	–	19,444
Transfer to statutory reserves	–	–	–	–	–	–	–	6,525	(6,525)	–	–	–
Release upon disposal of subsidiaries	–	–	–	–	–	–	–	–	–	–	(888)	(888)
At 31 July 2009	**120,100**	**292,537**	**11,613**	**19,895**	**77,033**	**143,218**	**83,873**	**16,289**	**57,176**	**821,734**	**–**	**821,734**

Notes:

(a) The distributable reserve of the Group represents the difference between the nominal value of shares of the acquired subsidiaries and the nominal value of the Company's share issued for the acquisition at the time of the group reorganisation in 1994.

(b) Pursuant to the Companies Act 1981 of Bermuda, the Company's share premium account can be distributed in the form of fully paid shares.

(c) In accordance with the relevant Mainland China rules and regulations, all PRC subsidiaries are required to appropriate 10% of its profit after tax calculated in accordance with the accounting regulations of Mainland China to the statutory general reserve. The appropriation to the statutory general reserve is required until the balance of the reserve reaches 50% of the registered capital of each subsidiary.

The accompanying notes form an integral part of these financial statements.

Consolidated Cash Flow Statement

for the year ended 31 July 2009

	2009 HK$'000	2008 HK$'000
Cash flows from operating activities		
Profit before taxation	**22,641**	46,079
Adjustments for:		
Amortisation of intangible assets	**3,570**	3,186
Loss arising from change in fair value of derivative financial instruments	**–**	6,278
Net loss/(gain) arising from change in fair value of investment properties	**13,560**	(4,262)
Depreciation	**4,314**	2,891
Fair value gain of financial assets at fair value through profit or loss, other than derivative financial instruments	**–**	(2,743)
Gain arising from change in fair value of plantation assets less estimated point-of-sale costs	**(6,203)**	–
Finance costs	**17,901**	23,891
Gain arising from disposal of an associate	**–**	(2,151)
Gain arising from disposal of subsidiaries	**(4,770)**	(805)
Interest income	**(141)**	(194)
Impairment loss recognised in respect of trade and other debtors	**3,969**	571
Waiver of other creditors	**(362)**	(2,183)
Reversal of impairment loss in respect of trade and other debtors	**(5,695)**	(1,727)
Share of results of an associate	**–**	111
Operating profit before working capital changes	**48,784**	68,942
Decrease/(increase) in properties held for sale	**188**	(1,511)
Increase in trade and other debtors	**(15,811)**	(17,667)
(Increase)/decrease in inventories	**(814)**	272
Decrease in deposits and prepayments	**3,014**	45,303
Decrease in amount due from an associate	**–**	3
(Increase)/decrease in amount due from customers for contract work	**(9,172)**	3,950
Decrease in amount due to customers for contract work	**(572)**	(11,259)
Increase in trade and other creditors	**4,250**	21,276
Decrease in accrued charges	**(2,451)**	(3,908)
Increase in amount due to a director	**3,918**	1,387
Cash generated from operations	**31,334**	106,788
Interest paid	**(1,149)**	(3,914)
PRC income tax paid	**(6,121)**	(10,057)
Net cash generated from operating activities	**24,064**	92,817

Consolidated Cash Flow Statement

for the year ended 31 July 2009

	2009 HK$'000	2008 HK$'000
Cash flows from investing activities		
Interest received	**141**	194
Purchase of property, plant and equipment	**(1,890)**	(32,459)
Proceeds from disposal of property, plant and equipment	**27**	–
Purchase of intangible assets	**(25,242)**	–
Purchase of plantation assets	**(18,281)**	–
Proceeds from disposal of financial assets at fair value through profit or loss	**–**	63,140
Net cash outflow from acquisition of subsidiaries	**–**	(98,000)
Net cash used in investing activities	**(45,245)**	(67,125)
Cash flows from financing activities		
Repayment of bank loans	**(25,905)**	(48,695)
Proceed from shareholder loan	**–**	3,000
New bank loan	**44,711**	–
Net cash generated from/(used in) financing activities	**18,806**	(45,695)
Net decrease in cash and cash equivalents	**(2,375)**	(20,003)
Cash and cash equivalents at the beginning of the year	**9,735**	18,867
Effect of foreign exchange rate changes	**(993)**	10,871
Cash and cash equivalents at the end of the year	**6,367**	9,735
Analysis of the balance of cash and cash equivalents		
Cash and bank balances	**6,367**	9,735

The accompanying notes form an integral part of these financial statements.

1. CORPORATE INFORMATION

The Company was incorporated in Bermuda on 29 June 1994 as an exempted company with limited liability and its share are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The principal place of business of the Company is located at Unit 2102, 21/F., World-Wide House, 19 Des Voeux Road Central, Hong Kong.

The principal activity of the Company is investment holding. Its subsidiaries are principally engaged in the property development, provision of installation services, sales of chemical agents and petroleum chemical products, provision of technical services of environmental protection operations in the People's Republic of China (the "PRC").

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

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

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC) – Int 12	Service Concession Arrangements
HK(IFRIC) – Int 14	HKAS 19 – The Limited on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction

The application of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

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

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[1]
HKAS 1 (Revised)	Presentation of Financial Statements[2]
HKAS 23 (Revised)	Borrowing Costs[2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[3]
HKFRS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[2]
HKFRS 39 (Amendment)	Eligible hedged items[3]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[2]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[2]
HKFRS 3 (Revised)	Business Combinations[3]
HKFRS 8	Operating Segments[2]
HK(IFRIC) – Int 13	Customer Loyalty Programmes[4]
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate[2]
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation[5]
HK(IFRIC) – Int 17	Distribution of Non-cash Assets to Owners[3]
HK(IFRIC) – Int 18	Transfers of Assets from Customers[6]

[1] *Effective for annual periods beginning on or after 1 January 2009 except for the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009*
[2] *Effective for annual periods beginning on or after 1 January 2009*
[3] *Effective for annual periods beginning on or after 1 July 2009*
[4] *Effective for annual periods beginning on or after 1 July 2008*
[5] *Effective for annual periods beginning on or after 1 October 2008*
[6] *Effective for transfers of assets from customers received on or after 1 July 2009*

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for charges in a parent's ownership interest in a subsidiary. HKAS 1 (Revised) will introduce a number of terminology changes (including revised titles for the consolidated financial statements) and will result in a number of changes in presentation and disclosure. 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 results and the financial position of the Group.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance and applicable disclosure provisions of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand (HK$'000) except otherwise indicated.

The preparation of financial statements in conformity with HKFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and 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.

Judgments made by management in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustments in the next year are discussed in Note 6 to the financial statements.

A summary of the significant accounting policies followed by the Group in the preparation of the financial statements is set out below:

Basis of preparation

The measurement basis used in the preparation of the financial statements is historical cost convention except for investment properties, plantation assets, derivative financial instruments and financial assets at fair value through profit or loss which have been carried at fair value as explained below.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation

The consolidated financial statements included the financial statements of the Company and all of its subsidiaries and associates for the year ended 31 July 2009. 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 income statement 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 on consolidation.

Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 *Business Combinations* are recognised at their fair values at the acquisition date, except for non-current 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*, which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in the income statement.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Goodwill

Goodwill arising on an acquisition of a subsidiary represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant subsidiary at the date of the acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Goodwill arising on acquisition is presented separately in the consolidated balance sheet.

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 the 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 the income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

A discount of acquisition arising on an acquisition of a subsidiary represents the excess of the net fair value of an acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the business combination. Discount on acquisition is recognised immediately in income statement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associates' post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movements in reserves is recognised in the consolidated reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet, the investments in associated companies are stated at cost less provision for impairment losses. The results of associated companies are accounted for by the Company on the basis of dividend received and receivable.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of non-financial assets (other than goodwill)

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, investment properties, goodwill and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is calculated at the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill and certain financial assets is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such impairment loss is credited to the income statement in the period in which it arises.

Investments and other financial assets

Financial assets in the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group considers whether a contract contains an embedded derivative when the Group first becomes a party to it. The embedded derivatives are separated from the host contract which is not measured at fair value through profit or loss when the analysis shows that the economic characteristics and risks of embedded derivatives are not closely related to those of the host contract.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss has two categories, including financial assets held for trading and those designated at fair value through profit or loss at inception. A financial assets is classified this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Gains or losses on investments held for trading are recognised in the income statement. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. During the year, the Group did not hold any investment in this category.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date. During the year, the Group did not hold investments in this category.

Purchase and sales of investments are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are included in the income statement in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains or losses from investment securities.

The fair values of quoted investments are based on current bid prices. If the market for a financial assets is not active (and the unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Available-for-sale financial assets *(Continued)*

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in the income statement – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate, being the effective interest rate computed at initial recognition. The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in the income statement.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets *(Continued)*

Assets carried at amortised cost *(Continued)*

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of an invoice. The carrying amount of the receivables is reduced through the use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

Assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial assets

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is transferred from equity to the income statement. Impairment losses on equity instruments classified as available-for-sale are not reversed through the income statement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, where the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities and equity

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

An equity instrument is a 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 into financial liabilities at fair value through profit or loss and financial liabilities at amortised costs.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are classified into (i) financial liabilities held for trading and (ii) those designated as at fair value through profit or loss on initial recognition.

A financial liability other than a financial liability held for trading may be designated as at fair value through profit or loss upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- The financial liability forms part of a group of financial assets or financial liabilities or both which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- It forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

At each balance sheet date subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in the income statement in the period in which they arise.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities and equity *(Continued)*

Financial liabilities at amortised cost

Financial liabilities including trade and other payables and interest-bearings loans advanced from shareholders are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

Convertible loan notes

Convertible loan 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 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 instrument is an equity instrument. For conversion option that does not meet the definition of an equity instrument, it is classified as a derivative financial liability and is carried at fair value.

Convertible notes that contain an equity component

On initial recognition, the fair value of the liability component is determined using the prevailing market interest rate of similar non-convertible debts. The difference between the proceeds of the issue of the convertible loan 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.

In subsequent periods, the liability component of the convertible loan notes is carried at amortised cost using the effective interest rate method. The equity component will remain in convertible loan note equity reserve until the conversion option is exercised (in which case the amount will be transferred to the share premium account). Where the option remains unexercised at the expiry date, the amount stated in the convertible loan note equity reserve will be released to retained profits. No gain or loss is to be recognised in the income statement upon conversion or expiration of the option.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Convertible loan notes *(Continued)*

Convertible notes that do not contain an equity component

Conversion option that is classified as derivative financial liability are re-measured at each balance sheet date subsequent to initial recognition with changes in fair value recognised directly in the income statement in the period in which they arise.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. The difference between the carrying value of the financial liability derecognised and the consideration paid is recognised in the income statement.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

Plantation assets

Plantation assets comprise forest in the PRC.

Plantation assets are stated at fair value less estimated point-of-sale costs, with any resulting gain or loss recognised in the income statement. Point-of-sale costs include all costs that would be necessary to sell the assets, excluding costs necessary to get the assets to market.

The fair value of plantation assets is determined independently by professional valuers.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment *(Continued)*

The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after item of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the further economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that assets or as a replacement.

Land held under operating leases and buildings thereon, where the fair values of the leasehold interest in the land and buildings cannot be measured separately at the inception of the lease and the building is not clearly held under an operating lease.

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 for this purpose are as follows:

Land and buildings:	Over the shorter of the term of the lease, or 20 years
Furniture, fixtures and equipment:	10 – 20%
Motor vehicles:	20 – $33^1/_3$%
Plant and machinery:	10%
Leasehold improvement:	50%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and depreciation method are reviewed, and adjusted if appropriate, at each balance sheet date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is recognised is the difference between the net sale proceeds and the carrying amount of the relevant assets.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the consolidated group, is classified as investment property.

Investment property comprises land held under operating leases and buildings held under finance leases.

Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

Investment property is measured initially at its cost, including related transaction costs.

After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are performed in accordance with the guidance issued by the International Valuation Standards Committee. These valuations are reviewed annually by external valuers. Investment property that is being redeveloped for continuing use as investment property, or for which the market has become less active, continues to be measured at fair value.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental from future leases in the light of current market conditions.

The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are recognised as a liability, including finance lease liabilities in respect of land classified as investment property; others, including contingent rent payments, are not recognised in the financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment properties *(Continued)*

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the income statement during the financial period in which they are incurred.

Changes in fair values are recognised in the income statements.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purpose. Property that is being constructed or developed for future use as investment property is classified as property, plant and equipment and stated at cost until construction or development is complete, at which time it is reclassified and subsequently accounted for as investment property.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as a revaluation of property, plant and equipment under HKAS 16. However, if a fair value gain reserves a previous impairment loss, the gain is recognised in the income statement.

Investment property held for sale without redevelopment is classified within non-current assets held for sale, under HKFRS 5.

Properties under development

Properties under development are stated at lower of cost and estimated net realisable value.

Revenue from pre-sales of properties under development is recognised based on the construction costs of a development project incurred up to the end of a finance period as a proportion of the estimated total construction costs. Income recognised is limited to the amount of pre-sale deposits received. In any case, income is only recognised when it is reasonable certain.

Where purchasers fail to pay the balance of the purchase price on completion and the Group exercises its entitlement to resell the property, sale deposits received in advance of completion are forfeited. The excess of the sale deposits forfeited over the profits recognised up to the date of forfeiture is credited to the income statement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. Net realisable value is determined by reference to sale proceeds received after the balance sheet date less selling expenses, or by management estimates based on prevailing market condition.

Costs of properties include acquisition costs, development expenditure, interest and other direct costs attributable to such properties. The carrying values of properties held by subsidiaries are adjusted in the consolidated financial statements to reflect the Group's actual acquisition costs where appropriate.

Leases

Operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are expensed in the income statement on a straight-line basis over the period of the lease.

Finance lease

Leases of assets where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased of property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in current and non-current borrowings. The interest element of the finance costs is recognised in the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The investment properties acquired under finance leases are carried at their fair value.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agent, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost; and difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Borrowing costs

Borrowing costs are interests and other costs incurred in connection with borrowing of funds.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

All other borrowing costs are charged to the income statement in the period in which the costs are incurred.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

Government grants

Government grants are recognised as income over the periods necessary to match then with the related costs. Grant related to depreciable assets are presented as deferred income and are released to income over the useful lives of the assets. Grants related to expense items are recognised in the same period as those expenses are charged in the consolidated income statement and are deducted in reporting the related expense.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee benefits

(i) The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. The MPF Scheme has operated since 1 December 2000. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with rules of the MPF Scheme. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund.

(ii) The relevant PRC subsidiaries are required to make contributions to the state retirement schemes in the PRC based on 18% to 22% of the monthly salaries of their current employees to fund the benefits. The employees are entitled to retirement pension calculated with reference to their basic salaries on retirement and their length of service in accordance with the relevant government regulations. The PRC government is responsible for the pension liability to these retired staff.

(iii) The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period.

The proceeds received not of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

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 is the profit for the year, determined in accordance with the rules established by the taxation authorities, upon which income taxes are payable.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary difference can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investment in subsidiaries and associates, except where the Company 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

The carrying amount of deferred tax assets is reviewed at each balance sheet date 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 is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset realised. Deferred tax is charged or credited in the income statement, except when it related to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Revenue recognition

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

(i) Revenue from the sale of completed properties is recognised upon the execution of a binding sale and purchase agreement.

(ii) Property rental income under operating leases is recognised on a straight-line basis over the term of the relevant lease.

(iii) Interest income from bank deposits is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

(iv) Revenue from the sale of chemical products is recognised when the significant risks and rewards of ownership have been transferred to the buyers, provided that Guangzhou Yueshou Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold.

(v) Service fee income is recognised when the services are provided.

(vi) Income from installation service is recognised based on the percentage of completion basis.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Construction contracts

The accounting policy for contract revenue is set out in revenue recognition. When the outcome of a construction contract can be estimated reliably, contract costs are recognised as an expense by reference to the stage of completion of the contract at the balance sheet date. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. When the outcome of a construction contract cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred.

Construction contracts in progress at the balance sheet date are recorded in the balance sheet at net amount of costs incurred plus recognised profit less recognised losses and progress billings, and are presented in the balance sheet as the "Gross amount due from customers for contract work" (as an asset) or the "Gross amount due to customers for contract work" (as a liability), as applicable. Progress billings not yet paid by the customer are included in the balance sheet under "Deposits and prepayments". Amount received before the related work is performed are included in the balance sheet, as a liability, as "Other payables".

Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and loss resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies and recognised in the income statement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currency translation *(Continued)*

(ii) Transactions and balances *(Continued)*

Translation differences non-monetary items, such as equity instruments held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation difference on non-monetary items, such as equities classified as available-for-sale financial assets are included in the fair value reserve in equity.

(iii) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(1) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(2) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rate prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(3) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Intangible assets

Patent

Patent is stated at cost less accumulated amortisation and less any identified impairment loss. The amortisation period adopted for intangible assets is twenty years.

Timber concession and plantation licences

Timber concession and plantation licences acquired by the Group are stated at cost less accumulated amortisation and impairment losses. Timber concession licences give the Group rights to harvest trees in the allocated concession forests in designated areas in the PRC. Plantation licence gives the Group rights for tree plantation in the PRC.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible assets *(Continued)*

Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. The intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

– Patent	Twenty years
– Timber concession and plantation licences	Over the remaining terms of the licences

Both the period and method of amortisation and any conclusion that the useful life of an intangible asset is indefinite are reviewed annually.

Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. A contingent asset is not recognised but is disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

Current assets and current liabilities

Current assets are expected to be realised within twelve months of the balance sheet date or in the normal course of the Group's operating cycle. Current liabilities are expected to be settled within twelve months of the balance sheet date or in the normal course of the Group's operating cycle.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that different from those of other segment.

In accordance with the Group's internal financial reporting system, the Group has determined that business segments as the primary reporting format and geographical segment information as secondary reporting format.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Segment reporting *(Continued)*

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include inventories, trade receivables and property, plant and equipment. Segment revenue, expenses, assets and liabilities are determined before intra-group balances and transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment. Intra-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the year to acquire segment assets (both tangible and intangible) that are expected to be used for more than one year.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, corporate and financing expenses and minority interests.

4. FINANCIAL RISK MANAGEMENT

(a) Categories of financial instruments

	The Group	
	2009	2008
	HK$'000	*HK$'000*
Financial assets		
Loan and receivables		
(including cash and cash equivalents)	**165,505**	156,466
Financial liabilities		
Amortised cost	**377,283**	339,271

(b) Financial risk management objectives and policies

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, cash flow and fair value interest rate risks and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Management regularly manages the financial risks of the Group. Because of the simplicity of the financial structure and the current operations of the Group, no major hedging activities are undertaken by management.

Market risk

(i) Foreign currency risk management

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Hong Kong dollar ("HKD") and Renminbi ("RMB"). Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposures should the need arise.

4. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

(i) Foreign currency risk management (Continued)

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the balance sheet date are as follows:

	Liabilities		Assets	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
RMB	**82,594**	72,306	**499,242**	442,571

Sensitivity analysis on foreign exchange risk management

The Group is mainly exposed to the effects of fluctuation in RMB.

The following table details the Group's sensitivity to a 5% increase and decrease in Hong Kong dollars against the relevant foreign currencies. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign currency rates. A negative number below indicates a decrease in profit where the Hong Kong dollars strengthen the relevant currency, there would be an equal and opposite impact on the profit, and the balance below would be positive.

	2009	2008
	HK$'000	*HK$'000*
Profit or loss	**2,351**	4,142

\# *This is mainly attributable to the exposure outstanding on receivables, cash and bank balances and payables denominated in RMB not subject to cash flow hedge at year end.*

4. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

(ii) Interest rate risk management

The Group and the Company have no interest rate risk arises from bank borrowings.

The Group and the Company have no significant interest-bearing assets except for bank borrowings and loan from a shareholder, details of which have been disclosed in Note 35 and 40.

The Group and the Company has no significant interest rate risk as at 31 July 2009.

(iii) Price risks

The Group is exposed to equity price risk through its investment in listed equity securities listed in Hong Kong. As at 31 July 2009, the Group did not have investment in listed equity securities listed in Hong Kong.

The Group's equity price risk is mainly concentrated on listed equity securities operating in consumer credit finance services and related business quoted in The Stock Exchange of Hong Kong Limited. The management will monitor the price movements and take appropriate actions when it is required.

Sensitivity analysis on price risks management

The sensitivity analyses below have been determined based on the exposure to equity price risk on listed equity securities at the reporting date.

If equity prices had been 5% higher/lower, net profit for year ended 31 July 2008 would increase/decrease by approximately HK$2,960,000 as a result of the changes in fair value of financial assets at fair value through profit or loss.

The Group's sensitivity to equity prices has not changed significantly from prior year.

4. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Credit risk

As at 31 July 2009, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge their obligations by the counterparties and financial guarantees provided by the Group is arising from (i) the carrying amount of the respective recognised financial assets as stated in the consolidated balance sheet; and (ii) the amount of contingent liabilities in relation to the financial guarantees provided by the Group.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. The Group has set the policies in place to ensure that transactions are made to customers with an appropriate credit history. In addition, the Group reviews the recoverable amount of each individual trade debt and debt investments at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. For construction transaction, back-to-back arrangements are made with the sub-contractors where applicable to minimise the credit risk. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

In order to minimise the credit risk of the Company on the amounts due from subsidiaries, the management of the Company closely monitored the recoverability of the amounts due. In this regard, the directors of the Company consider that the Company's credit risk on it is significantly reduced.

The Group and the Company's bank balances and cash are deposited with banks in Hong Kong and the PRC. The credit risk on liquid funds is limited because the counterparties are banks with good credit-rating.

Other than concentration of credit risk on liquid funds, the Group does not have any other significant concentration of credit risk. Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas.

4. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Liquidity risk

The Group has laid down an appropriate liquidity risk management framework for the management of the short, medium and long-term funding and liquidity management requirements, which is reviewed regularly by the Directors. The Group manages liquidity risk by maintaining adequate reserves and banking facilities, by continuously monitoring forecast and actual cash flows and maintains a conservative level of long-term funding to finance its short-term financial assets.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables below have been drawn up based on the contractual maturities of the undiscounted financial liabilities including interest that will accrue to those liabilities except where the Group are entitled and intends to repay the liability before its maturity.

At 31 July 2009

	Weighted average effective interest rate	Within 1 year	2 to 5 years	Over 5 years	Total undiscounted cash flow	Total carrying amount
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-derivative financial liabilities						
Trade and other payables	–	40,192	–	–	40,192	40,192
Bank borrowings	5.75%	26,261	18,450	–	44,711	44,711
Accrued charges	–	2,859	–	–	2,859	2,859
Amount due to a shareholder	–	22,000	–	–	22,000	22,000
Amount due to a director	–	5,305	–	–	5,305	5,305
Loan from a shareholder	–	3,000	–	–	3,000	3,000
Convertible notes	10.52%	–	322,000	–	322,000	259,216
		99,617	340,450	–	440,067	377,283

4. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

At 31 July 2008

	Weighted average effective interest rate	Within 1 year	2 to 5 years	Over 5 years	Total undiscounted cash flow	Total carrying amount
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-derivative financial liabilities						
Trade and other creditors	–	39,026	–	–	39,026	39,026
Bank borrowings	7.56%	25,905	–	–	25,905	25,905
Accrued charges	–	5,489	–	–	5,489	5,489
Amount due to a shareholder	–	22,000	–	–	22,000	22,000
Amount due to a director	–	1,387	–	–	1,387	1,387
Loan from a shareholder	–	3,000	–	–	3,000	3,000
Convertible notes	10.52%	–	322,000	–	322,000	242,464
		96,807	322,000	–	418,807	339,271

Fair value estimation

The fair value of financial assets and financial liabilities are determined as follows:

(i) the fair value of financial assets and financial liabilities (including derivative instruments) with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices and ask prices respectively; and

(ii) the fair value of other financial assets and financial liabilities (including derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior years.

The capital structure of the Group consists of debt (which includes interest-bearing bank borrowings and variable rate bank borrowings), and equity attributable to equity holders of the Company, comprising issued share capital and reserves. The directors of the Company review the capital structure on a continuous basis. As part of this review, the directors consider the cost of capital and the risks associated with capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends and issuance of new shares as well as the addition of new borrowings.

Gearing ratio

The gearing ratio at 31 July 2009 and 31 July 2008 was as follows:

	2009	2008
	HK$'000	*HK$'000*
Debt *(note (a))*	**44,711**	25,905
Shareholders' equity	**821,734**	803,178
Gearing ratio	**0.05**	0.03

Notes:

(a) Debt comprises bank borrowings as detailed in Note 35.

6. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

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

Critical accounting estimates and assumptions

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

Impairment of trade receivables

The aged debt profile of trade debtors is reviewed on a regular basis to ensure that the trade debtor balances are collectible and follow up actions are promptly carried out if the agreed credit periods have been exceeded. However, from time to time, the Group may experience delays in collection. Where recoverability of trade debtor balances are called into doubts, specific provisions for trade receivables are made based on credit status of the customers, the aged analysis of the trade receivable balances and write-off history. Certain receivables may be initially identified as collectible, yet subsequently become uncollectible and result in a subsequent write-off of the related receivables to the income statements. Changes in the collectibility of trade receivables for which provision are not made could affect the results of operations.

Impairment of assets

The Group tests annually whether the assets have suffered any impairment. The recoverable amount of an asset or a cash generating unit is determined based on value-in-use calculations which require the use of assumptions and estimates.

6. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS *(Continued)*

Critical accounting estimates and assumptions *(Continued)*

Impairment of property, plant and equipment

In accordance with HKAS 16, the Group estimates the useful lives of property, plant and equipment in order to determine the amount of depreciation expenses to be recorded. The useful lives are estimated at the time the asset is acquired based on historical experience, the expected usage, wear and tear of the assets, as well as technical obsolescence arising from changes in the market demands or service output of the assets. The Group also perform annual reviews on whether the assumptions made on useful lives continue to be valid. The Group test annually whether the assets have suffered any impairment. The recoverable amount of an asset or a cash generating unit is determined based on value-in-use calculations which require the use of assumptions and estimates.

Fair value of other financial assets and liabilities

The fair values of loans and receivables and financial liabilities are accounted for or disclosed in the financial statements. The calculated of fair values requires the Group to estimate the future cash flows expected to arise from those assets and liabilities and suitable discount rates. Variations in the estimated future cash flows and the discount rates used may result in adjustments to the carrying amounts of these assets and liabilities and the amounts disclosed in the financial statements.

Income taxes and deferred taxation

The Group is subject to income taxes in different jurisdictions. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

6. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS *(Continued)*

Critical accounting estimates and assumptions *(Continued)*

Estimate of fair value of investment properties

The best evidence of fair value is current prices in an active market for similar lease and other contracts. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its judgment, the Group considers information from a variety of sources including:

(i) current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;

(ii) recent prices of similar properties in less active markets, with adjustments to reflect and changes in economic conditions since the date of the transactions that occurred at those prices; and

(iii) discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts, and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

If information on current or recent prices of investment properties is not available, the fair values of investment properties are determined using discounted cash flow valuation techniques. The Group uses assumptions that are mainly based on market conditions existing at each balance date.

The principal assumptions underlying management's estimation of fair value are those related to: the receipt of contractual rentals; expected future market rentals; void periods; maintenance and repair requirement's and the appropriate discount rate.

The expected future market rentals are determined on the basis of current market rentals for similar properties in the same location and condition.

Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated above. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations.

6. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS *(Continued)*

Critical accounting estimates and assumptions *(Continued)*

Measurement of convertible notes

On issuance of convertible notes, the fair value of the liability component is determined using a market rate for an equivalent non-convertible note; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in the convertible notes reserve, net of transaction costs. The splitting of the liability and equity components requires an estimation of the market interest rate.

7. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

Segment information is presented by way of the Group's primary segment reporting basis, by business segment. For the year ended 31 July 2009, the Group is primarily engaged in two business segments: (i) property development; and (ii) environmental protection operations.

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

Inter-segment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

Segment assets consist primarily of property, plant and equipment, investment properties, inventories, trade and other debtors, bank deposits, and cash and bank balances.

Segment liabilities comprise operating liabilities.

Unallocated assets and liabilities comprise items such as interest-bearing borrowings.

7. SEGMENT INFORMATION *(Continued)*

Business segments

The Group's operating business are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments.

During the financial year ended 31 July 2008, the Group terminated of its medical and healthcare services business.

2009
Results

	Continuing operations		
	Property development *HK$'000*	**Environmental protection operations** *HK$'000*	**Consolidated** *HK$'000*
Segment revenue			
– External sales	**379**	**120,094**	**120,473**
Segment results	**(13,369)**	**61,389**	**48,020**
Unallocated income			**12,016**
Unallocated corporate expenses			**(30,467)**
Gain arising from change in fair value of plantation assets			**6,203**
Profit from operations			**35,772**
Gain arising from disposal of subsidiaries			**4,770**
Finance costs			**(17,901)**
Profit before taxation			**22,641**
Taxation			**(804)**
Profit for the year			**21,837**

7. SEGMENT INFORMATION *(Continued)*

Business segments *(Continued)*

Other information

	Continuing operations			
	Property development HK$'000	Environmental protection operations HK$'000	Unallocated HK$'000	Consolidated HK$'000
Additions to property, plant and equipment	–	1,677	213	1,890
Depreciation and amortisation	–	4,250	64	4,314
Loss arising from change in fair value of investment properties	13,100	460	–	13,560
Impairment loss recognised in respect of trade and other debtors	–	3,969	–	3,969
Imputed interest on convertible notes	–	–	16,752	16,752

7. SEGMENT INFORMATION *(Continued)*

Business segments *(Continued)*

2009

Consolidated balance sheet

	Continuing operations		
	Property development	Environmental protection operations	Consolidated
	HK$'000	*HK$'000*	*HK$'000*
ASSETS			
Segment assets	20,423	1,190,464	1,210,887
Unallocated corporate assets			13,235
			1,224,122
LIABILITIES			
Segment liabilities	754	103,103	103,857
Convertible notes			259,216
Deferred taxation			12,109
Unallocated corporate liabilities			27,206
			402,388

7. SEGMENT INFORMATION *(Continued)*

Business segments *(Continued)*

2008
Results

	Continuing operations		Discontinued operations	
	Property development	Environmental protection operations	Medical and healthcare services	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue				
– External sales	1,888	205,705	3,085	210,678
Segment results	390	83,533	(1,191)	82,732
Unallocated income				19,664
Unallocated corporate expenses				(28,993)
Profit from operations				73,403
Net loss arising from change in fair value of derivative financial instruments				(6,278)
Gain arising from disposal of subsidiaries				805
Gain arising from disposal of an associate				2,151
Share of results of an associate				(111)
Finance costs				(23,891)
Profit before taxation				46,079
Taxation				(11,584)
Profit for the year				34,495

7. SEGMENT INFORMATION *(Continued)*

Business segments *(Continued)*

Other information

	Continuing operations		Discontinued operations		
	Property development	Environmental protection operations	Medical and healthcare services	Unallocated	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Additions to property, plant and equipment	–	31,974	–	485	32,459
Depreciation and amortisation	–	4,988	–	1,089	6,077
Gain arising from change in fair value of investment properties	–	–	–	4,262	4,262
Impairment loss recognised in respect of trade and other debtors	87	–	117	367	571
Imputed interest on convertible notes	–	–	–	19,977	19,977

7. SEGMENT INFORMATION *(Continued)*

Business segments *(Continued)*

2008

Consolidated balance sheet

	Continuing operations		
	Property development *HK$'000*	Environmental protection operations *HK$'000*	Consolidated *HK$'000*
ASSETS			
Segment assets	187,392	923,844	1,111,236
Unallocated corporate assets			63,245
			1,174,481
LIABILITIES			
Segment liabilities	11,052	66,628	77,680
Convertible notes			242,464
Deferred taxation			14,999
Unallocated corporate liabilities			36,160
			371,303

7. SEGMENT INFORMATION *(Continued)*

Geographical segments

The following table provides an analysis of the Group's turnover by geographical market, irrespective of the origin of the goods or services:

	Revenue		Profit/(loss) from operations	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
By geographical market:				
Hong Kong	**–**	–	**(10,813)**	(2,985)
The PRC	**120,473**	210,678	**46,585**	76,388
	120,473	210,678	**35,772**	73,403

Revenue from the Group's discontinued operations was derived mainly from the PRC.

The following is an analysis of the carrying amount of segment assets and additions to property, plant and equipment, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Capital expenditure	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**729,210**	729,234	**213**	106
The PRC	**494,912**	445,247	**1,677**	32,353
	1,224,122	1,174,481	**1,890**	32,459

7. SEGMENT INFORMATION *(Continued)*

Geographical segments *(Continued)*

	Impairment loss recognised in respect of trade and other debtors	
	2009	2008
	HK$'000	*HK$'000*
Hong Kong	**–**	367
The PRC	**3,969**	204
	3,969	571

8. TURNOVER AND OTHER REVENUE

Turnover represents the aggregate of sales revenue from the sales of properties in the PRC, the sales of chemical agents and petroleum chemical products and the service income from the provision of technical and installation services. During the year ended 31 July 2008, the provision of medical and healthcare services in the PRC was terminated.

8. TURNOVER AND OTHER REVENUE *(Continued)*

An analysis of the Group's turnover, for both continuing and discontinued operations, and other revenue for the year is as follows:

	2009	2008
	HK$'000	*HK$'000*
Turnover:		
Continuing operations		
Sales of properties in the PRC	**379**	1,888
Sales of chemical agents and petroleum chemical products	**59,649**	147,090
Provision of installation services	**44,513**	29,963
Provision of technical services	**15,932**	28,652
	120,473	207,593
Discontinued operations		
Provision of medical and healthcare services in the PRC	**–**	3,085
Other revenue:		
Continuing operations		
Interest income	**141**	121
Rental income	**2,773**	2,541
Governmental grant	**1,228**	3,248
Management fee income	**869**	824
Sundry income	**1,255**	1,692
	6,266	8,426
Discontinued operations		
Interest income	**–**	73

9. PROFIT FROM OPERATIONS

Profit from operations is stated at after charging:

	Continuing operations		Discontinued operations		Consolidated	
	2009	2008	**2009**	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Auditors' remuneration	**725**	500	**–**	–	**725**	500
Amortisation of intangible assets	**3,570**	3,186	**–**	–	**3,570**	3,186
Depreciation on owned assets	**4,314**	2,891	**–**	–	**4,314**	2,891
Operating lease rentals in respect of land and buildings	**746**	648	**–**	–	**746**	648
Impairment loss recognised in respect of trade and other debtors	**3,969**	454	**–**	117	**3,969**	571
Staff costs, including directors' remuneration:						
– Retirement benefits scheme contributions	**463**	332	**–**	–	**463**	332
– Salaries and other benefits	**4,271**	3,272	**–**	1,289	**4,271**	4,561

and after crediting:

	Continuing operations		Discontinued operations		Consolidated	
	2009	2008	**2009**	2008	**2009**	2008
Other income:						
Waiver of other creditors	**362**	1,275	**–**	908	**362**	2,183
Exchange gain	**–**	253	**–**	–	**–**	253
Fair value gain in respect of financial assets at fair value through profit or loss, other than derivative financial instruments	**–**	2,743	**–**	–	**–**	2,743
Reversal of impairment loss in respect of trade and other debtors	**5,695**	1,727	**–**	–	**5,695**	1,727
	6,057	5,998	**–**	908	**6,057**	6,906

10. FINANCE COSTS

	Continuing operations		Discontinued operations		Consolidated	
	2009	2008	**2009**	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Imputed interest on convertible notes	**16,752**	19,977	**–**	–	**16,752**	19,977
Interest on bank borrowings and overdrafts wholly repayable within five years	**938**	3,707	**–**	–	**938**	3,707
Interest on loan from a shareholder	**211**	207	**–**	–	**211**	207
	17,901	23,891	**–**	–	**17,901**	23,891

11. DISCONTINUED OPERATIONS

Termination of medical and healthcare services business

On 13 September 2007, the Group terminated the medical and healthcare services business, which was established under a joint venture agreement with another PRC party to provide medical and health services in the PRC. The termination of medical and healthcare services business is consistent with the Group's long-term policy to focus its activities on property development and environmental protection business.

11. DISCONTINUED OPERATIONS *(Continued)*

The combined results and cash flows of the discontinued operations (i.e. the medical and healthcare services) included in the consolidated income statement and the consolidated cash flow statement are set out below.

	2009	2008
	HK$'000	*HK$'000*
Loss for the year from discontinued operations		
Revenue	–	4,066
Expenses	–	(9,197)
Loss before taxation	–	(5,131)
Taxation	–	–
Loss for the year from discontinued operations	–	(5,131)
Cash flows from discontinued operations		
Net cash flows from operating activities	–	(2,952)
Net cash flows from investing activities	–	69
Net cash flows from financing activities	–	–
Net cash flows	–	(2,883)

12. TAXATION

No provision for Hong Kong Profits Tax has been made during the year (2008: Nil) as the Group had no assessable profit for the year.

On 16 March 2007, the People's Republic of China promulgated the Law of the People's Republic of China, which changed the tax rate from 33% to 25% for certain subsidiaries from 1 January 2008. The deferred tax balance has been adjusted to reflect the tax rates that are expected to apply to the respective years when the asset is realised or the liability is settled.

12. TAXATION *(Continued)*

Taxation for other jurisdictions is calculated at the rate prevailing in the respective jurisdictions.

	Continuing operations		Discontinued operations		Consolidated	
	2009	2008	**2009**	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Current taxation:						
Provision for the year in the PRC	**8,918**	13,917	**–**	–	**8,918**	13,917
(Over)/under provision in previous year	**(5,235)**	12	**–**	–	**(5,235)**	12
Deferred taxation:						
Recognised during the year	**(2,879)**	(2,345)	**–**	–	**(2,879)**	(2,345)
	804	11,584	**–**	–	**804**	11,584

The charge for the year can be reconciled to the profit per the consolidated income statement as follows:

The Group	**2009**					
	Hong Kong		**The PRC**		**Total**	
	HK$'000	***%***	***HK$'000***	***%***	***HK$'000***	***%***
Profit/(loss) before taxation:						
Continuing operations	**(27,809)**		**50,450**		**22,641**	
Discontinued operations	**–**		**–**		**–**	
Profit/(loss) before taxation	**(27,809)**		**50,450**		**22,641**	
Tax at applicable tax rate	**(4,588)**	**(16.5)**	**12,613**	**25.0**	**8,025**	**35.4**
Estimated tax effect of income and expenses not taxable or deductible in determining taxable profits	**(1,155)**	**(4.2)**	**(3,810)**	**(7.6)**	**(4,965)**	**(21.9)**
Under-provision in previous year	**(1,963)**	**(7.1)**	**(3,272)**	**(6.4)**	**(5,235)**	**(23.1)**
Tax losses not recognised	**2,979**	**10.7**	**–**	**–**	**2,979**	**13.2**
Tax (credited)/charged at the Group's effective rate	**(4,727)**	**(17.1)**	**5,531**	**11.0**	**804**	**3.6**

12. TAXATION *(Continued)*

The Group	2008					
	Hong Kong		The PRC		Total	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Profit/(loss) before taxation:						
Continuing operations	(28,654)		79,864		51,210	
Discontinued operations	–		(5,131)		(5,131)	
Profit/(loss) before taxation	(28,654)		74,733		46,079	
Tax at applicable tax rate	(4,728)	(16.5)	18,683	25.0	13,955	30.3
Tax effect of change in tax rate	–	–	2,689	3.6	2,689	5.8
Estimated tax effect of income and expenses not taxable or deductible in determining taxable profits	1,171	4.1	(7,131)	(9.5)	(5,960)	(12.9)
Under-provision in previous year	–	–	12	0.1	12	0.1
Tax losses recognised	146	0.5	742	1.0	888	1.8
Tax (credited)/charged at the Group's effective rate	(3,411)	(11.9)	14,995	20.2	11,584	25.1

13. DIRECTORS' REMUNERATION

Details of remuneration of the directors of the Company for the year, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, are as follows:

	Fees		Salaries and bonuses		Mandatory provident fund		Total	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Executive directors								
Mr. Yu Hong	**–**	–	**292**	–	**–**	–	**292**	–
Mr. Li Bin	**–**	–	**175**	–	**–**	–	**175**	–
Mr. Chim Kim Lun, Ricky	**–**	–	**–**	–	**–**	–	**–**	–
Mr. Guo Han Biao (Appointed on 25 August 2008)	**–**	–	**–**	–	**–**	–	**–**	–
Mr. Fok Po Tin (Resigned on 11 August 2008)	**–**	–	**–**	150	**–**	–	**–**	150
Mr. Yip Kwok (Resigned on 20 July 2007)	**–**	–	**–**	128	**–**	2	**–**	130
Mr. Yu Shu Liang (Appointed on 16 December 2008)	**–**	–	**188**	–	**–**	–	**188**	–
Independent non-executive directors								
Mr. Cheng Kwok Hing, Andy (Resigned on 23 April 2009)	**–**	–	**–**	–	**–**	–	**–**	–
Mr. Kwong Ping Man	**32**	30	**–**	–	**–**	–	**32**	30
Mr. Zhang Xi Chu (Appointed on 15 October 2008)	**–**	–	**–**	–	**–**	–	**–**	–
Mr. Sun Tak Keung (Resigned on 15 October 2008)	**–**	–	**–**	–	**–**	–	**–**	–
Ms. Sun Zhili (Appointed on 3 July 2009)	**5**	–	**–**	–	**–**	–	**5**	–
	37	30	**655**	278	**–**	2	**692**	310

13. DIRECTORS' REMUNERATION *(Continued)*

The number of directors whose remuneration fell within the following bands is as follows:

	2009	2008
Nil – HK$1,000,000	**8**	7

During the year, no remuneration was paid by the Group to the directors as a discretionary bonus or an inducement to join or upon joining the Group or as compensation for loss of office.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

14. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included no (2008: one) director, details of whose remuneration set out in Note 13 above. Details of the remuneration of the five (2008: four) highest paid employees are as follows:

	2009	2008
	HK$'000	*HK$'000*
Salaries and other benefits	**1,168**	1,113
Retirement benefits scheme contributions	**43**	33
Total emoluments	**1,211**	1,146

The number of the non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2009	2008
Nil – HK$1,000,000	**5**	4

15. LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The loss attributable to equity holders of the company is dealt with in the financial statements of the Company to the extent of HK$15,255,000 (2008: HK$16,439,000).

16. DIVIDENDS

The directors do not recommend the payment of any dividend in respect of the year ended 31 July 2009 (2008: Nil).

17. PROFIT PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculations of basic and diluted profit from continuing and discontinued operations per share are based on:

	2009	2008
	HK$'000	*HK$'000*
Profit		
Profit attributable to ordinary equity holders of the Company, for the purpose of basic profit per share calculation	**21,837**	23,653
Interest on convertible notes *(Note 36)*	**16,752**	19,977
Deferred tax relating to that interest expense *(Note 37)*	**(2,764)**	(3,411)
Profit attributable to ordinary equity holders of the Company for the purpose of diluted profit per share calculation	**35,825**	40,219

	2009	2008
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares in issue during the year for the purpose of basic profit per share calculation	**2,402,000**	1,637,436
Effect of dilution – weighted average number of ordinary shares: convertible notes	**1,610,000**	1,319,041
Weighted average number of ordinary shares for the purpose of diluted profit per share calculation	**4,012,000**	2,956,477

17. PROFIT PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY *(Continued)*

From continuing operations

The calculations of basic and diluted profit from continuing operation per share are based on:

	2009	2008
	HK$'000	*HK$'000*
Profit		
Profit for the year from continuing operations, attributable to ordinary equity holders of the Company for the purpose of basic profit per share calculation	**21,837**	28,784
Interest on convertible notes *(Note 36)*	**16,752**	19,977
Deferred tax relating to that interest expense *(Note 37)*	**(2,764)**	(3,411)
Profit attributable to ordinary equity holders of the Company for the purpose of diluted profit per share calculation	**35,825**	45,350

	2009	2008
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares in issue during the year for the purpose of basic profit per share calculation	**2,402,000**	1,637,436
Effect of dilution – weighted average number of ordinary shares: convertible notes	**1,610,000**	1,319,041
Weighted average number of ordinary shares for the purpose of diluted profit per share calculation	**4,012,000**	2,956,477

From discontinued operations

Basic loss per share for the discontinued operations for the year ended 31 July 2008 is HK$0.0031 per share, based on the loss for the year from the discontinued operations of approximately HK$5,131,000 and the denominators detailed above for both basic loss per share. The calculation of diluted loss per share for discontinued operations did not assume the exercise of the convertible notes existed during the year as the exercise of such notes would reduce loss per share, therefore anti-dilutive.

18. INVESTMENT PROPERTIES

	The Group	
	2009	2008
	HK$'000	*HK$'000*
At the beginning of the year	**133,472**	128,494
Exchange alignment	**(68)**	716
(Loss)/profit arising from change in fair value	**(13,560)**	4,262
At the end of the year	**119,844**	133,472

Investment properties were valued at their open market values at 31 July 2009 by independent qualified valuers not connected with the Group, on an open market value basis. The valuation gave rise to a loss arising from change in fair value of HK$13,560,000 (2008: profit of HK$4,262,000) which has been credited to the consolidated income statement.

None of the Group's investment properties (2008: HK$9,472,000) have been pledged to secure credit facilities granted to the Group *(Note 35)*.

The carrying amount of investment properties shown above comprises:

	2009	2008
	HK$'000	*HK$'000*
Land outside Hong Kong:		
Long-term lease	**110,900**	124,000
Medium-term lease	**8,944**	9,472
	119,844	133,472

18. INVESTMENT PROPERTIES *(Continued)*

Property rental income earned during the year was approximately HK$2,773,000 (2008: HK$2,541,000). The property held had committed tenants for the next two years. At the balance sheet date, the Group contracted with tenants for the following future minimum lease receivables:

	2009	2008
	HK$'000	*HK$'000*
Within one year	**2,204**	2,100
In the second to fifth year inclusive	**1,066**	694
	3,270	2,794

19. PLANTATION ASSETS

	2009	2008
	HK$'000	*HK$'000*
At 1 August 2008	**–**	–
Increases due to purchases	**18,281**	–
Gain arising from changes in fair value less estimated point-of sale costs attributable to price changes	**6,203**	–
At 31 July 2009	**24,484**	–

Included in additions to the Group's plantation assets are interest capitalised of HK$673,000 (2008: Nil). The interest rate is ranged from 5.4% to 5.94%.

The Group has been granted 6 (2008: Nil) timber concession and plantation licences for a gross area of approximately 5,320.5 (2008: Nil) Chinese Mou in PRC. The licences are for 30 to 61 years, the earliest of which expires in 2037.

At 31 July 2009, plantation assets represent standing timber planted by the Group and comprise approximately 5,320.5 (2008: Nil) Chinese Mou of tree plantations, which range from newly established plantations to plantations that are 1 to 1.5 years old. As at 31 July 2009, there were approximately 383,076 standing timbers. During the year ended 31 July 2009, the Group did not harvest any of wood (2008: Nil).

19. PLANTATION ASSETS *(Continued)*

The Group's plantation assets in the PRC were valued by independent valuer. In view of the non-availability of market value for tree plantations in the PRC, net present value approach has been applied whereby projected future net cash flows, based on the assessments of current timber log prices, were discounted at the rate of 12% (2008: Nil%) for the year applied to pre-tax cash flows to provide a current market value of the plantation assets.

20. PROPERTY, PLANT AND EQUIPMENT

The Group	Leasehold improvement HK$'000	Buildings HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Plant and machinery HK$'000	Total HK$'000
Cost						
At 1 August 2007	–	5,009	5,923	6,558	5,227	22,717
Additions	38	22,334	73	374	9,640	32,459
Disposals	–	–	(260)	–	–	(260)
Exchange alignment	–	1,798	125	590	1,098	3,611
At 31 July 2008 and at 1 August 2008	38	29,141	5,861	7,522	15,965	58,527
Additions	100	–	151	1,299	340	1,890
Disposals	(38)	–	(33)	–	–	(71)
Exchange alignment	–	(209)	(9)	(47)	(93)	(358)
At 31 July 2009	100	28,932	5,970	8,774	16,212	59,988
Depreciation and impairment						
At 1 August 2007	–	2,324	5,567	2,849	2,035	12,775
Provided for the year	17	781	84	988	1,021	2,891
On disposal written back	–	–	(260)	–	–	(260)
Exchange alignment	–	288	(22)	235	394	895
At 31 July 2008 and at 1 August 2008	17	3,393	5,369	4,072	3,450	16,301
Provided for the year	27	1,355	101	1,226	1,605	4,314
On disposal written back	(32)	–	(12)	–	–	(44)
Exchange alignment	–	(25)	(8)	(21)	(26)	(80)
At 31 July 2009	12	4,723	5,450	5,277	5,029	20,491
Net book value						
At 31 July 2009	**88**	**24,209**	**520**	**3,497**	**11,183**	**39,497**
At 31 July 2008	21	25,748	492	3,450	12,515	42,226

21. PROPERTIES UNDER DEVELOPMENT/PROPERTIES HELD FOR SALE

The Group

(a) Properties under development

	HK$'000
Cost	
At 1 August 2007, 31 July 2008 and 31 July 2009	72,706
Impairment	
At 1 August 2007, 31 July 2008 and 31 July 2009	29,706
Net book value	
At 31 July 2009	**43,000**
At 31 July 2008	43,000

(b) Properties held for sale

	2009 *HK$'000*	2008 *HK$'000*
Properties held for sale	**17,722**	17,910

Properties under development/properties held for sale are situated in the PRC and are held under long-term land use rights.

22. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2009	2008
	HK$'000	*HK$'000*
Unlisted shares, at cost	**384,002**	384,001
Less: Impairment loss recognised	**–**	–
	384,002	384,001
Amounts due from subsidiaries	**478,810**	486,567
Less: Impairment loss recognised	**–**	(7,259)
	478,810	479,308
Amounts due to subsidiaries	**(32,683)**	(30,810)

Notes:

(a) Details of the Company's principal subsidiaries as at 31 July 2009 are set out in Note 49 to the financial statements.

(b) None of the subsidiaries had any debt securities outstanding at the balance sheet date or at any time during the year.

(c) The amounts due from/(to) subsidiaries are unsecured, non-interest bearing and have no fixed terms of repayment.

(d) The carrying amounts of amounts due from subsidiaries is reduced to their recoverable amounts which are determined by reference to the estimation of future cash flows expected to be generated from the respective subsidiaries.

23. GOODWILL

	The Group *HK$'000*
Cost:	
At 1 August 2007	106,282
Arising from acquisition of subsidiaries	609,586
At 31 July 2008, 1 August 2008 and 31 July 2009	715,868
Impairment:	
At 1 August 2007, 31 July 2008 and 31 July 2009	–
Carrying amount:	
At 31 July 2009	**715,868**
At 31 July 2008	715,868

During the year ended 31 July 2009, the Group assessed the recoverable amount of goodwill and determined that goodwill associated with the Group's environmental protection operations. The recoverable amount of the environmental protection operations was assessed by reference to value in use. A discount rate of 12.68% per annum (2008: 14.02% per annum) was applied in the value in use model.

23. GOODWILL *(Continued)*

Impairment testing on goodwill

The Group uses business segments as its primary segment for reporting segment information. For the purposes of impairment testing, goodwill has been allocated to the following cash generating units (CGUs). The carrying amount of goodwill (net of accumulated impairment losses) as at 31 July 2009 is allocated as follows:

	HK$'000
Environmental protection operations	715,868

The recoverable amount of the environmental protection operations is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by management covering a five-year period, and a discount rate of 12.68% per annum (2008: 14.02% per annum). Cashflows beyond that five-year period have been extrapolated using a steady 5% per annum growth rate. This growth rate does not exceed the long-term average growth rate for the market to which the environmental protection operations is dedicated.

The key assumptions used in the value in use calculations for the environmental protection operations are as follows:

Budgeted sales	Average sales achieved in the period immediately before the budget period which reflects past experience, which is consistent with management plans for focusing operations in the industry.
Budgeted gross margin	Average gross margins achieved in the period immediately before the budget period which reflects past experience, increased for expected efficiency improvements.

24. INTANGIBLE ASSETS

The Group

	Patent	Timber concession and plantation license	Total
	HK$'000	*HK$'000*	*HK$'000*
Cost:			
At 1 August 2007	59,452	–	59,452
Exchange realignment	6,248	–	6,248
At 31 July 2008 and 1 August 2008	65,700	–	65,700
Additions	–	25,242	25,242
Exchange realignment	(471)	(23)	(494)
At 31 July 2009	65,229	25,219	90,448
Amortisation and impairment:			
At 1 August 2007	10,694	–	10,694
Charge for the year	3,186	–	3,186
Exchange realignment	1,305	–	1,305
At 31 July 2008 and 1 August 2008	15,185	–	15,185
Charge for the year	3,255	315	3,570
Exchange realignment	(112)	–	(112)
At 31 July 2009	18,328	315	18,643
Carrying amount:			
At 31 July 2009	**46,901**	**24,904**	**71,805**
At 31 July 2008	50,515	–	50,515

As at 31 July 2009, the intangible assets with a carrying amount of approximately HK$46,901,000 (2008: HK$50,515,000) were pledged to secure banking facilities granted to Guangzhou Yueshou Industry Co. Limited ("Guangzhou Yueshou") *(Note 44)*.

25. DEFERRED INCOME

	The Group	
	2009	2008
	HK$'000	*HK$'000*
At the beginning of the year	**8,032**	7,268
Exchange alignment	**(57)**	764
At the end of the year	**7,975**	8,032

The Group's deferred income represents government grants obtained for subsidising the construction of facilities.

26. TRADE AND OTHER DEBTORS

	2009	2008
	HK$'000	*HK$'000*
Trade and other debtors	**154,700**	138,889
Less: Impairment loss recognised in respect of trade and other debtors *(Note (a))*	**(15,206)**	(16,104)
	139,494	122,785

26. TRADE AND OTHER DEBTORS *(Continued)*

The credit terms granted to customers ranges from 30 to 365 days. The aged analysis of trade and other debtors is as follows:

	2009 **HK$'000**	2008 HK$'000
0 to 30 days	**28,589**	26,275
31 to 60 days	**14,523**	7,721
61 to 90 days	**3,216**	2,304
91 to 180 days	**31,467**	16,317
181 to 365 days	**7,615**	49,262
Over 365 days	**69,290**	37,010
	154,700	138,889
Less: Impairment loss recognised in respect of trade and other debtors *(Note (b))*	**(15,206)**	(16,104)
	139,494	122,785

Notes:

(a) The carrying amounts of trade and other debtors are reduced to their recoverable amounts which are determined by reference to the estimation of future cash flows expected to be generated.

(b) The movements in impairment loss of trade and other debtors were as follows:

	2009 **HK$'000**	2008 HK$'000
At 1 August	**16,104**	16,640
Exchange realignment	**828**	620
Reversal of impairment *(Note 9)*	**(5,695)**	(1,727)
Impairment loss recognised in respect of trade and other debtors *(Note 9)*	**3,969**	571
At 31 July	**15,206**	16,104

26. TRADE AND OTHER DEBTORS *(Continued)*

Notes: (Continued)

(c) The aged analysis of the Group's trade and other debtors balances which are past due but not impaired is presented as follows:

	2009	2008
	HK$'000	*HK$'000*
Over 365 days	**54,084**	20,906

(d) The aged analysis of the Group's trade and other debtors balances which are impaired is presented as follows:

	2009	2008
	HK$'000	*HK$'000*
Over 365 days	**15,206**	16,104

27. DEPOSITS AND PREPAYMENTS

	The Group		**The Company**	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Deposit paid for legal claim	**3,131**	3,131	**–**	–
Deposit paid for property, plant and equipment	**2,474**	2,492	**–**	–
Deposits paid	**4,771**	9,154	**–**	–
Prepayment	**14,742**	13,355	**122**	128
	25,118	28,132	**122**	128

28. INVENTORIES

	The Group	
	2009	2008
	HK$'000	*HK$'000*
Raw material	**48**	639
Finished goods	**1,405**	–
	1,453	639

The cost of inventories recognised as an expense during the year, in respect of both continuing and discontinued operations, was approximately HK$42,339,000 (2008: HK$108,491,000).

29. AMOUNTS DUE FROM/(TO) CUSTOMERS FOR CONTRACT WORK

	2009	2008
	HK$'000	*HK$'000*
Amounts due from customers for contract work	**10,202**	1,030
Amounts due to customers for contract work	**(513)**	(1,085)
	9,689	(55)
Contracts in progress at the balance sheet date:		
Contract costs incurred plus recognised profits less recognised losses to date	**81,199**	65,227
Less: Progress billings	**(71,510)**	(65,282)
	9,689	(55)

30. OTHER DEPOSIT

The Group and the Company

A sum of HK$9,268,000 (2008: HK$9,169,000) was deposited into an interest bearing client's account kept by a legal firm as security in favour of the joint and several provisional liquidators ("Provisional Liquidators") of Wing Fai Construction Company Limited ("Wing Fai") or any subsequently appointed liquidators of Wing Fai. The deposit is for any judgement that may be obtained by the Provisional Liquidators and subsequent liquidators of Wing Fai of any action commenced within twelve months from 14 July 2002 and thereafter until the determination of the legal proceedings with the Company and/or any of the wholly owned subsidiaries of the Company in existence as at 14 July 2002.

31. CASH AND BANK BALANCES

	The Group		The Company	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash and bank balances	**6,367**	9,735	**98**	97

As at 31 July 2009, cash and bank balances of the Group included currencies denominated in RMB amounted to approximately HK$5,953,000 (2008: HK$8,818,000) which is not freely convertible into other currencies.

32. SHARE CAPITAL

The Group and the Company

	Number of shares	Amount *HK$'000*
Share of HK$0.05 each		
Authorised:		
At 1 August 2007, at 31 July 2008 and at 31 July 2009	16,000,000,000	800,000
Issued and fully paid:		
At 1 August 2007	1,017,999,999	50,900
Conversion of convertible notes *(Note 36)*	1,384,000,000	69,200
At 31 July 2008 and at 31 July 2009	**2,401,999,999**	**120,100**

33. SHARE OPTION SCHEME

On 10 January 2002, the Company passed an ordinary resolution regarding the termination of the old share option scheme and adopted a new share option scheme (the "New Scheme") for the primary purpose of providing incentive to the eligible employees and directors of the Company. Under the terms of the New Scheme, the board of directors of the Company may, at their discretion, grant options to the participants who fall within the definition prescribed in the New Scheme including the employees and executive directors of the Company or its subsidiaries to subscribe for shares in the Company at a price equal to the highest of (i) an amount not less than the average of the closing prices of the shares on the Stock Exchange for the five trading days immediately preceding the date of the offer of grant of the options; (ii) the closing price of the shares on the Stock Exchange on the day of the offer of grant of the options; and (iii) the nominal value of the shares. The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital and with a value in excess of HK$5,000,000 must be approved in advance by the Company's shareholders. Options granted under the New Scheme will entitle the holder to subscribe for shares from the date of grant up to 9 January 2012. A nominal consideration of HK$1 is payable on acceptance of the grant of an option.

33. SHARE OPTION SCHEME *(Continued)*

No options were granted to any directors and employees of the Company during the two years ended 31 July 2008 and 31 July 2009 pursuant to the New Scheme.

34. RESERVES

(a) The Group

The amounts of the Group reserves and the movements therein for the current and prior year and presented in the consolidated statement of changes in equity on pages 34 to 35 of the financial statements.

(b) The Company

	Share premium	Contributed surplus	Distributable reserve	Convertible notes reserve	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000* *(Note (a))*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 August 2007	84,937	143,218	77,033	95,645	(131,600)	269,233
Equity component of convertible notes	–	–	–	76,430	–	76,430
Conversion of convertible notes	207,600	–	–	(91,292)	–	116,308
Reversal upon conversion of convertible notes	–	–	–	15,702	–	15,702
Deferred tax arising from issue of convertible notes	–	–	–	(12,612)	–	(12,612)
Loss for the year	–	–	–	–	(16,439)	(16,439)
At 31 July 2008 and 1 August 2008	292,537	143,218	77,033	83,873	(148,039)	448,622
Loss for the year	–	–	–	–	(15,255)	(15,255)
At 31 July 2009	**292,537**	**143,218**	**77,033**	**83,873**	**(163,294)**	**433,367**

Notes:

(a) The distributable reserve of the Group represents the difference between the nominal value of shares of the acquired subsidiaries and the nominal value of the Company's share issued for the acquisition at the time of the group reorganisation in 1994.

35. BANK BORROWINGS, SECURED

	The Group	
	2009	2008
	HK$'000	*HK$'000*
Bank loans	**44,711**	25,905
The maturities of the above bank borrowings are as follows:		
On demand or within one year	**26,261**	25,905
More than one year but not exceeding two years	**18,450**	–
	44,711	25,905
Less: Amounts due within one year shown under current liabilities	**(26,261)**	(25,905)
Amount due after one year	**18,450**	–

For the year ended 31 July 2009, the above bank borrowings were secured by intangible assets amounting to approximately HK$46,901,000 and guarantee provided by the company and the director of the company, Mr. Yu Hung. The weighted average effective interest rate on the bank loans is 5.75% per annum.

For the year ended 31 July 2008, the above bank borrowings were secured by intangible assets and investment properties amounting to approximately HK$50,515,000 and HK$9,472,000 respectively. The weighted average effective interest rate on the bank loans is 7.56% per annum.

An analysis of the carrying amounts of the total borrowings by type and currency is as follows:

	The Group	
	2009	2008
	HK$'000	*HK$'000*
At fixed rates		
Renminbi ("RMB")	**44,711**	25,905

36. CONVERTIBLE NOTES

(a) On 28 June 2007, the Company issued zero-coupon convertible notes ("Convertible Notes 1") with a principal amount of HK$256,000,000. Each note entitled the holder to convert to ordinary share of the Company at a conversion price of HK$0.20 each. The maturity date of the Convertible Notes 1 is the date immediately preceding the fifth anniversary of the date of issue of the Convertible Notes 1.

The fair value of the liability component was estimated at the issue date of the Convertible Notes 1 using an equivalent market interest rate for a similar bond without a conversion option. The effective interest rate of the liability component is 16.774% per annum. The residual amount is assigned as the equity component, and included in shareholders' equity in convertible notes reserves.

The Convertible Notes 1 recognised in the balance sheet was calculated, as follows:

	HK$'000
Nominal value of convertible notes issued on 28 June 2007	256,000
Equity component	(138,101)
Liability component at the issuance date	117,899
Imputed interest expense charged	1,558
Converted into Company's shares	(19,032)
Liability component at 31 July 2007	100,425
Imputed interest expense charged	11,489
Converted into Company's shares	(64,941)
Liability component at 31 July 2008	46,973
Imputed interest expense charged	7,879
Liability component at 31 July 2009	54,852

36. CONVERTIBLE NOTES *(Continued)*

(a) *(Continued)*

During the year ended 31 July 2008, Convertible Notes 1 with an aggregate amount of HK$128,800,000 was converted into the ordinary shares of the Company. Total number of ordinary shares converted was 644,000,000 *(Note 32)*.

Interest expense on the Convertible Notes 1 is calculated using the effective interest method by applying the effective interest rate of 16.774% to the liability component. As at 31 July 2009, the fair value of Convertible Notes 1 was approximately HK$78,110,000.

(b) On 30 October 2007, the Company issued zero-coupon convertible notes ("Convertible Notes 2") with a principal amount of HK$384,000,000. Each note entitled the holder to convert to ordinary share of the Company at a conversion price of HK$0.20 each. The maturity date of the Convertible Notes 2 is the date immediately preceding the fifth anniversary of the date of issue of the Convertible Notes 2.

The fair value of the liability component was estimated at the issue date of the Convertible Notes 2 using an equivalent market interest rate for a similar bond without a conversion option. The effective interest rate of the liability component is 4.534% per annum. The residual amount is assigned as the equity component, and included in shareholders' equity in convertible notes reserves.

The Convertible Notes 2 recognised in the balance sheet was calculated, as follows:

	HK$'000
Nominal value of convertible notes issued on 30 October 2007	384,000
Equity component	(76,430)
Liability component at the issuance date	307,570
Imputed interest expense charged	8,488
Converted into Company's shares	(120,567)
Liability component at 31 July 2008	195,491
Imputed interest expense charged	8,873
Liability component at 31 July 2009	204,364

36. CONVERTIBLE NOTES *(Continued)*

(b) *(Continued)*

During the year ended 31 July 2008, Convertible Notes 2 with an aggregate amount of HK$148,000,000 was converted into the ordinary shares of the Company. Total number of ordinary shares converted was 740,000,000 *(Note 32)*.

Interest expense on the Convertible Notes 2 is calculated using the effective interest method by applying the effective interest rate of 4.534% to the liability component. As at 31 July 2009, the fair value of Convertible Notes 2 was approximately HK$211,970,000.

37. DEFERRED TAXATION

The following are the major deferred tax balances recognised and movements thereon during the current and prior year:

The Group

Deferred tax liabilities:

	Accelerated tax depreciation *HK$'000*	**Convertible notes** *HK$'000*	**Total** *HK$'000*
At 1 August 2007	158	20,016	20,174
Charge/(credit) to consolidated income statement for the year	1,066	(3,411)	(2,345)
Exchange alignment	260	–	260
Charge to equity for the year	–	12,612	12,612
Reversal upon conversion of convertible notes	–	(15,702)	(15,702)
At 31 July 2008 and at 1 August 2008	1,484	13,515	14,999
Charge/(credit) to consolidated income statement for the year	(115)	(2,764)	(2,879)
Exchange alignment	(11)	–	(11)
At 31 July 2009	**1,358**	**10,751**	**12,109**

37. DEFERRED TAXATION *(Continued)*

The following is the analysis of the deferred tax balances for financial reporting purposes:

	2009	2008
	HK$'000	*HK$'000*
Deferred tax assets	**–**	–
Deferred tax liabilities	**(12,109)**	(14,999)
	(12,109)	(14,999)

At the balance sheet date, the Group has unused tax losses of approximately HK$64,539,000 (2008: HK$87,477,000) available for offset against future profits that may be carried forward indefinitely and deductible temporary differences arising from change in fair value of investment properties of approximately HK$125,961,000 (2008: HK$112,401,000). No deferred tax asset has been recognised in respect of the tax losses and deductible temporary differences arising from change in fair value of investment properties due to the unpredictability of future profit streams.

The Company

Deferred tax liabilities:

	Convertible notes
	HK$'000
At 1 August 2007	20,016
Credit to income statement for the year	(3,411)
Charge to equity for the year	12,612
Reversal upon conversion of convertible notes	(15,702)
At 31 July 2008 and at 1 August 2008	13,515
Credit to income statement for the year	(2,764)
At 31 July 2009	**10,751**

37. DEFERRED TAXATION *(Continued)*

The following is the analysis of the deferred tax balances for financial reporting purposes:

	2009	2008
	HK$'000	*HK$'000*
Deferred tax assets	**–**	–
Deferred tax liabilities	**(10,751)**	(13,515)
	(10,751)	(13,515)

At the balance sheet date, the Company has unused tax losses of approximately HK$64,539,000 (2008: HK$51,673,000) available for offset against future profits that may be carried forward indefinitely. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams.

38. TRADE AND OTHER CREDITORS

	2009	2008
	HK$'000	*HK$'000*
Trade and other creditors	**30,011**	28,845
Amounts due to ex-directors	**10,181**	10,181
	40,192	39,026

The amounts due to ex-directors are unsecured, interest free and repayable on demand.

38. TRADE AND OTHER CREDITORS *(Continued)*

The aged analysis of trade and other creditors is as follows:

	2009	2008
	HK$'000	*HK$'000*
0 to 30 days	**14,249**	9,619
31 to 60 days	**825**	5,779
61 to 90 days	**6,695**	2,937
91 to 180 days	**48**	4,179
181 to 365 days	**1,204**	3,300
Over 365 days	**6,990**	3,031
	30,011	28,845

39. ACCRUED CHARGES

	The Group		**The Company**	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Accrued charges	**2,859**	5,489	**2,539**	1,670

40. LOAN FROM A SHAREHOLDER

As at 31 July 2009, shareholder's loan amounting to approximately HK$3,000,000 (2008: HK$3,000,000) was granted to the Group by Mr. Sun Yin Chung ("Mr. Sun").

The loan from Mr. Sun is unsecured, bear interest at a fixed rate 7% per annum and repayable on demand.

41. AMOUNT DUE TO A DIRECTOR/SHAREHOLDER

The amount due to a director is unsecured, interest free and have no fixed terms of repayment. The amount due to a shareholder is unsecured, interest free and will not repayable within the next 12 months from the balance sheet date.

42. DISPOSAL OF SUBSIDIARIES

On 30 April 2009 and 22 May 2009, the Group disposed of its entire equity interest in Build Policy Limited and Mega Pacific Holdings Limited by deregistration.

Summary of the effects of the disposal of subsidiaries are as follows:

	2009 ***HK$'000***
Net assets disposed of:	
Accrued charges	**(179)**
Tax payable	**(981)**
Trade and other creditors	**(3,610)**
	(4,770)
Gain on disposal of subsidiaries	**4,770**
Total consideration	**–**

For the period from 1 August 2008 to the date of disposal, no turnover was contributed by the subsidiaries and no loss has recognised in the Group's for the year ended 31 July 2009.

43. COMMITMENTS

Operating lease commitment:

While the Company had no outstanding operating lease commitments at the balance sheet date, its subsidiaries were committed to make the following future minimum lease payments in respect of office premises rented under non-cancellable operating leases which fall due as follows:

	The Group	
	2009	2008
	HK$'000	*HK$'000*
Operating leases which expire:		
– within one year	**1,406**	197
– in the second to fifth year inclusive	**891**	469
	2,297	666

Capital commitment:

	The Group	
	2009	2008
	HK$'000	*HK$'000*
Authorised and contracted for in respect of acquisition of property, plant and equipment	**–**	1,226
Authorised and contracted for in respect of acquisition of plantation license and assets	**–**	48,056
	–	49,282

The Company had no other significant commitments at the balance sheet date.

44. PLEDGE OF ASSETS

The Group

At 31 July 2009, certain intangible assets *(Note 24)* of approximately HK$46,901,000 of the Group have been pledged to banks to secure credit facilities granted to the Group.

At 31 July 2008, certain intangible assets of approximately HK$50,515,000 and investment properties *(Note 18)* of approximately HK$9,472,000 of the Group have been pledged to banks to secure credit facilities granted to the Group.

45. CONTINGENT LIABILITIES AND ASSETS

The Group

(a) The liquidators of Wing Fai and Wai Shun Construction Company Limited ("Wai Shun") refused to recognise the effect of set off of inter-company accounts pursuant to a Set Off Agreement (the "Agreement") dated 23 November 2001 and the extinguishment of intra-group indebtedness and incidental transactions and arrangements upon the Group's sale of its interest in Wing Fai, Wai Shun and Zhukuan Wing Fai Construction Company Limited (the "Wing Fai Subsidiaries") on 22 April 2002. As a result, the liquidators brought legal action against the Company and several of its subsidiaries.

In the opinion of the Company's legal advisors, the Group has a good defence on all the claims which, on the balance of probabilities, are likely to be resolved in favour of the Group companies. In the opinion of the Company's legal advisors, there would not be any material contingent liability except that part of the legal costs incurred by the Group may not be recoverable on taxation.

In the opinion of the directors, the Group has valid grounds to defence the actions and as such, no provision is made in the financial statements of the Group for its exposure to the above actions.

(b) Wing Fai has issued proceedings against the Company on 25 October 2004, in respect of a comfort letter issued by the Company to the directors of Wing Fai on 23 November 2001. The liquidators of Wing Fai alleged that this letter evidenced a contract and that in breach of the same, the Company failed to provide funds to Wing Fai so as to allow it to meet its obligations as they fell due.

In the opinion of the Company's legal advisors, the Company has a very good defence and therefore it is unlikely that there would be any contingent liability, except that part of the legal costs incurred which may not be recoverable or in the event that Wing Fai does not have funds to reimburse the Company costs. No developments have taken place up to 31 July 2009 and the date of approval of these financial statements.

In the opinion of the directors, the Group has valid grounds to defence the above action and as such, no provision is made in the financial statements of the Group for its exposure to the above action.

45. CONTINGENT LIABILITIES AND ASSETS *(Continued)*

The Group *(Continued)*

(c) In respect of the sum of HK$40,000,000 due from Wing Fai to Benefit Holdings International Limited ("Benefit"), a subsidiary of the Company, repayment was personally guaranteed by Mr. Eric Chim Kam Fai ("Mr. Eric Chim"). In respect of the payment of purchase price for shares of the Wing Fai Subsidiaries in the sum of approximately HK$5,100,000 by Sino Glister International Investments Limited ("Sino Glister"), this sum was also personally guaranteed by Mr. Eric Chim.

Wing Fai defaulted in repayment of approximately HK$40,000,000 due to Benefit and is now in liquidation. Sino Glister defaulted as to approximately HK$3,100,000 of the HK$5,100,000 purchase price for the shares of Wing Fai Subsidiaries.

Benefit took legal action against Mr. Eric Chim for the sum of HK$40,000,000 plus HK$3,000,000 balance purchase price and obtained a judgement against Sino Glister and Mr. Eric Chim in July 2004. But the judgment was set aside later on the basis that he had not served with the original proceedings. On 28 December 2004, a defence was filed by Mr. Eric Chim. Mr. Eric Chim was examined in his capacity as a director of Sino Glister in relation to its assets in May 2005. Up to 31 July 2009 and the date of approval of these financial statements, no further action has taken place.

In the opinion of the legal advisors of the Company, the action against Mr. Eric Chim is likely to win but no recoveries are likely to be made in respect of the claim or legal costs in view of Mr. Eric Chim's lack of funds.

In the opinion of the directors, it is uncertain to what extent the sums will be recoverable from either Mr. Eric Chim or Sino Glister. As such, no asset is recognised in the Group's financial statements.

The Company

(a) The Company has provided guarantee for banking facilities made available to a subsidiary of approximately HK$17,040,000.

Save as disclosed above and elsewhere in the Annual Report, as at 31 July 2009, the Group has no material contingent liabilities.

46. RETIREMENT BENEFITS SCHEME

The Group operates a Mandatory Provident Fund Scheme (the "Scheme") for all qualifying employees in Hong Kong. The assets of the Scheme are held separately from those of the Group in funds under the control of trustee. The Group contributes 5% of relevant payroll costs to the Scheme, which contribution is matched by employees.

The employees of the Company's PRC subsidiaries are members of the state-managed retirement benefits scheme operated by the PRC government. The Company's PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefits scheme to find the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the required contributions under the scheme.

47. EVENTS AFTER THE BALANCE SHEET DATE

(a) On 11 November 2009, board of directors of the Company announced that the Company is in negotiation with independent third parties to acquire a group of companies which is principally engaged in forestry and forest exploitation in the Philippines. For details, please refer to the Company's announcement dated 11 November 2009.

(b) On 17 November 2009, the Company entered into the Placing Agreement with the Placing Agent, pursuant to which the Placing Agent conditionally agreed to place up to 150,000,000 Placing Shares to not less than six Placees at a price of HK$0.15 per Placing Share on a best effort basis. For details, please refer to the Company's announcement dated 17 November 2009.

48. MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions and balances as disclosed elsewhere in the financial statements, the Group entered into the following material transaction with related parties during the year.

(a) Transactions with related parties

(i) The Group paid operating lease rental of approximately HK$26,000 (2008: HK$26,000) to a director, Mr. Yu Hong.

(ii) Mr. Yu Hung, a director of the Company, has provided guarantee for banking facilities made available to a subsidiary of the Company.

48. MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(b) Compensation of key management personnel

Compensation for key management personnel, including amount paid to the Company's directors and the senior executives is as follows:–

	2009	2008
	HK$'000	*HK$'000*
Salaries and other short-term benefits	**1,860**	682
Employer contribution to pension scheme	**43**	24
	1,903	706

Further details of directors' emoluments are included in Note 13 to the financial statements.

49. PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries at 31 July 2009 are as follows:

Name of subsidiary	Place of incorporation or registration and operation	Proportion of ownership interest and voting power held	Issued and fully paid share capital	Principal activity
Benefit Holdings International Limited *(note a)*	British Virgin Islands	100%	US$200	Investment holding
Bestco Worldwide Investment Limited	British Virgin Islands	100%	US$1	Investment holding
China Rich Properties Limited ("China Rich")	Hong Kong	100%	Ordinary HK$10,000,000	Property development
Shunde China Rich Properties Limited ("Shunde China Rich")	The PRC	100%	*(note b)*	Property development

49. PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation or registration and operation	Proportion of ownership interest and voting power held	Issued and fully paid share capital	Principal activity
Guangzhou Yueshou Industry Co. Ltd.	The PRC	100%	Registered RMB35,000,000	Environmental protection
Goldfield International Investment Group Ltd.	British Virgin Islands	100%	Ordinary US$11	Investment holding
Yueshou Environmental Group Limited	Hong Kong	100%	Ordinary HK$1	Investment holding
Guangzhou Yueshou Construction Engineering Co. Ltd.	The PRC	100%	Registered RMB10,000,000	Environmental protection

The directors are of the opinion that a complete list of the particulars of all subsidiaries would be of excessive length and therefore the above list contains only the subsidiaries of the Company which principally affected the results of the Group or formed a substantial portion of the net assets of the Group.

Notes:

(a) Except for Benefit Holdings International Limited and Bestco Worldwide Investment Limited which are directly held by the Company, all other companies are indirectly held by the Company.

(b) Shunde China Rich was established in the PRC in March 1996 in accordance with a cooperative agreement entered into between China Rich and a PRC party on 18 June 1994. The principal activities of Shunde China Rich are the development, sales and leasing of the property development project currently undertaken by China Rich. Pursuant to the cooperative agreement, China Rich is entitled to the entire profit or loss of Shunde China Rich and on liquidation of Shunde China Rich, China Rich is entitled to all the assets and liabilities of Shunde China Rich.

50. AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 20 November 2009.

Five Years Financial Summary

	Year ended 31 July				
	2005	2006	2007	2008	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Turnover	25,017	27,017	37,871	207,593	**120,473**
Profit/(loss) before taxation	(58,565)	(43,068)	(2,584)	46,079	**22,641**
Taxation	10,200	15,142	(4,185)	(11,584)	**(804)**
Profit/(loss) for the year	(48,365)	(27,926)	(6,769)	34,495	**21,837**
Attributable to:					
– Equity holders of the Company	(48,435)	(28,010)	(14,037)	23,653	**21,837**
– Minority interest	70	84	7,268	10,842	**–**
	(48,365)	(27,926)	(6,769)	34,495	**21,837**

	As at 31 July				
	2005	2006	2007	2008	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Total assets	497,925	420,240	859,815	1,174,481	**1,224,122**
Total liabilities	(125,906)	(73,170)	(349,882)	(371,303)	**(402,388)**
Minority interest	(907)	(991)	(12,734)	(888)	**–**
Shareholders' funds	371,112	346,079	497,199	802,290	**821,734**

Particulars of Major Properties

	Lease Expiry	Approx. gross floor area (Sq.m.)	Type	Effective % held	Stage of completion	Anticipated completion
Properties under development and completed						
Regal Garden Lunchang Road, Lunjiao Zhen, Shunde, Guangdong Province The PRC	December 2065	75,839	Residential and commercial	100%	Out of the six blocks of the residential building, four have been completed with Occupancy permits issued by the PRC Authority	N/A
Investment properties						
Regal Garden Lunchang Road, Lunjiao Zhen, Shunde, Guangdong Province The PRC	December 2065	18,551	Commercial	100%	Completed	N/A
廣州經濟技術開發區 沙灣二街13、15號第5、6層	13 June 2018	4,475	Commercial	100%	Completed	N/A