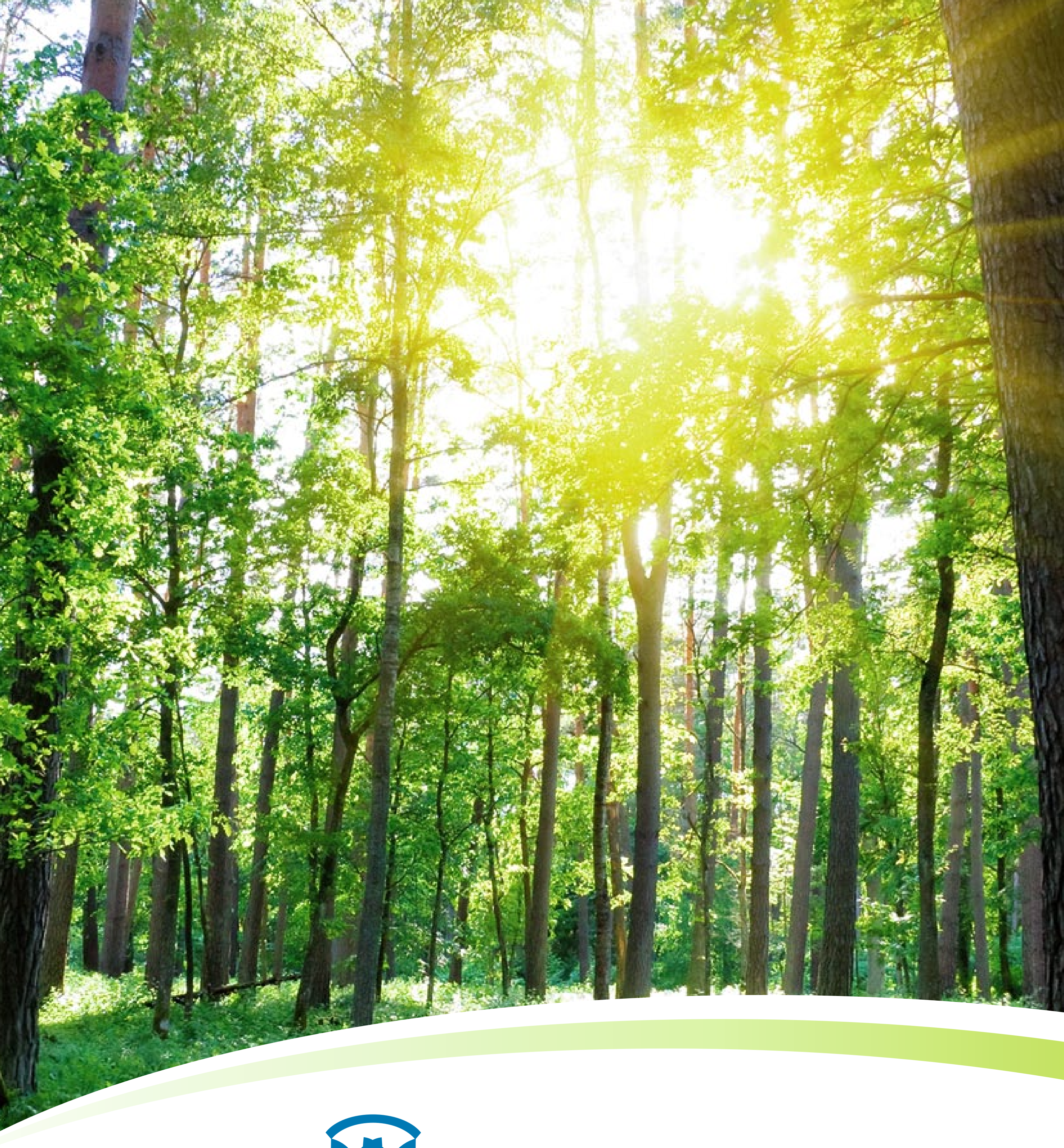

Yueshou Environmental Holdings Limited
粵首環保控股有限公司

(Incorporated in Bermuda with limited liability)
(Stock Code: 1191)

ANNUAL REPORT 2011

Contents

Corporate Information

DIRECTORS

Executive Directors

Mr. Yu Hong *(Chairman)*
Mr. Tan Cheow Teck *(Vice Chairman)*
Mr. Li Bin

Non-executive Director

Mr. Shen Xia

Independent Non-executive Directors

Mr. Kwong Ping Man
Mr. Zhang Xi Chu
Ms. Sun Zhi Li

COMPANY SECRETARY AND QUALIFIED ACCOUNTANT

Mr. Wan Hon Keung

AUDITORS

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

PRINCIPAL BANKERS

Hong Kong
The Hongkong and Shanghai Banking
Corporation Limited

China
Agricultural Bank of China

WEBSITE

http://www.yueshou.hk

STOCK CODE

1191

LEGAL ADVISERS

On Bermuda Law
Conyers Dill & Pearman
2901 One Exchange Square
8 Connaught Place, Central
Hong Kong

On Hong Kong Law
Chiu & Partners
40th Floor, Jardine House
1 Connaught Place
Hong Kong

Lily Fenn & Partners
Room D, 32th Floor
Lippo Centre, Tower 1
89 Queensway
Hong Kong

REGISTERED OFFICE

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2 Church Street
Hamilton HM11
Bermuda

PRINCIPAL PLACE OF BUSINESS

Unit 2102, 21th Floor, World-Wide House
19 Des Voeux Road Central, Hong Kong

SHARE REGISTRAR AND TRANSFER OFFICE

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

Hong Kong
Tricor Secretaries Limited
26th Floor, 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 the annual report and audited consolidated results of Yueshou Environmental Holdings Limited (the "Company", together with its subsidiaries, the "Group") for the year ended 31 July 2011.

BUSINESS REVIEW

For the year ended 31 July 2011, the Group's total turnover from its principal businesses was approximately HK$123,269,000, representing an increase of 21.3% when compared with the same period last year. Of which, turnover of the environmental protection operations was approximately HK$109,715,000, representing an increase of 17.4% when compared with the same period last year; turnover of the property development operation was approximately HK$13,554,000, representing an increase of 66.2% when compared with the same period last year.

Environmental Desulphurization and Denitration Businesses

With the continuous launching of a series of environmental protection measures by the State, more stringent industry standards are set for the emission of air pollutants from thermal power plants. Through the environment governance in recent years, the reduction of carbon dioxide and sulphur dioxide emission from power generating industry has achieved remarkable result. Currently, China's control on air pollution from thermal power plants has reached the world's advanced standard. As indicated in the report of "Current Status of Air Pollutants Control on Coal Fuel Power Plants in China (2010)", in the past five years, the infrastructure construction of power generating enterprises was growing rapidly, the proportion of thermal power desulphurization units in China had substantially increased from 12% in 2005 to 80%; and the installed desulphurization capacity of coal fuel power plants also had a corresponding over tenfold increase. On the other hand, the elimination rate of small scale thermal power units with outdated capacity was unprecedented, with the accumulated closed down capacity of 70,000 MW. Following the basically completion of the closing-down of small scale units, the growing potential of energy saving and emission reduction has also begun to shrink. Under the continuous facilitation of our government policies in energy saving and emission reduction, the power generating enterprises are proactively exploring new ideas for energy saving and emission reduction, which include the continuous development of supercritical units with high parameters and mega capacity, promotion of own industry upgrade and structural adjustment, and increasing efforts in the development of regenerating energy resources.

The coal-dominant energy situation in China will not be changed in the short run, and the structural condition of coal-dominant power industry will also sustain in the next two or three decades. Furthermore, when compare with the increasingly matured and sophisticated desulphurization technology in China, the research and development of denitration technology is still at its preliminary stage, with more than 25% of the market's core denitration technologies are foreign-introduced technologies.

In view of this, the Group will continue to develop the desulphurization and denitration businesses as its principal operations, actively participate in the relevant research projects co-operation with domestic research institutions, enhance the complementary and co-operation in denitration industry, introduce new technologies, focus on the development of environmental protection business markets, such as denitration, mercury and its chemical compounds, dust and fume.

Ecological Forestry Business

The Group has been striving to develop its ecological forestry business in recent years. At present, the Group commences a series of investment projects and construction projects in ecological forestry business in Philippines and China respectively.

Currently, the Group has engaged certain independent forestry management companies to conduct those works such as forestry site clearing, saplings cultivation, forestry plantation and off take arrangement for its respective investment projects in forestry plantation business in Philippines. According to the current production schedule, it is expected to generate revenue by the end of this year. Furthermore, the Group's relevant forestry construction projects in China are currently at their tree-growing stage, and it is expected to commence respective logging and sales activities by the end of next year.

In addition, the Group is also planning to develop the sawmill and veneer businesses in Philippines in order to engage in the sawing, kiln drying, veneering and manufacturing of related wood products, and strives to focus on veneer manufacturing and sales business where gross profit margin is higher and the sales market is concentrated in Asia.

Property Development Business

The State has made more and more control measures on the domestic property market in recent years. It is expected that these measures will have some impact on the property market in the next few years. As the property development business is not a core business of the Group, the Group will still consider to dispose of its property development business so that it can concentrate all the resources in its core businesses.

PROSPECTS

In order to suit the international environmental protection trend, the Group is now actively seeking co-operative partners in terms of technologies and businesses to support the development and expansion of environmental desulphurization and denitration businesses and ecological forestry business, so as to enhance the growing momentum of our comprehensive environmental protection business to 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 all staffs for their dedication, contributions, diligence and integrity to the Company.

Yu Hong
Chairman

Hong Kong, 31 October 2011

BUSINESS REVIEW AND SEGMENT INFORMATION

In the past year, the Group's total turnover increased as compared with last year mainly due to the increase in the trading of petroleum chemical products with lower profit margin, however the sales orders for sulphur fixing agents and the desulphurization projects with higher profit margin were still at a lower level, so even though the total turnover increased but the gross profit decreased. For the financial year ended 31 July 2011, the Group's total turnover increased by 21.3% to approximately HK$123,269,000 (2010: HK$101,626,000). Gross profit decreased by 32.6% to approximately HK$14,351,000 (2010: HK$21,306,000).

As the demand for sulphur fixing agents and the desulphurization projects continuously decreased, there was a further impairment loss of HK$77,490,000 recognized in respect of the goodwill of the environmental protection operations (2010: HK$497,480,000). The loss attributable to the equity holders of the Company was HK$196,899,000 (2010: HK$521,130,000).

The entire turnover for the year was generated from the business segments in the PRC (2010: 100%).

Environmental Protection Operations

During the year ended 31 July 2011, total turnover of environmental protection operations was approximately HK$109,715,000 (2010: HK$93,470,000), increased by HK$16,245,000 or 17.4% compared with last year, which accounted for approximately 89.0% of the Group's total turnover (2010: 92.0%).

For the financial year ended 31 July 2011, an impairment loss was recognized in respect of the goodwill of environmental protection operations for HK$77,490,000 (2010: HK$497,480,000).

Property Development

The turnover amounted to approximately HK$13,554,000 (2010: HK$8,156,000) for the year was derived from property development, an increase of HK$5,398,000 or 66.2% compared with last year, representing approximately 11.0% of the Group's total turnover (2010: 8.0%).

For the financial year ended 31 July 2011, there was a loss arising from change in value of investment properties located in Shunde, Guangdong Province, the PRC for about HK$30,669,000 (2010: HK$1,203,000).

Forestry and Logging Operation

The Group currently possesses the right to use the forestry lands for approximately 10,300 Chinese Mou located in Raoping County, Guangdong Province, the PRC together with the right to possess and use the trees grown on these forestry lands. There are now about 687,000 eucalyptus of age about 3 to 4 years old planted in these forestry lands, the Group expects the logging and sales activities will be started from end of 2012.

In early August 2010, the Group has completed a very substantial acquisition of certain corporate interests in forestry plantation business including shares in Philippines corporations which constituted the associates of the Group. One of these associates which owns the development rights and management rights of certain pieces of public forestry lands in Philippines, will start to generate revenue from the fourth quarter of 2011, this is expected that the Group will also be benefited.

For the financial year ended 31 July 2011, the Group recorded a loss from share of results of these associates for approximately HK$20,412,000 (2010: Nil).

LIQUIDITY, FINANCIAL RESOURCES & GEARING

The operation of the Group was mainly financed by internal resources generated, banking facilities such as bank loans and overdrafts, and the loan from a substantial shareholder of the Company. As at 31 July 2011, there was no secured bank borrowings outstanding (2010: HK$18,646,000); however, there were loans from shareholders of the Company amounted to HK$43,000,000 (2010: HK$3,000,000).

As at the balance sheet date, the current ratio was 1.86 (2010: 2.63), whereas the gearing ratio (defined as a ratio of total bank borrowings and other loans to net asset) was 2.1% (2010: 5.5%). As 13,333,333,333 convertible preference shares were issued at the conversion price of HK$0.15 per share upon the completion of the acquisition of the forestry plantation business in Philippines, the shareholders' equity increased to HK$2,007,913,000 (2010: HK$393,352,000).

FOREIGN CURRENCY EXPOSURE

The Group are generally transacted in Hong Kong Dollar, Renminbi and Philippine Peso. 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.

PLEDGE OF ASSETS

At 31 July 2011 and 31 July 2010, the Group has not pledged any of its assets to the banks to secure credit facilities granted to the Group.

FUTURE PLANS

Environmental Protection Operations

The Group will continue to maintain the desulphurization as our principal business, actively trying to expand to the markets of other provinces and improve related technologies. Furthermore, the Group expects to co-operate intensively with other enterprises in denitration industry to develop the domestic environmental denitration business market. As the China government has set more stringent standards on the power plant's emission of atmospheric pollutants and the increase of environmental protection requirements in the world, the Group will actively carry out scientific research projects with domestic research institutes, and to introduce new technologies to explore the environmental protection market.

Forestry Operations

Shannalyne Inc. ("Shannalyne") is an associate of the Group and is established in the Philippines. In December 2010, Shannalyne has engaged an independent forestry management company (the "Management Company") to render services to Shannalyne for (i) site clearing; (ii) replanting; (iii) establishment of nursery; and (iv) off take arrangement. It is expected that the Management Company will start land clearing and plantation establishment with an initial target of at least 4,000 hectares per year, Shannalyne intends to engage 4 more independent forestry management companies to fulfill a target of 20,000 hectares per annum from year 2011 to 2012.

As at today, the Management Company has 15 office staffs for administration and may go up to 25 workers once the production commences in the field operation. As for the field staff, the Management Company currently has 18 operators of heavy machineries besides 5 other supporting staffs for light vehicles and small lorries. Once full operation commences, the numbers of field staffs will be increased to about 60 and most of the workers are on production contract. All the machines have reached on site and will commence operations to clear the nursery site and is expected to be finished in the 1st week of November 2011. As for the nursery operations, there will be 2 nursery supervisors and 4 assistants besides 30 to 40 workers on production basis. Currently, 6 bulldozers, 1 motor grader and 2 excavators are deployed to upgrade the main haul line connecting the nursery site to the river and is expected to be finished in mid- November 2011. The remaining machines will be deployed to clear the nursery site, internal roads and land clearing. Once the ground work is completed, the construction of the temporary campsite and mechanical workshop will commence. The site clearing will be commenced in mid-November 2011. If the production plan proceeds as scheduled, Shannalyne will start to generate revenue from late-November 2011.

In August 2011, Shannalyne entered into a preliminary agreement with another independent forestry management company to engage in (i)site clearing; (ii) replanting; and (iii) establishment of nursery.

Sawmill and Veneering operations

Shannalyne plans to set up joint-venture entity ("Joint Venture") in the Philippines to engage in sawmilling, kiln drying, veneering and manufacturing of related wood products. The Joint Venture will purchase wood from Shannalyne and sell the products to both local Philippines customers and foreign customers. On production front, Shannalyne will focus on maximizing the production and sale of veneer which provides higher gross profit margin.

Property Development

The State has made more and more control measures on the domestic property market, it is expected that these measures will have some impact on the property market in the next few years. As the property development is not a core business of the Group, the Group will still consider to dispose its property development business so that it can concentrate all resources in its core businesses.

MATERIAL ACQUISITIONS AND DISPOSALS

On 30 November 2009, a wholly-owned subsidiary of the Company entered into a sale and purchase agreement with independent third parties to acquire the entire share capital of Asiaone Forest Products Holdings Limited (formerly known as Fullteam Holdings Limited) at a total consideration of HK$2,500,000,000. The acquisition includes shares in the Philippines which constituted the associates of the Group. One of these associates owns the exclusive right to develop, manage, protect, harvest, sell and utilize forest resources of certain pieces of public forestry lands in Philippines with a total area of approximately 223,000 hectares. The acquisition was completed on 9 August 2010.

On 15 June 2011, Guangzhou Yueshou Industry Co. Ltd., a wholly owned subsidiary of the Company, entered into a sale and purchase agreement to dispose its 100% equity interest in Fushan Yueshou Environmental Limited to an independent third party for cash consideration of approximately RMB1,061,000 (equivalent to approximately HK$1,251,000).

EMPLOYEES

As at the balance sheet date, the Group hired about 80 employees both in Hong Kong and China (2010: about 80). 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 48 to the financial statements.

Brief Biographical Details of Directors

EXECUTIVE DIRECTORS

Mr. Yu Hong, aged 42, 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 15 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 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 corporate substantial shareholder of the Company.

Mr. Tan Cheow Teck, aged 64, has been an Executive Director and the Vice Chairman of the Company since September 2010. He has over 25 years of forest development and management experience in South East Asia. Mr. Tan is the father of Mr. Tan Shannon Siang-Tau (alias Shannon Chen Xiangdao), who is the controlling shareholder of two corporate substantial shareholders (namely, Linshan Limited and Corporate King Limited) of the Company.

Mr. Li Bin, aged 39, 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 15 years of experience in shipping and logistic industry. Mr. Li is currently the managing director of Evertop Logistics Company Limited.

FORMER EXECUTIVE DIRECTOR

Mr. Yu Shu Liang, aged 54, resigned as the Executive Director of the Company in November 2010. He is a veteran entrepreneur with over 20 years of experience in corporation establishment and business management. He is currently a director of Yueshou Environmental Group Limited and the vice general manager of Guangzhou Yueshou Industry Co. Ltd., both are the wholly owned subsidiaries of the Company.

Brief Biographical Details of Directors

NON-EXECUTIVE DIRECTOR

Mr. Shen Xia, aged 48, has been a Non-executive Director of the Company since August 2010. He holds a Bachelor's degree from Zhejiang University and a Master's degree from both Chinese Academy of Social Sciences and University of Oxford. Mr. Shen has over 15 years of working experience in corporate finance and investment banking field. He is currently an executive director of China International Holdings Limited, a property and infrastructural investment company in China with its shares listed on the Stock Exchange of Singapore. Mr. Shen is also the sole beneficial owner of Luckpath Limited and a substantial shareholder of Corporate King Limited, which are both corporate substantial shareholders of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Kwong Ping Man, aged 47, has been an Independent Non-executive Director of the Company since July 2007. He has over 15 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 Group Holdings Limited, Mitsumaru East Kit (Holdings) Limited and Tang Palace (China) Holdings Limited, which are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

Mr. Zhang Xi Chu, aged 48, 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 Zhi Li, aged 43, 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 14 years of working experience in corporate finance and investment banking field. She is currently an executive director and chief financial officer of China Mass Media Corp., a leading television advertising company in China with its shares listed on the New York Stock Exchange.

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 2011, except for the following deviation:

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, the Non-executive Director and 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.

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 2011.

THE BOARD

As at the date of this report, the Board comprises 7 Directors. There are 3 Executive Directors (including the Chairman and the Vice Chairman), 1 Non-executive Director and 3 Independent Non-executive Directors. Brief biographies outlining each individual Director's range of specialist experience are set out in the section entitled "Brief 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. Thirteen meetings were held by the Board during the year ended 31 July 2011. 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)*		13/13		
Mr. Tan Cheow Teck *(Vice Chairman)*	*2*	4/8		
Mr. Li Bin		11/13		
Mr. Yu Shu Liang	*3*	5/7		
Non-executive Director				
Mr. Shen Xia	*4*	10/12		
Independent Non-executive Directors				
Mr. Kwong Ping Man		11/13	2/2	2/2
Mr. Zhang Xi Chu		7/13	1/2	
Ms. Sun Zhi Li		7/13	2/2	2/2

Notes:

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

2. Mr. Tan Cheow Teck was appointed as Executive Director and Vice Chairman of the Company with effect from 29 September 2010.

3. Mr. Yu Shu Liang resigned as Executive Director of the Company with effect from 1 November 2010.

4. Mr. Shen Xia was appointed as Non-executive Director of the Company with effect from 11 August 2010.

THE BOARD *(Continued)*

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, 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, Vice 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 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 and Vice Chairman of the Company. Currently, Mr. Yu Hong is the Chairman, and Mr. Tan Cheow Teck is the Vice Chairman.

NON-EXECUTIVE DIRECTOR AND INDEPENDENT NON-EXECUTIVE DIRECTORS

The Board currently has one Non-executive Director and three 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, Directors, 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 Zhi Li.

The Audit Committee held two meetings during the year ended 31 July 2011 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 Directors, Mr. Kwong Ping Man (Chairman of Remuneration Committee) and Ms. Sun Zhi Li. 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 2011, 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 seeks any information it requires from any employee or Director of the Company and obtains 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 2011, the fees charged to accounts of the Group for HLB's statutory audit amounted to approximately HK$750,000.

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 2011, 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 businesses 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 2011.

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 52 to the financial statements.

SEGMENT INFORMATION

An analysis to the Group's turnover and contribution to results by principal activity for the year ended 31 July 2011 is set out in Note 7 to the financial statements.

RESULTS AND APPROPRIATIONS

The Group's results for the year ended 31 July 2011 and the statements of financial position of the Company and the Group as at 31 July 2011 are set out in the financial statements on pages 30 to 35.

The Directors do not recommend the payment of a final dividend for the year ended 31 July 2011 (2010: 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 133.

SHARE CAPITAL AND CONVERTIBLE NOTES

Details of movements in the share capital, including convertible preference shares, and convertible notes of the Company during the year are set out in Notes 33 and 38 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 35 to the financial statements and in the consolidated statement of changes in equity on page 36 of the annual report respectively.

DISTRIBUTABLE RESERVES

The Company has no reserves, comprise share premium and accumulated losses, available for distribution to shareholders as at 31 July 2011 (2010: Nil).

Pursuant to the Companies Act 1981 of Bermuda, the Company's share premium account of HK$1,426,720,000 (2010: HK$373,387,000) 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 17 to the financial statements.

PLANTATION ASSETS

Details of plantation assets 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 19 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)*	
Mr. Tan Cheow Teck *(Vice Chairman)*	Appointed on 29 September 2010
Mr. Li Bin	
Mr. Yu Shu Liang	Resigned on 1 November 2010

DIRECTORS *(Continued)*

Non-executive Director:

Mr. Shen Xia	Appointed on 11 August 2010

Independent Non-executive Directors:

Mr. Kwong Ping Man
Mr. Zhang Xi Chu
Ms. Sun Zhi Li

In accordance with bye-law 87(1) and 87(2) of the Bye-laws of the Company, Mr. Yu Hong, Mr. Kwong Ping Man and Ms. Sun Zhi Li will retire from office by rotation 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 11 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 2011, 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 c)*
Yu Hong	1,268,000,000 *(Note a)*	30.23%
Shen Xia	6,896,133,333 *(Note b)*	164.43%

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES *(Continued)*

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

Note a: As at 31 July 2011, Mr. Yu Hong held 100,000,000 ordinary 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$233,600,000 zero-coupon convertible notes due 2012 issued by the Company at a conversion price of HK$0.20 each (which entitled Give Power to 1,168,000,000 Shares upon exercise of the conversion rights attached to such convertible notes in full).

Note b: As at 31 July 2011, Mr. Shen Xia was the sole beneficial owner of Luckpath Limited ("Luckpath") which in turn held 3,346,400,000 convertible preference shares with nominal value of HK$0.05 each issued by the Company (which entitled Luckpath to 3,346,400,000 Shares upon exercise of the conversion rights attached to such convertible preference shares in full).

Mr. Shen Xia also held 34.204% of the shares in Corporate King Limited ("Corporate King") which in turn held 1,200,000,000 Shares and 2,349,733,333 convertible preference shares with nominal value of HK$0.05 each issued by the Company (which entitled Corporate King to 2,349,733,333 Shares upon exercise of the conversion rights attached to such convertible preference shares in full).

Note c: Based on the number of 4,193,999,999 Shares of the Company in issue as at 31 July 2011.

Save as disclosed above, as at 31 July 2011, 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 34 to the financial statements.

No options were granted to any Directors and employees of the Company during the two years ended 31 July 2010 and 31 July 2011 pursuant to i) the old share option scheme adopted on 10 January 2002 and terminated on 28 July 2010; and ii) the new share option scheme adopted on 28 July 2010.

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 2011, 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 j)*
Give Power Technology Limited *(Note a)*	Beneficial owner	1,168,000,000 *(Note b)*	27.85%
Yu Hong *(Note a)*	Personal interest and interest in a controlled corporation	1,268,000,000 *(Note b)*	30.23%
Able Expert Limited *(Note c)*	Beneficial owner	999,333,333 *(Note d)*	23.83%
Wong Sun Man *(Note c)*	Interest in a controlled corporate	999,333,333	23.83%
Luckpath Limited *(Note e)*	Beneficial owner	3,346,400,000 *(Note f)*	79.79%
Shen Xia *(Note e)*	Interest in controlled corporations	6,896,133,333 *(Note f and i)*	164.43%
Linshan Limited *(Note g)*	Beneficial owner and interest in a controlled corporation	8,987,600,000 *(Note h and i)*	214.30%
Tan Shannon Siang-Tau *(Note g)*	Interest in controlled corporations	8,987,600,000	214.30%
Corporate King Limited	Beneficial owner	3,549,733,333 *(Note i)*	84.64%

SUBSTANTIAL SHAREHOLDERS *(Continued)*

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

Note a: Give Power Technology Limited ("Give Power") was wholly-owned by Mr. Yu Hong, the Chairman of the Company.

Note b: As at 31 July 2011, Mr. Yu Hong held 100,000,000 ordinary shares ("Shares") of HK$0.05 each in the Company and was the sole beneficial owner of Give Power which in turn was the sole beneficial owner of HK$233,600,000 zero-coupon convertible notes due 2012 issued by the Company at a conversion price of HK$0.20 each (which entitled Give Power to 1,168,000,000 Shares upon exercise of the conversion rights attached to such convertible notes in full).

Note c: Able Expert Limited ("Able Expert") was wholly-owned by Mr. Wong Sun Man.

Note d: As at 31 July 2011, Able Expert held 999,333,333 convertible preference shares with nominal value of HK$0.05 each issued by the Company (which entitled Able Expert to 999,333,333 Shares upon exercise of the conversion rights attached to such convertible preference shares in full).

Note e: Luckpath Limited ("Luckpath") was wholly-owned by Mr. Shen Xia, a Non-executive Director of the Company.

Note f: As at 31 July 2011, Luckpath held 3,346,400,000 convertible preference shares with nominal value of HK$0.05 each issued by the Company (which entitled Luckpath to 3,346,400,000 Shares upon exercise of the conversion rights attached to such convertible preference shares in full).

Mr. Shen Xia also held 34.204% of the shares in Corporate King Limited *(see note i below)*.

Note g: Linshan Limited ("Linshan") was wholly-owned by Mr. Tan Shannon Siang-Tau, the son of Mr. Tan Cheow Teck, the Vice Chairman of the Company.

Note h: As at 31 July 2011, Linshan held 5,437,866,667 convertible preference shares with nominal value of HK$0.05 each issued by the Company (which entitled Linshan to 5,437,866,667 Shares upon exercise of the conversion rights attached to such convertible preference shares in full).

Linshan also held 55.582% of the shares in Corporate King Limited *(see note i below)*.

Note i: As at 31 July 2011, Corporate King Limited ("Corporate King") held 1,200,000,000 Shares and 2,349,733,333 convertible preference shares with nominal value of HK$0.05 each issued by the Company (which entitled Corporate King to 2,349,733,333 Shares upon exercise of the conversion rights attached to such convertible preference shares in full).

Note j: Based on the number of 4,193,999,999 Shares of the Company in issue as at 31 July 2011.

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 2011.

CONNECTED TRANSACTIONS

Details of the discloseable connected transactions of the Group are set out in Note 50 to the financial statements.

MAJOR SUPPLIERS AND CUSTOMERS

The five largest customers of the Group for the year accounted for approximately 53.8% of the Group's turnover. The Group's largest customer accounted for approximately 18.7% of its turnover for the year.

The five largest suppliers of the Group for the year accounted for approximately 95% of the Group's purchase. The Group's largest supplier accounted for approximately 67.8% 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 Rules.

RETIREMENT BENEFITS SCHEME

Details of the Retirement Benefits Scheme of the Group is set out in Note 49 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, 31 October 2011

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 30 to 132, which comprise the consolidated and company statements of financial position as at 31 July 2011, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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 about whether the consolidated financial statements are free from material misstatement.

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 July 2011, and of its loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants

Hong Kong, 31 October 2011

Consolidated Statement of Comprehensive Income

for the year ended 31 July 2011

	Notes	2011 HK$'000	2010 HK$'000
Turnover	8	**123,269**	101,626
Cost of sales		**(108,918)**	(80,320)
Gross profit		**14,351**	21,306
Other revenue	8	**8,670**	4,245
Other income	9	**1,915**	4,073
Administrative expenses		**(39,984)**	(30,300)
Impairment loss recognised in respect of trade and other debtors	25	**–**	(3,430)
Impairment loss recognised in respect of intangible assets	22	**(740)**	(3,918)
Impairment loss recognised in respect of goodwill	20	**(77,490)**	(497,480)
Loss arising from changes in fair value of investment properties	17	**(36,156)**	(1,678)
Gain/(loss) arising from changes in fair value of plantation assets less costs to sell	18	**9,752**	(1,981)
Loss on disposal of property, plant and equipment		**(15,836)**	–
Gain on disposal of a subsidiary	45	**347**	–
Share of results of associates	21	**(20,412)**	–
Loss from operations	9	**(155,583)**	(509,163)
Finance costs	10	**(43,424)**	(15,551)
Loss before taxation		**(199,007)**	(524,714)
Taxation	11	**2,108**	3,584
Loss for the year		**(196,899)**	(521,130)
Other comprehensive income			
Exchange differences on translating foreign operations		**12,586**	4,180
Share of changes in other comprehensive income of associates	21	**78,874**	–
Other comprehensive income for the year, net of tax		**91,460**	4,180
Total comprehensive loss for the year		**(105,439)**	(516,950)

Consolidated Statement of Comprehensive Income

for the year ended 31 July 2011

	Notes	2011 HK$'000	2010 HK$'000
Loss attributable to owners of the Company		**(196,899)**	(521,130)
Total comprehensive loss attributable to owners of the Company		**(105,439)**	(516,950)
Loss per share	*16*		
– basic		**HK$(0.012)**	HK$(0.189)
– diluted		**HK$(0.012)**	HK$(0.189)

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

Consolidated Statement of Financial Position

at 31 July 2011

	Notes	2011 HK$'000	2010 HK$'000
ASSETS			
Non-current assets			
Investment properties	17	**122,028**	161,258
Plantation assets	18	**74,497**	49,123
Property, plant and equipment	19	**7,596**	35,906
Goodwill	20	**983,516**	218,388
Investments in associates	21	**1,212,821**	–
Intangible assets	22	**82,814**	78,929
		2,483,272	543,604
Current assets			
Properties held for sale	24	**7,613**	13,692
Trade and other debtors	25	**45,628**	34,205
Deposits and prepayments	26	**9,270**	51,638
Inventories	27	**17,420**	13,576
Amounts due from customers for contract work	28	**–**	3,119
Amounts due from associates	21	**35,854**	–
Other deposit	29	**9,457**	9,582
Loan receivables	30	**15,933**	–
Tax recoverable		**73**	–
Cash and bank balances	31	**31,349**	28,138
		172,597	153,950
Asset classified as held for sale	32	**3,393**	–
		175,990	153,950
Total assets		**2,659,262**	697,554
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	33	**816,367**	149,700
Reserves	35(a)	**1,191,546**	243,652
Total equity		**2,007,913**	393,352

Consolidated Statement of Financial Position

at 31 July 2011

	Notes	2011 HK$'000	2010 HK$'000
LIABILITIES			
Non-current liabilities			
Deferred income	36	**4,690**	8,060
Amount due to a shareholder	37	**–**	22,000
Convertible notes	38	**215,766**	210,569
Promissory notes	39	**334,031**	–
Deferred taxation	40	**2,146**	5,069
		556,633	245,698
Current liabilities			
Bank borrowings – due within one year, secured	41	**–**	18,646
Trade and other creditors	42	**36,751**	27,007
Accrued charges		**3,695**	3,391
Loans from shareholders	43	**43,000**	3,000
Amount due to a shareholder	37	**5,400**	–
Amount due to a director	37	**1,000**	5,459
Convertible notes	38(a)	**4,870**	–
Taxation payable		**–**	1,001
		94,716	58,504
Total liabilities		**651,349**	304,202
Total equity and liabilities		**2,659,262**	697,554
Net current assets		**81,274**	95,446
Total assets less current liabilities		**2,564,546**	639,050

Approved by the Board of Directors on 31 October 2011 and signed on its behalf by:

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

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

Statement of Financial Position

at 31 July 2011

	Notes	2011 HK$'000	2010 HK$'000
ASSETS			
Non-current assets			
Investments in subsidiaries	*23*	**1,938,386**	218,388
Current assets			
Deposits and prepayments	*26*	**122**	138
Other deposits	*29*	**9,457**	9,582
Amounts due from subsidiaries	*23*	**265,342**	261,360
Cash and bank balances	*31*	**39**	7,964
		274,960	279,044
Total assets		**2,213,346**	497,432
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	*33*	**816,367**	149,700
Reserves	*35(b)*	**1,150,835**	116,785
Total equity		**1,967,202**	266,485

Statement of Financial Position

at 31 July 2011

	Notes	2011 HK$'000	2010 HK$'000
LIABILITIES			
Non-current liabilities			
Convertible notes	38	**215,766**	210,569
Deferred taxation	40	**2,146**	3,814
		217,912	214,383
Current liabilities			
Other creditors	42	**9,939**	10,644
Accrued charges		**3,472**	2,920
Loan from a shareholder	43	**3,000**	3,000
Amount due to a director	37	**1,000**	–
Amounts due to subsidiaries	23	**5,951**	–
Convertible notes	38(a)	**4,870**	–
		28,232	16,564
Total liabilities		**246,144**	230,947
Total equity and liabilities		**2,213,346**	497,432
Net current assets		**246,728**	262,480
Total assets less current liabilities		**2,185,114**	480,868

Approved by the Board of Directors on 31 October 2011 and signed on its behalf by:

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

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

Consolidated Statement of Changes in Equity

for the year ended 31 July 2011

	Attributable to owners 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$'000	Total HK$'000
At 1 August 2009	120,100	292,537	11,613	19,895	77,033	143,218	83,873	16,289	57,176	821,734
Other comprehensive income for the year	–	–	–	4,180	–	–	–	–	–	4,180
Loss for the year	–	–	–	–	–	–	–	–	(521,130)	(521,130)
Total comprehensive income/(loss) for the year	–	–	–	4,180	–	–	–	–	(521,130)	(516,950)
Transfer to statutory reserves	–	–	–	–	–	–	–	2,577	(2,577)	–
Issue of ordinary shares	7,500	14,550	–	–	–	–	–	–	–	22,050
Conversion of convertible notes	22,100	66,300	–	–	–	–	(21,882)	–	–	66,518
At 31 July 2010 and 1 August 2010	149,700	373,387	11,613	24,075	77,033	143,218	61,991	18,866	(466,531)	393,352
Other comprehensive income for the year	–	–	–	91,460	–	–	–	–	–	91,460
Loss for the year	–	–	–	–	–	–	–	–	(196,899)	(196,899)
Total comprehensive income/(loss) for the year	–	–	–	91,460	–	–	–	–	(196,899)	(105,439)
Transfer to statutory reserves	–	–	–	–	–	–	–	1,555	(1,555)	–
Issue of convertible preference shares upon acquisitions of subsidiaries	666,667	1,053,333	–	–	–	–	–	–	–	1,720,000
At 31 July 2011	**816,367**	**1,426,720**	**11,613**	**115,535**	**77,033**	**143,218**	**61,991**	**20,421**	**(664,985)**	**2,007,913**

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 consolidated financial statements.

Consolidated Statement of Cash Flows

for the year ended 31 July 2011

	2011 HK$'000	2010 HK$'000
Cash flows from operating activities		
Loss before taxation	**(199,007)**	(524,714)
Adjustments for:		
Amortisation of intangible assets	**4,689**	4,356
Net loss arising from change in fair value of investment properties	**36,156**	1,678
Depreciation	**4,544**	4,019
(Gain)/loss arising from change in fair value of plantation assets less costs to sell	**(9,752)**	1,981
Finance costs	**43,424**	15,551
Impairment loss recognised in respect of goodwill	**77,490**	497,480
Interest income	**(556)**	(48)
Impairment loss recognised in respect of trade and other debtors	**–**	3,430
Waiver of other creditors	**–**	(86)
Reversal of impairment loss in respect of trade and other debtors	**(1,775)**	(3,977)
Impairment loss recognised in respect of intangible assets	**740**	3,918
Loss on disposal of property, plant and equipment	**15,836**	–
Gain on disposal of a subsidiary	**(347)**	–
Recognition of deferred income	**(3,712)**	–
Share of results of associates	**20,412**	–
Operating (loss)/profit before working capital changes	**(11,858)**	3,588
Decrease in properties held for sale	**6,079**	4,030
Decrease in trade and other debtors	**1,819**	105,836
Increase in inventories	**(3,844)**	(12,123)
Decrease/(increase) in deposits and prepayments	**42,568**	(26,520)
Decrease in amounts due from customers for contract work	**3,119**	7,083
Decrease in amounts due to customers for contract work	**–**	(513)
Increase/(decrease) in trade and other creditors	**11,121**	(13,099)
Increase in accrued charges	**304**	532
(Decrease)/increase in amount due to a director	**(4,458)**	154
Increase in amounts due from associates	**(10,397)**	–
Cash generated from operations	**34,453**	68,968
Interest paid	**(2,109)**	(2,311)
PRC income tax paid	**(1,889)**	(2,348)
Net cash generated from operating activities	**30,455**	64,309

Consolidated Statement of Cash Flows

for the year ended 31 July 2011

	2011 HK$'000	2010 HK$'000
Cash flows from investing activities		
Loan receivables	**(15,933)**	–
Interest received	**556**	48
Purchase of property, plant and equipment	**(4,864)**	(40)
Proceeds from disposal of property, plant and equipment	**984**	–
Purchase of intangible assets	**(4,949)**	(14,696)
Purchase of planation assets	**(12,272)**	(26,419)
Net cash inflow from disposal of a subsidiary	**541**	–
Net cash inflow from acquisition of subsidiaries	**76**	–
Net cash used in investing activities	**(35,861)**	(41,107)
Cash flows from financing activities		
Repayment of bank loans	**(18,646)**	(26,065)
Repayment of amount due to a shareholder	**(16,600)**	–
Loans from shareholders	**40,000**	–
Proceed from issue of shares	**–**	22,050
Net cash generated from/(used in) financing activities	**4,754**	(4,015)
Net (decrease)/increase in cash and cash equivalents	**(652)**	19,187
Cash and cash equivalents at the beginning of the year	**28,138**	6,367
Effect of foreign exchange rate changes	**3,863**	2,584
Cash and cash equivalents at the end of the year	**31,349**	28,138
Analysis of the balance of cash and cash equivalents		
Cash and bank balances	**31,349**	28,138

The accompanying notes form an integral part of these consolidated 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.

In the opinion of the directors, the Company's ultimate holding company is Linshan Limited, a company incorporated in the British Virgin Islands.

The principal activity of the Company is investment holding. Its subsidiaries and associates 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") and forestry operation in PRC and Philippines respectively.

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

In the current year, the Group has applied a number of new and revised Standards, Amendments and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are relevant to its operations and effective for annual periods beginning on 1 August 2010. The adoption of the new and revised HKFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

HKFRSs (Amendment)	Improvements to HKFRSs 2010*
HKAS 32 (Amendment)	Classification of Rights Issues
HKFRS 1 (Amendment)	Limited Exemptions from Comparative HKFRS 7 Disclosure for First-time Adopters
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transaction
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments
HK Interpretation 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

* *Except for amendments that are effective for annual periods beginning on or after 1 January 2011.*

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 2010[1]
HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[2]
HKFRS 7 (Amendments)	Disclosure – Transfers of Financial Assets[2]
HKFRS 9	Financial Instruments[5]
HKFRS 10	Consolidated Financial Statements[5]
HKFRS 11	Joint Arrangement[5]
HKFRS 12	Disclosure of Interests in Other Entities[5]
HKFRS 13	Fair Value Measurement[5]
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[4]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[3]
HKAS 19 (Revised in 2011)	Employee Benefits[5]
HKAS 24 (Revised in 2009)	Related Party Disclosures[1]
HKAS 27 (Revised in 2011)	Separate Financial Statements[5]
HKAS 28 (Revised in 2011)	Investments in Associates and Joint Ventures[5]
HK(IFRIC) – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement[1]

1 *Effective for annual periods beginning on or after 1 January 2011*

2 *Effective for annual periods beginning on or after 1 July 2011*

3 *Effective for annual periods beginning on or after 1 January 2012*

4 *Effective for annual periods beginning on or after 1 July 2012*

5 *Effective for annual periods beginning on or after 1 January 2013*

HKFRS 9 *Financial Instruments* (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 *Financial Instruments* (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

– Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

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

– In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 9 will be effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The amendments to HKFRS 7 *Disclosures – Transfer of Financial Assets* increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level continuing exposure in the asset. The amendments also require disclosures when transfers of financial assets are not evenly distributed throughout the period.

HKAS 24 *Related Party Disclosures* (as revised in 2009) modifies the definition of a related party and simplifies disclosures for government-related entities.

The disclosure exemptions introduced in HKAS 24 (as revised in 2009) do not affect the Group because the Group is not a government-related entity. However, disclosures regarding related party transactions and balances in these consolidated financial statements may be affected when the revised version of the standard is applied in future accounting periods because some counterparties that did not previously meet the definition of a related party may come within the scope of the standard.

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

HKFRS 10 *Consolidated Financial Statements* builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. This standard replaces HK(SIC) – 12 *Consolidation – Special Purpose Entities* and replaces parts of HKAS 27 *Consolidated and Separate Financial Statements*.

HKFRS 11 *Joint Arrangements* provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form (as is currently the case). The standard addresses inconsistencies in the reporting of joint arrangements by requiring a single method to account for interests in jointly controlled entities. HKFRS 11 supersedes HKAS 31 *Interests in Joint Ventures* and HK(SIC) – 13 *Jointly Controlled Entities – Non-monetary Contributions by Venturers.*

HKFRS 12 *Disclosure of Interests in Other Entities* is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.

HKFRS 13 *Fair Value Measurement* improves consistency and reduces complexity by providing, for the first time, a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The requirements do not extend the use of fair value accounting, but provide guidance on how it should be applied where its use is already required or permitted by other standards within HKFRSs.

The Group is in the process of making an assessment of the potential impact of these new and revised HKFRSs and the directors so far concluded that the application of these new and revised HKFRSs will have no material impact on the consolidated financial statements of the Group.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

The consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company. All values are rounded to the nearest thousand, unless otherwise stated.

The consolidated financial statements have been prepared on the historical cost basis except for investment properties, plantation assets and financial instruments that are measured at fair values, as explained in the accounting policies below.

The principal accounting policies are set out below.

Basis of consolidation

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

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

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

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

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

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

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

Basis of consolidation *(Continued)*

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Where certain assets of the subsidiary are measured at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

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

Business combinations *(Continued)*

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment transactions with share-based payment transactions of the Group are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or another measurement basis required by another standard.

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

Business combinations *(Continued)*

Where the consideration the Group transfers in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and considered as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments being made against goodwill or gain on bargain purchase. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period about facts and circumstances that existed as of the acquisition date. Measurement period does not exceed one year from the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

Changes in the value of the previously held equity interest recognised in other comprehensive income and accumulated in equity before the acquisition date are reclassified to profit or loss when the Group obtains control over the acquiree.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

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

Goodwill

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

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

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

The Group's policy for goodwill arising on the acquisition of an associate is described below.

Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

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

Investments in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in the associates are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

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

Investments in associates *(Continued)*

Upon disposal of an associate that results in the Group losing significant influence over that associate, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with HKAS 39. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses significant influence over that associate.

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

Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

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

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

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.

Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

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

Construction contracts *(Continued)*

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as the amounts due to customers for contract work. Amounts received before the related work is performed are included in the consolidated statement of financial position, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statement of financial position under trade and other receivables.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

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

Leases *(Continued)*

The Group as lessee

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's policy on borrowing costs (see the accounting policy below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

Foreign currencies

In preparing the consolidated financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

Foreign currencies *(Continued)*

The consolidated financial statements is presented in Hong Kong Dollars. Each entity in the Group determines its own functional currency and items included in the consolidated financial statements of each entity are measured using that functional currency.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Company's net investment in a foreign operation, in which case, such exchange differences are recognised in other comprehensive income and accumulated in equity and will be reclassified from equity to profit or loss on disposal of the foreign operation. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

For the purpose of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity in exchange reserve.

On the disposal of a foreign operation, all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss. In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in the foreign currency exchange reserve.

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

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.

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

Employee benefits *(Continued)*

(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 reporting 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 statement of comprehensive income, and a corresponding adjustment to equity over the remaining vesting period.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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

Taxation *(Continued)*

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

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current or deferred tax for the year is recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax is also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

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

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise.

Investment properties under construction have been accounted for in the same way as completed investment properties. Specifically, construction costs incurred for investment properties under construction are capitalised as part of the carrying amount of the investment properties under construction. Investment properties under construction are measured at fair value at the end of the reporting period. Any difference between the fair value of the investment properties under construction and their carrying amounts is recognised in profit or loss in the period in which they arise.

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

Plantation assets

Plantation assets comprise forest in the PRC.

Plantation assets are stated at fair value less costs to sell, with any resultant gain or loss recognised in the consolidated statement of comprehensive income. Costs to sell 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 future 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:

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 reporting 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)*

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.

Amortisation

Amortisation is charged to the statement of comprehensive income 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.

Impairment of tangible and intangible assets other than goodwill

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets, investment properties, and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is 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.

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

Impairment of tangible and intangible assets other than goodwill *(Continued)*

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 profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but 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 an impairment loss is credited to profit or loss in the period in which it arises (only if there are revalued assets in the consolidated financial statements), unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. Net realizable value is determined by reference to sale proceeds received after the reporting 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.

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.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

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

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets are classified into loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other debtors, deposits and prepayments, amounts due from customers for contract work, other deposits and cash and bank balances) are measured at amortised cost using the effective interest method, less any impairment.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the asset have been affected.

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

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

Objective evidence of impairment could include:

– significant financial difficulty of the issuer or counterparty; or

– breach of contract, such as a default or delinquency in interest or principal payments; or

– it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or

– the disappearance of an active market for that financial asset because of financial difficulties.

For loan and loans receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods (see the accounting policy below).

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

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, 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 through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

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

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group's financial liabilities are generally classified into other financial liabilities.

Other financial liabilities

Other financial liabilities (including bank borrowings, trade and other creditors, accrued charges, loan from shareholders and amount due to a director) are subsequently measured at amortised cost using the effective interest method.

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

Financial instruments *(Continued)*

Financial liabilities and equity instruments *(Continued)*

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Convertible notes

Convertible notes issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share premium. Where the conversion option remains unexercised at the maturity date of the convertible note, the balance recognised in equity will be transferred to retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

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

Financial instruments *(Continued)*

Convertible notes *(Continued)*

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

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

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

Financial instruments *(Continued)*

Derecognition *(Continued)*

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset or retains a residual interest that does not result in the retention of substantially all the risks and rewards of ownership and the Group retains control), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

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

Provisions *(Continued)*

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

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 consolidated financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

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.

A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

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

Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's chief operating decision maker for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or to provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

4. FINANCIAL RISK MANAGEMENT

(a) Categories of financial instruments

	The Group	
	2011	2010
	HK$'000	*HK$'000*
Financial assets		
Loans and receivables		
(including cash and cash equivalents)	**143,908**	102,942
Financial liabilities		
Amortised cost	**644,513**	290,072

4. FINANCIAL RISK MANAGEMENT *(Continued)*

(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 Renminbi ("RMB") and Philippine Peso ("Peso"). Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations and associates. 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.

The carrying amounts of the Group's foreign currency denominated net investments in foreign operations and associates at the end of the reporting period are as follows:

	Liabilities		**Assets**	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
RMB	**23,222**	39,646	**389,078**	455,218
Peso	**–**	–	**1,212,821**	–

4. FINANCIAL RISK MANAGEMENT *(Continued)*

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

Market risk *(Continued)*

(i) Foreign currency risk management (Continued)

Sensitivity analysis on foreign exchange risk management

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

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.

	Impact of RMB		**Impact of Peso**	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Sensitivity rate	**5%**	5%	**5%**	5%
Equity#	**18,293**	20,779	**60,641**	–

This is mainly attributable to the exposure outstanding assets of foreign operations and associates denominated in RMB and Peso at the end of the reporting period.

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 loan receivables, bank borrowings and loans from shareholders, details of which have been disclosed in Notes 30, 41 and 43.

The Group and the Company has no significant interest rate risk as at 31 July 2011.

(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 2011, 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 end of the reporting period.

The Group did not have significant investment in listed equity securities and the 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 2011, 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 statement of financial position; 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 reporting 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 2011

The Group

	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	–	36,751	–	–	36,751	36,751
Accrued charges	–	3,695	–	–	3,695	3,695
Amount due to a shareholder	–	5,400	–	–	5,400	5,400
Amount due to a director	–	1,000	–	–	1,000	1,000
Loan from shareholders	–	43,000	–	–	43,000	43,000
Promissory notes	10.55%	–	500,000	–	500,000	334,031
Convertible notes	4.83%	5,600	228,000	–	233,600	220,636
		95,446	728,000	–	823,446	644,513

4. FINANCIAL RISK MANAGEMENT *(Continued)*

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

Liquidity risk *(Continued)*

The Company

	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						
Other creditors	–	9,939	–	–	9,939	9,939
Accrued charges	–	3,472	–	–	3,472	3,472
Loan from a shareholder	–	3,000	–	–	3,000	3,000
Amount due to a director	–	1,000	–	–	1,000	1,000
Amounts due to subsidiaries	–	5,951	–	–	5,951	5,951
Convertible notes	4.83%	5,600	228,000	–	233,600	220,636
		28,962	228,000	–	256,962	243,998

At 31 July 2010

The Group

	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	–	27,007	–	–	27,007	27,007
Bank borrowings	5.75%	18,646	–	–	18,646	18,646
Accrued charges	–	3,391	–	–	3,391	3,391
Amount due to a shareholder	–	–	22,000	–	22,000	22,000
Amount due to a director	–	5,459	–	–	5,459	5,459
Loan from a shareholder	–	3,000	–	–	3,000	3,000
Convertible notes	4.83%	–	233,600	–	233,600	210,569
		57,503	255,600	–	313,103	290,072

4. FINANCIAL RISK MANAGEMENT *(Continued)*

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

Liquidity risk *(Continued)*

The Company

	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						
Other creditors	–	10,644	–	–	10,644	10,644
Accrued charges	–	2,920	–	–	2,920	2,920
Loan from a shareholder	–	3,000	–	–	3,000	3,000
Convertible notes	4.83%	–	233,600	–	233,600	210,569
		16,564	233,600	–	250,164	227,133

(c) Fair value of financial instruments

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. For an option-based derivative, the fair value is estimated using option pricing model (for example, the Black-Scholes option pricing model and Binomial option pricing model).

4. FINANCIAL RISK MANAGEMENT *(Continued)*

(c) Fair value of financial instruments *(Continued)*

Except as detailed in the following table, the directors consider that the carrying amounts of financial assets and financial liabilities recorded in the consolidated financial statements approximate their fair values:

The Group

	2011		2010	
	Carrying amount	**Fair value**	Carrying amount	Fair value
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Financial liabilities				
Convertible notes	**220,636**	**214,060**	210,569	198,230
Promissory notes	**334,031**	**347,780**	–	–

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

1. Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

2. Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

3. Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

No analysis is disclosed since the Group has no financial instruments that are measured subsequent to initial recognition at fair value at the end of the reporting period.

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 equity attributable to owners 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 2011 and 31 July 2010 was as follows:

	2011 ***HK$'000***	2010 *HK$'000*
Debt	–	18,646
Total equity	**2,007,913**	393,352
Gearing ratio	–	0.05

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 performs annual reviews on whether the assumptions made on useful lives continue to be valid. 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.

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 consolidated financial statements. The calculation 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 consolidated 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 reporting period.

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.

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

Critical accounting estimates and assumptions *(Continued)*

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.

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.

Fair value of plantation assets

The Group's plantation assets are valued at fair value less costs to sell. In determining the fair value of the plantation assets, the professional valuers have applied the net present value approach which requires a number of key assumptions and estimates to be made such as discount rate, log price, harvest profile, plantation costs, growth, harvesting and establishment. Any change in the estimates may affect the fair value of the plantation assets significantly. The professional valuers and management review the assumptions and estimates periodically to identify any significant change in the fair value of plantation assets.

7. SEGMENT INFORMATION

The Group's operating and reportable segments are as follows:

(i) the property development segment involves the development of property, the management of shopping arcade and the sales of residential units in the PRC;

(ii) the environmental protection operations segment involves the installation services, sales of chemical agents and petroleum chemical products, and the provision of technical services in the PRC; and

(iii) the forestry and logging operation segment involves the development, management and processing of agricultural lands and forest lands for the planting, cultivation and production of industrial and fruit bearing trees and other agricultural forest products in the PRC and Philippines.

Segment turnover and results

An analysis of the Group's turnover and results by business segment is presented below:

	Property development		Environmental protection operations		Forestry and logging operation		Total	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
TURNOVER	**13,554**	8,156	**109,715**	93,470	**–**	–	**123,269**	101,626
RESULTS								
Segment (loss)/profit	**(24,301)**	4,330	**(22,986)**	5,028	**(25,030)**	(1,018)	**(72,317)**	8,340
Unallocated corporate income							**525**	3
Unallocated corporate expenses							**(15,313)**	(14,127)
Impairment loss in respect of goodwill	**–**	–	**(77,490)**	(497,480)	**–**	–	**(77,490)**	(497,480)
Impairment loss in respect of intangible assets	**–**	–	**–**	–	**(740)**	(3,918)	**(740)**	(3,918)
Gain/(loss) arising from change in fair value of plantation assets less cost to sell	**–**	–	**–**	–	**9,752**	(1,981)	**9,752**	(1,981)
Loss from operations							**(155,583)**	(509,163)
Finance costs							**(43,424)**	(15,551)
Loss before taxation							**(199,007)**	(524,714)

7. SEGMENT INFORMATION *(Continued)*

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current year (2010: Nil).

The accounting policies of the reportable segments are the same as the Group's accounting policies. Business segment represents the profit/(loss) from each segment without allocation of central operating expenses including staff costs and finance costs. This is the measure reported for the purpose of resource allocation and assessment of segment performance.

Segment assets and liabilities

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

	Property development		Environmental protection operations		Forestry and logging operation		Total	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
ASSETS								
Segment assets	**149,074**	176,781	**265,693**	411,657	**2,228,247**	85,272	**2,643,014**	673,710
Unallocated corporate assets							**16,248**	23,844
Consolidated total assets							**2,659,262**	697,554
LIABILITIES								
Segment liabilities	**685**	772	**23,028**	38,151	**375,630**	–	**399,343**	38,923
Convertible notes							**220,637**	210,569
Deferred taxation							**2,146**	5,069
Unallocated corporate liabilities							**29,223**	49,641
Consolidated total liabilities							**651,349**	304,202

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

– all assets are allocated to reportable segments other than deposit and prepayment and other deposits.

– all liabilities are allocated to reportable segments other than amount due to a shareholder, amount due to a director, convertible notes and deferred tax liabilities.

7. SEGMENT INFORMATION *(Continued)*

Other segment information

The following is analysis of the Group's other segment information:

	Property development		Environmental protection operations		Forestry and logging operation		Unallocated		Total	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Capital addition	**4,665**	–	**185**	40	**17,235**	26,419	**–**	–	**22,085**	26,459
Depreciation and amortisation	**381**	–	**7,479**	7,260	**1,289**	1,018	**84**	97	**9,233**	8,375
Loss arising from change in fair value of investment properties	**30,669**	1,203	**5,487**	475	**–**	–	**–**	–	**36,156**	1,678
Impairment loss recognised in respect trade and other debtors	**–**	–	**–**	3,430	**–**	–	**–**	–	**–**	3,430
Impairment loss recognised in respect of intangible assets	**–**	–	**–**	–	**740**	3,918	**–**	–	**740**	3,918
Impairment loss recognised in respect of goodwill	**–**	–	**77,490**	497,480	**–**	–	**–**	–	**77,490**	497,480
Gain/(loss) arising from changes in fair value of plantation assets less cost to sell	**–**	–	**–**	–	**9,752**	(1,981)	**–**	–	**9,752**	(1,981)

Geographical information

The Group's operations are located in Hong Kong, the People's Republic of China (the "PRC") and Philippines.

For the year ended 31 July 2011, all of the Group's turnover are derived from the PRC. The following is an analysis of the carrying amount of segment assets analysed by the geographical area in which the assets are located:

	Non-current assets		Additions to property, plant and equipment and plantation assets	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
The PRC	**286,935**	325,047	**21,886**	26,459
Philippines	**1,212,821**	–	**–**	–
Hong Kong	**983,516**	218,557	**199**	–
	2,483,272	543,604	**22,085**	26,459

7. SEGMENT INFORMATION *(Continued)*

Information about major customers

Included in turnover arising from environmental protection operations of approximately HK$109,715,000 (2010: HK$93,470,000) are turnover of approximately HK$39,271,000 (2010: HK$12,833,000) which arose from turnover to the Group's largest two (2010: one) customers with whom transactions have exceeded 10% of the Group's turnover during the year. No customer had exceeded 10% of the Group's turnover arising from property development during the year.

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.

	The Group	
	2011	2010
	HK$'000	*HK$'000*
Turnover:		
Sales of properties in the PRC	**13,554**	8,156
Sales of chemical agents and petroleum chemical products	**83,128**	85,363
Provision of installation services	**10,433**	5,652
Provision of technical services	**16,154**	2,455
	123,269	101,626
Other revenue:		
Bank and loan interest income	**556**	48
Rental income	**2,428**	2,919
Governmental grant	**3,712**	94
Management fee income	**1,905**	1,181
Sundry income	**69**	3
	8,670	4,245

9. LOSS FROM OPERATIONS

Loss from operations is stated at after charging:

	The Group	
	2011	2010
	HK$'000	*HK$'000*
Auditors' remuneration	**750**	750
Amortisation of intangible assets *(Note 22)*	**4,689**	4,356
Depreciation on owned assets *(Note 19)*	**4,544**	4,019
Operating lease rentals in respect of land and buildings	**1,910**	1,150
Impairment loss recognised in respect of trade and other debtors *(Note 25)*	**–**	3,430
Loss on disposal of property, plant and equipment	**15,836**	–
Staff costs, including directors' remuneration:		
– retirement benefits scheme contributions	**488**	409
– salaries and other benefits	**8,183**	4,114
Cost of inventories recognised as an expense	**85,326**	75,176
and after crediting:		
Other income:		
Waiver of other creditors	**–**	86
Exchange gain	**140**	10
Reversal of impairment loss in respect of trade and other debtors *(Note 25)*	**1,775**	3,977
	1,915	4,073

10. FINANCE COSTS

	The Group	
	2011	2010
	HK$'000	*HK$'000*
Imputed interest expense on convertible notes	**10,067**	13,240
Imputed interest expense on promissory notes	**31,248**	–
Interest expense on bank borrowings wholly repayable within five years	**467**	2,101
Interest expenses on loans from shareholders	**1,642**	210
	43,424	15,551

11. TAXATION

No provision for Hong Kong Profits Tax has been made during the year (2010: Nil) as the Group had no assessable profit for the year.

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

	The Group	
	2011	2010
	HK$'000	*HK$'000*
Current taxation:		
Provision for the year in the PRC	**848**	–
Over provision in previous year	**–**	(1,159)
Deferred taxation:		
Reversal during the year	**(2,956)**	(2,425)
	(2,108)	(3,584)

11. TAXATION *(Continued)*

The tax credit for the year can be reconciled to the loss per the consolidated statement of comprehensive income as follows:

The Group

	2011					
	Hong Kong		**The PRC**		**Total**	
	HK$'000	***%***	***HK$'000***	***%***	***HK$'000***	***%***
Loss before taxation	**(159,755)**		**(39,252)**		**(199,007)**	
Tax at applicable tax rate	**(26,360)**	**(16.5)**	**(9,813)**	**(25.0)**	**(36,173)**	**(18.2)**
Estimated tax effect of income and expenses not taxable or deductible in determining taxable profit	**22,971**	**14.4**	**7,667**	**19.5**	**30,638**	**15.4**
Tax losses not recognised	**1,721**	**1.1**	**1,706**	**4.4**	**3,427**	**1.7**
Tax credited at the Group's effective rate	**(1,668)**	**(1.0)**	**(440)**	**(1.1)**	**(2,108)**	**(1.1)**

The Group

	2010					
	Hong Kong		The PRC		Total	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
(Loss)/profit before taxation:	(525,054)		340		(524,714)	
Tax at applicable tax rate	(86,634)	(16.5)	85	25.0	(86,549)	(16.5)
Over-provision in previous year	–	–	(1,159)	(340.9)	(1,159)	(0.2)
Estimated tax effect of income and expenses not taxable or deductible in determining taxable profit	82,084	15.6	(205)	(60.3)	81,879	15.6
Tax losses not recognised	2,245	0.5	–	–	2,245	0.4
Tax credited at the Group's effective rate	(2,305)	(0.4)	(1,279)	(376.2)	(3,584)	(0.7)

12. 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	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Executive directors								
Mr. Yu Hong	**–**	–	**500**	500	**1**	2	**501**	502
Mr. Li Bin	**–**	–	**300**	300	**1**	1	**301**	301
Mr. Yu Shu Liang (resigned on 1 November 2010)	**–**	–	**125**	300	**2**	1	**127**	301
Mr. Tan Cheow Teck (appointed on 29 September 2010)	**–**	–	**936**	–	**–**	–	**936**	–
Mr. Chim Kim Lun, Ricky (resigned on 21 November 2009)	**–**	–	**–**	–	**–**	–	**–**	–
Non-executive director								
Mr. Shen Xia (appointed on 11 August 2010)	**117**	–	**–**	–	**–**	–	**117**	–
Independent non-executive directors								
Mr. Kwong Ping Man	**78**	30	**–**	–	**–**	–	**78**	30
Mr. Zhang Xi Chu	**–**	–	**–**	–	**–**	–	**–**	–
Ms. Sun Zhili	**60**	60	**–**	–	**–**	–	**60**	60
	255	90	**1,861**	1,100	**4**	4	**2,120**	1,194

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

	2011	2010
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 (2010: Nil).

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2010: Nil).

13. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two (2010: two) directors, details of whose remuneration set out in Note 12 above. Details of the remuneration of the five (2010: five) highest paid employees are as follows:

	2011	2010
	HK$'000	*HK$'000*
Salaries and other benefits	**3,970**	2,079
Retirement benefits scheme contributions	**30**	34
Total emoluments	**4,000**	2,113

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

	Number of employees	
	2011	2010
Nil – HK$1,000,000	**2**	3
HK$1,000,001 – HK$1,500,000	**–**	–
HK$1,500,001 – HK$2,000,000	**1**	–

During the year, no remuneration was paid by the Group to the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office (2010: Nil).

14. LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

The loss attributable to owners of the Company is dealt with in the financial statements of the Company to the extent of HK$19,283,000 (2010: HK$375,550,000).

15. DIVIDENDS

The directors do not recommend the payment of any dividend in respect of the year ended 31 July 2011 (2010: Nil).

16. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

Basic loss per share

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

	2011	2010
	HK$'000	*HK$'000*
Loss		
Loss attributable to owners of the Company for the purpose of basic loss per share calculation	**(196,899)**	(521,130)

	2011	2010
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share calculation	**16,035,096**	2,757,353

Diluted loss per share

For the year ended 31 July 2011 and 31 July 2010, diluted loss per share is the same as the basic loss per share as the effects of the Company's outstanding convertible notes were anti-dilutive.

17. INVESTMENT PROPERTIES

The Group

	2011	2010
	HK$'000	*HK$'000*
Fair value:		
Completed investment properties, in the PRC	**83,250**	111,890
Investment properties under construction, in the PRC	**38,778**	49,368
	122,028	161,258

	Completed investment properties in PRC	**Investment properties under construction in PRC**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Fair value:			
At 1 August 2009	119,844	–	119,844
Exchange alignment	92	–	92
Reclassified of properties under development *(Note 24)*	–	43,000	43,000
Net (loss)/gain arising from changes in fair value	(8,046)	6,368	(1,678)
At 31 July 2010 and 1 August 2010	111,890	49,368	161,258
Exchange alignment	319	–	319
Reclassified as asset held for sale	(3,393)	–	(3,393)
Net loss arising from changes in fair value	(25,566)	(10,590)	(36,156)
At 31 July 2011	**83,250**	**38,778**	**122,028**

17. INVESTMENT PROPERTIES *(Continued)*

The fair values of the Group's investment properties (including investment properties under construction) at 31 July 2011 and 2010 have been valued at on the basis of a valuation carried out at that date by Messrs. BMI Appraisals Limited, independent qualified valuers not connected with the Group. The valuation was arrived at by reference to market evidence of transaction prices for similar properties. The valuation gave rise to a loss arising from change in fair value of HK$36,156,000 (2010: loss of HK$1,678,000) which has been charged to the consolidated statement of comprehensive income.

None of the Group's investment properties (2010: Nil) have been pledged to secure credit facilities granted to the Group.

The carrying amount of investment properties shown above comprises:

	2011	2010
	HK$'000	*HK$'000*
Land outside Hong Kong:		
Long-term lease	**122,028**	152,697
Medium-term lease	**–**	8,561
	122,028	161,258

Property rental income earned during the year was approximately HK$2,428,000 (2010: HK$2,919,000). The property held had committed tenants for the next two to five years. At the end of the reporting period, the Group contracted with tenants for the following future minimum lease receivables:

	2011	2010
	HK$'000	*HK$'000*
Within one year	**1,459**	2,182
In the second to fifth year inclusive	**2,423**	931
	3,882	3,113

18. PLANTATION ASSETS

The Group

	2011	2010
	HK$'000	*HK$'000*
At 1 August	**49,123**	24,484
Additions	**12,272**	26,419
Exchange alignment	**3,350**	201
Gain/(loss) arising from changes in fair values less costs to sell	**9,752**	(1,981)
At 31 July	**74,497**	49,123

The changes in fair value less costs to sell during the year represent the aggregate of the difference between the value of the existing plantation assets as of the beginning and end of the year and the difference between the value of the new plantation assets as of the second day of acquisition and end of the year.

The Group has been granted 9 (2010: 8) timber concession and plantation licences for a gross area of approximately 10,311.5 (2010: 9,103.5) Chinese Mou in PRC. The licences are for 30 to 61 years, the earliest of which expires in 2037.

At 31 July 2011, plantation assets represent standing timber planted by the Group and comprise approximately 10,311.5 (2010: 9,103.5) Chinese Mou of tree plantations, which are about 3 years old. As at 31 July 2011, there were approximately 686,636 standing timbers. During the year ended 31 July 2011, the Group has not harvested any wood (2010: Nil).

18. PLANTATION ASSETS *(Continued)*

The Group's plantation assets in the PRC were valued by independent professional valuer. The independent professional valuer has applied the net present value approach which requires a number of key assumptions and estimates in determining the fair value of the plantation assets. The directors of the Company review these assumptions and estimates periodically to identify any significant change in the fair value. 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% (2010: 12%) for the year applied to cash flows to provide a current market value of the plantation assets.

The principal valuation methodology and assumptions adopted are as follows:

- stands are scheduled to be harvested at or near their optimum economic age;
- the cash flows are those arising from the current rotation of trees only. No account was taken of revenues or costs from re-establishment following harvest, or of land not yet planted;
- the cash flows have been prepared in real terms and have not therefore included inflationary effects;
- the impact of any planned future activity of the business that may impact the pricing of the logs harvested from the forest is not taken into account;
- costs are current average costs. No allowance has been made for cost improvements in future operations;
- the logs are free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value; and
- the factors of natural defects in the wood such as physical defects, rots and directions of grains have been allowed for reasonable recovery rate for the valuation.

19. 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 2009	100	28,932	5,970	8,774	16,212	59,988
Additions	–	–	40	–	–	40
Exchange alignment	–	309	14	82	173	578
At 31 July 2010 and 1 August 2010	100	29,241	6,024	8,856	16,385	60,606
Additions	4,665	–	61	138	–	4,864
Acquisition of subsidiaries	36	–	37	–	–	73
Disposals	–	(30,012)	(27)	–	(13,374)	(43,413)
Disposal of a subsidiary	–	–	–	–	(2,390)	(2,390)
Exchange alignment	–	771	78	431	463	1,743
At 31 July 2011	4,801	–	6,173	9,425	1,084	21,483
Depreciation and impairment						
At 1 August 2009	12	4,723	5,450	5,277	5,029	20,491
Provided for the year	50	1,451	183	709	1,626	4,019
Exchange alignment	–	62	12	50	66	190
At 31 July 2010 and 1 August 2010	62	6,236	5,645	6,036	6,721	24,700
Provided for the year	454	1,501	208	731	1,650	4,544
Eliminated upon disposals	–	(7,900)	(23)	–	(7,328)	(15,251)
Disposal of a subsidiary	–	–	–	–	(818)	(818)
Exchange alignment	–	163	67	293	189	712
At 31 July 2011	516	–	5,897	7,060	414	13,887
Net book value						
At 31 July 2011	**4,285**	**–**	**276**	**2,365**	**670**	**7,596**
At 31 July 2010	38	23,005	379	2,820	9,664	35,906

20. GOODWILL

The Group

	HK$'000
Cost:	
At 1 August 2009, 31 July 2010 and 1 August 2010	715,868
Arising from acquisition of subsidiaries	842,618
At 31 July 2011	1,558,486
Impairment:	
At 1 August 2009	–
Impairment loss recognised in the year	497,480
At 31 July 2010 and 1 August 2010	497,480
Impairment loss recognised in the year	77,490
At 31 July 2011	574,970
Carrying amount:	
At 31 July 2011	**983,516**
At 31 July 2010	218,388

During the year ended 31 July 2011, the management assessed the recoverable amount of goodwill, and determined the goodwill associated with the environment protection operations was impaired by approximately HK$77,490,000. The main factor contributing to the impairment of goodwill was due to the decrease in sales of chemical agents and petroleum chemical products.

20. GOODWILL *(Continued)*

At the end of the reporting period, the Group assessed the recoverable amount of goodwill and determined that goodwill associated with the Group's environmental protection operations and forestry operations. The recoverable amount of the environmental protection operations was assessed by reference to value in use. A discount rate of 12.73% per annum was applied in the value in use model. The recoverable amount of the forestry operations was also assessed by reference to value in use. A discount rate of 17.94% per annum was applied in the value in use model.

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 2011 is allocated as follows:

	HK$'000
Environmental protection operations	140,898
Forestry operations	842,618

Environmental protection operations

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 12.73% per annum. Cashflows beyond that five-year period have been extrapolated using a steady 3% 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.

20. GOODWILL *(Continued)*

Environmental protection operations *(Continued)*

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.

Forestry operations

The recoverable amount of the forestry operations is determined based on a value in use calculation which uses cash flows projections based on financial budgeted approved by management covering a sixteen-year period, as the directors consider that the planation right will expire after sixteen year. Cash flow projections during the budgeted period are based on the some expected gross margin during the budgeted period. The discount rate used in measuring value in use was 17.94% per annum.

The key assumptions used in the value in use calculations for the environmental protection operations rare 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 immediate before the budgeted period which reflects past experience, increased for expected efficiency improvements.

21. INVESTMENTS IN ASSOCIATES

The Group

	2011	2010
	HK$'000	*HK$'000*
Cost of investments in associates, unlisted *(Note 44)*	**1,154,359**	–
Share of post-acquisition profits and other comprehensive income, net of dividend	**58,462**	–
	1,212,821	–
Amounts due from associates	**35,854**	–

(a) As at 31 July 2011, the Group had interests in the following associates:

Name of associate	Form of entity	Place of incorporation/ operations	Class of share held	Proportion of nominal value of issued capital held by the Group	Proportion of voting power held	Principal activities
				%	*%*	
Alverna Dynamic Development Inc.	Incorporated	Philippines	ordinary	40	40	Investment holding
Shannalyne Inc.	Incorporated	Philippines	ordinary	40	40	Forestry operations
2010 Duran Inc.	Incorporated	Philippines	ordinary	40	40	Dormant
Goldenbell Hills PTE. Ltd	Incorporated	Singapore	ordinary	40	40	Dormant

21. INVESTMENTS IN ASSOCIATES *(Continued)*

Summarised financial information in respect of the Group's associates is set out below:

	2011	2010
	HK$'000	*HK$'000*
Total assets	**2,755,437**	–
Total liabilities	**(866,334)**	–
Net assets	**1,889,103**	–
Group's share of net assets of associates	**1,212,821**	–
Total revenue	**–**	–
Total loss for the year	**(32,190)**	–
Group's share of loss of associates	**(20,412)**	–
Group's share of changes in other comprehensive income of associates	**78,874**	–

22. INTANGIBLE ASSETS

The Group

	Patent	Timber concession and plantation license	Total
	HK$'000	*HK$'000*	*HK$'000*
Cost:			
At 1 August 2009	65,229	25,219	90,448
Additions	–	14,696	14,696
Exchange realignment	695	268	963
At 31 July 2010 and 1 August 2010	65,924	40,183	106,107
Additions	–	4,949	4,949
Exchange realignment	3,657	2,370	6,027
At 31 July 2011	69,581	47,502	117,083
Amortisation and impairment:			
At 1 July 2009	18,328	315	18,643
Charge for the year	3,338	1,018	4,356
Impaired recognised for the year	–	3,918	3,918
Exchange realignment	220	41	261
At 31 July 2010 and 1 August 2010	21,886	5,292	27,178
Charge for the year	3,452	1,237	4,689
Impaired recognised for the year	–	740	740
Exchange realignment	1,312	350	1,662
At 31 July 2011	26,650	7,619	34,269
Carrying amount:			
At 31 July 2011	**42,931**	**39,883**	**82,814**
At 31 July 2010	44,038	34,891	78,929

22. INTANGIBLE ASSETS *(Continued)*

The recoverable amount of timber concession and plantation license is determined based on value-in-use calculations. The impairment review of the timber concession and plantation license is based on the expected future cash flows and based on the financial budgets approved by management covering a over 5-year period. The directors consider that it will take longer period to commence and realise the future economic benefits. Discount rate of 12% is applied on the value-in-use calculations. The main factor contributing to the impairment was a change of the market condition.

23. INVESTMENTS IN SUBSIDIARIES

The Company

	2011	2010
	HK$'000	*HK$'000*
Unlisted shares, at cost	**2,104,000**	384,002
Less: Impairment loss recognised	**(165,614)**	(165,614)
	1,938,386	218,388
Amounts due from subsidiaries	**486,174**	482,192
Less: Impairment loss recognised	**(220,832)**	(220,832)
	265,342	261,360
Amounts due to subsidiaries	**(5,951)**	–

23. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Notes:

(a) Details of the Company's principal subsidiaries as at 31 July 2011 are set out in Note 52 to the consolidated financial statements.

(b) None of the subsidiaries had any debt securities outstanding at the end of the reporting period 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.

24. PROPERTIES HELD FOR SALE/PROPERTIES UNDER DEVELOPMENT

The Group

(a) Properties held for sale

	2011	2010
	HK$'000	*HK$'000*
Properties held for sale	**7,613**	13,692

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

24. PROPERTIES HELD FOR SALE/PROPERTIES UNDER DEVELOPMENT *(Continued)*

(b) Properties under development

	HK$'000
Cost	
At 1 August 2009	72,706
Transfer to investment properties	(72,706)
At 31 July 2010, 1 August 2010 and 31 July 2011	–
Impairment	
At 1 August 2009	29,706
Transfer to investment properties	(29,706)
At 31 July 2010, 1 August 2010 and 31 July 2011	–
Net book value	
At 31 July 2011	**–**
At 31 July 2010	–

25. TRADE AND OTHER DEBTORS

The Group

	2011	2010
	HK$'000	*HK$'000*
Trade and other debtors	**58,157**	48,905
Less: Impairment loss recognised in respect of trade and other debtors *(Note (a))*	**(12,529)**	(14,700)
	45,628	34,205

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

	2011	2010
	HK$'000	*HK$'000*
0 to 30 days	**28,812**	6,197
31 to 60 days	**1,143**	998
61 to 90 days	**1,403**	1,206
91 to 180 days	**3,023**	12,205
181 to 365 days	**4,392**	5,248
Over 365 days	**19,384**	23,051
	58,157	48,905
Less: Impairment loss recognised in respect of trade and other debtors *(Note (b))*	**(12,529)**	(14,700)
	45,628	34,205

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.

25. TRADE AND OTHER DEBTORS *(Continued)*

Notes: (Continued)

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

	2011	2010
	HK$'000	*HK$'000*
At 1 August	**14,700**	15,206
Exchange realignment	**(396)**	41
Reversal of impairment *(Note 9)*	**(1,775)**	(3,977)
Impairment loss recognised in respect of trade and other debtors *(Note 9)*	**–**	3,430
At 31 July	**12,529**	14,700

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

	2011	2010
	HK$'000	*HK$'000*
Over 365 days	**6,855**	8,351

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

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

	2011	2010
	HK$'000	*HK$'000*
Over 365 days	**12,529**	14,700

26. DEPOSITS AND PREPAYMENTS

	The Group		The Company	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Deposit paid for legal claim	**3,199**	3,131	**–**	–
Deposits paid	**2,449**	27,886	**–**	–
Prepayment	**3,622**	20,621	**122**	138
	9,270	51,638	**122**	138

27. INVENTORIES

The Group

	2011	2010
	HK$'000	*HK$'000*
Raw material	**4,028**	6,188
Finished goods	**13,392**	7,388
	17,420	13,576

The cost of inventories recognised as an expense during the year, was approximately HK$85,326,000 (2010: HK$75,176,000).

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

	The Group	
	2011	2010
	HK$'000	*HK$'000*
Amounts due from customers for contract work	–	3,119
Amounts due to customers of contract work	–	–
	–	3,119
Contracts in progress at the end of the reporting period:		
Contract costs in incurred plus recognised profits less recognised losses to date	–	34,996
Less: Progress billing	–	(31,877)
	–	3,119

29. OTHER DEPOSIT

The Group and the Company

A sum of HK$9,457,000 (2010: HK$9,582,000) 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.

30. LOAN RECEIVABLES

The Group

On 13 January 2011, the Group, as lender, has entered into a loan agreement with an independent third party (the "Borrower") to provide a 18 months non-revolving term loan facility to the extent of US$2,000,000 to the Borrower. The loan carries an interest rate of 8% per annum.

30. LOAN RECEIVABLES *(Continued)*

The Group *(Continued)*

On 31 January 2011, the Group agreed to grant and make available to the Borrower, the aggregate amount of the term loan facility is increased from US$2,000,000 to US$2,600,000. The terms of the loan remains unchanged.

	2011	2010
	HK$'000	*HK$'000*
Loan receivables	**15,933**	–

31. CASH AND BANK BALANCES

	The Group		**The Company**	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash and bank balances	**31,349**	28,138	**39**	7,964

As at 31 July 2011, cash and bank balances of the Group included currencies denominated in RMB amounted to approximately HK$25,843,000 (2010: HK$19,920,000) which is not freely convertible into other currencies.

32. ASSET CLASSIFIED AS HELD FOR SALE

On 29 June 2011, Guangzhou Yueshou Industry Co. Ltd. ("Guangzhou Yueshou Industry"), an indirect wholly owned subsidiary of the Company entered into a sale and purchase agreement with an independent third party in relation to the disposal of investment property located in PRC at consideration of RMB2,800,000 (equivalent to approximately HK$3,393,000). The disposal of the investment property has not completed as at 31 July 2011. In accordance with HKFRS 5 *Non-current Assets Held for Sale and Discounted Operations*, the above investment property have been classified as held for sale in the consolidated statement of financial position as at 31 July 2011.

33. SHARE CAPITAL

The Group and the Company

	Number of shares	Amount
		HK$'000
Authorised:		
Ordinary shares of HK$0.05 each		
At 1 August 2009	16,000,000,000	800,000
Increase in authorised share capital	14,000,000,000	700,000
At 31 July 2010, 1 August 2010 and 31 July 2011	30,000,000,000	1,500,000
Convertible preference shares of HK$0.05 each		
At 1 August 2009	–	–
Increase in authorised convertible preference shares	20,000,000,000	1,000,000
At 31 July 2010, 1 August 2010 and 31 July 2011	20,000,000,000	1,000,000
Issued and fully paid:		
Ordinary shares of HK$0.05 each		
At 1 August 2009	2,401,999,999	120,100
Placing of ordinary shares *(Note (a))*	150,000,000	7,500
Conversion of convertible notes *(Note 38)*	442,000,000	22,100
At 31 July 2010 and 1 August 2010	2,993,999,999	149,700
Conversion of convertible preference shares	1,200,000,000	60,000
At 31 July 2011	**4,193,999,999**	**209,700**
Convertible preference shares of HK$0.05 each		
At 1 August 2009, 31 July 2010 and 1 August 2010	–	–
Share issued as consideration for acquisition	13,333,333,333	666,667
Converted into ordinary shares	(1,200,000,000)	(60,000)
At 31 July 2011	**12,133,333,333**	**606,667**
Total	**16,327,333,332**	**816,367**

33. SHARE CAPITAL *(Continued)*

Note:

(a) The convertible preference shares are non-voting shares and non-redeemable. The holders of the convertible preference shares are entitled to receive the same dividends as the holders of ordinary shares. In addition, the holder of the convertible preference shares have the right to convert any convertible preference shares into the Company's ordinary shares at any time at the conversion rate of 1 to 1 each.

(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 shares to not less than six places at a price of HK$0.15 per share on a best effort basis. The placing was completed on 4 December 2010. The net proceeds from the placing were approximately HK$22,050,000.

34. SHARE OPTION SCHEME

On 28 July 2010, 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 of subscribe for shares in the Company at a price equal to the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet for trade in one or more board lots of the shares on the Offer Date; (ii) the average closing price of the Shares as stated the Stock Exchange's daily quotations sheets for the five Business Days immediately preceding to the Offer Date; 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 27 July 2020. A nominal consideration of HK$1 is payable on acceptance of the grant of an option.

No options were granted to any directors and employees of the Company during the two years ended 31 July 2011 and 31 July 2010 pursuant to the New Scheme.

35. 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 page 36 of the annual report.

(b) The Company

	Share premium HK$'000	Contributed surplus HK$'000	Distributable reserve HK$'000 (Note (a))	Convertible notes reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 August 2009	292,537	143,218	77,033	83,873	(163,294)	433,367
Issue of ordinary shares	14,550	–	–	–	–	14,550
Conversion of convertible notes	66,300	–	–	(21,882)	–	44,418
Loss for the year	–	–	–	–	(375,550)	(375,550)
At 31 July 2010 and 1 August 2010	373,387	143,218	77,033	61,991	(538,844)	116,785
Issue of convertible preference shares upon acquisitions of subsidiaries	1,053,333	–	–	–	–	1,053,333
Loss for the year	–	–	–	–	(19,283)	(19,283)
At 31 July 2011	**1,426,720**	**143,218**	**77,033**	**61,991**	**(558,127)**	**1,150,835**

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.

36. DEFERRED INCOME

The Group

	2011	2010
	HK$'000	*HK$'000*
At the beginning of the year	**8,060**	7,975
Recognised during the year	**(3,712)**	–
Exchange alignment	**342**	85
At the end of the year	**4,690**	8,060

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

37. AMOUNT DUE TO A SHAREHOLDER/DIRECTOR

The amount due to a shareholder is unsecured, interest free and repayable on demand (2010: the shareholder will not demand for repayment within one year from the end of the reporting period and the amount is therefore shown as non-current liability).

The amount due to a director is unsecured, interest free and repayable on demand.

38. CONVERTIBLE NOTES

The Group and the Company

(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 and will mature on 27 June 2012.

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.

38. CONVERTIBLE NOTES *(Continued)*

The Group and the Company *(Continued)*

(a) *(Continued)*

The Convertible Notes 1 recognised in the consolidated statement of financial position was calculated, as follows:

	HK$'000
Nominal value of convertible notes issued on 28 June 2007	256,000
Liability component	(117,899)
Equity component	138,101
Liability component at 1 August 2009	54,852
Imputed interest expense charged	4,149
Converted into Company's shares	(54,830)
Liability component at 31 July 2010 and 1 August 2010	4,171
Imputed interest expense charged	699
Liability component at 31 July 2011	**4,870**

During the year ended 31 July 2010, Convertible Notes 1 with an aggregate amount of HK$80,400,000 was converted into the ordinary shares of the Company. Total number of ordinary shares converted was 402,000,000 *(Note 33)*.

Interest expense on the Convertible Notes 1 is calculated using the effective interest method by applying the effective interest rate of 16.774% (2010: 16.774%) to the liability component. As at 31 July 2011, the fair value of Convertible Notes 1 was approximately HK$5,230,000 (2010: HK$4,870,000).

38. CONVERTIBLE NOTES *(Continued)*

The Group and the Company *(Continued)*

(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 consolidated statement of financial position was calculated, as follows:

	HK$'000
Nominal value of convertible notes issued on 30 October 2007	384,000
Liability component	(307,570)
Equity component	76,430
Liability component at 1 August 2009	204,364
Imputed interest expense charged	9,091
Converted into Company's share	(7,057)
Liability component at 31 July 2010 and 1 August 2010	206,398
Imputed interest expense charged	9,368
Liability component at 31 July 2011	**215,766**

38. CONVERTIBLE NOTES *(Continued)*

The Group and the Company *(Continued)*

(b) *(Continued)*

During the year ended 31 July 2010, Convertible Notes 2 with an aggregate amount of HK$8,000,000 was converted into the ordinary shares of the Company. Total number of ordinary shares converted was 40,000,000 *(Note 33)*.

Interest expense on the Convertible Notes 2 is calculated using the effective interest method by applying the effective interest rate of 4.534% (2010: 4.534%) to the liability component. As at 31 July 2011, the fair value of Convertible Notes 2 was approximately HK$208,830,000 (2010: HK$193,360,000).

39. PROMISSORY NOTES

The Group

On 9 August 2010, the Company issued promissory notes with a principal amount of HK$500,000,000 due on 8 August 2015 for acquiring the entire share capital of Asiaone Forest Products Holdings Limited ("Asiaone") (formerly known as Fullteam Holdings Limited). The promissory notes are interest free and the effective interest rate is 10.55%.

	HK$'000
At 1 August 2009, 31 July 2010 and 1 August 2010	–
Issued as consideration for acquisition	302,783
Interest expenses charged	31,248
At 31 July 2011	**334,031**

As at 31 July 2011, the fair value of promissory notes was approximately HK$347,780,000 (2010: Nil).

40. 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 2009	1,358	10,751	12,109
Credit to consolidated statement of comprehensive income for the year	(119)	(2,306)	(2,425)
Exchange alignment	16	–	16
Reversal upon conversion of convertible notes	–	(4,631)	(4,631)
At 31 July 2010 and 1 August 2010	1,255	3,814	5,069
Credit to consolidated income statement of comprehensive income for the year	(1,288)	(1,668)	(2,956)
Exchange alignment	33	–	33
At 31 July 2011	**–**	**2,146**	**2,146**

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

	2011 ***HK$'000***	2010 *HK$'000*
Deferred tax assets	**–**	–
Deferred tax liabilities	**(2,146)**	(5,069)
	(2,146)	(5,069)

40. DEFERRED TAXATION *(Continued)*

The Company

Deferred tax liabilities:

	Convertible notes *HK$'000*
At 1 August 2009	10,751
Credit to statement of comprehensive income for the year	(2,306)
Reversal upon conversion for convertible notes	(4,631)
At 31 July 2010 and 1 August 2010	3,814
Credit to statement of comprehensive income for the year	(1,668)
At 31 July 2011	**2,146**

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

	2011 ***HK$'000***	2010 *HK$'000*
Deferred tax liabilities	**(2,146)**	(3,814)

At the end of the reporting period, the Group and the Company has unused tax losses of approximately HK$80,164,000 (2010: HK$68,258,000) 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.

41. BANK BORROWINGS

	The Group	
	2011	2010
	HK$'000	*HK$'000*
Bank loans	–	18,646

The maturities of the above bank borrowings are as follows:

	2011	2010
On demand or within one year	–	18,646
More than one year but not exceeding two years	–	–
	–	18,646
Less: Amounts due within one year shown under current liabilities	–	(18,646)
Amount due after one year	–	–

The bank borrowings were fully repaid during the year.

For the year ended 31 July 2010, the above bank borrowings were guarantee provided by the director of the company, Mr. Yu Hong. The weighted average effective interest rate on the bank loans is 5.75% per annum.

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

	The Group	
	2011	2010
	HK$'000	*HK$'000*
At fixed rates		
Renminbi ("RMB")	–	18,646

42. TRADE AND OTHER CREDITORS

	The Group		The Company	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Trade and other creditors	**28,265**	16,826	**1,453**	463
Amounts due to ex-directors	**8,486**	10,181	**8,486**	10,181
	36,751	27,007	**9,939**	10,644

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

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

	The Group		The Company	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
0 to 30 days	**16,351**	2,934	**990**	–
31 to 60 days	**249**	43	**–**	–
61 to 90 days	**206**	27	**–**	–
91 to 180 days	**567**	993	**–**	–
181 to 365 days	**635**	4,633	**–**	–
Over 365 days	**10,257**	8,196	**463**	463
	28,265	16,826	**1,453**	463

43. LOANS FROM SHAREHOLDERS

As at 31 July 2011, shareholder's loan amounting to approximately HK$43,000,000 (2010: HK$3,000,000) was granted to the Group by Mr. Sun Yin Chung ("Mr. Sun") of HK$3,000,000 and Corporate King Limited ("Corporate King") of HK$40,000,000 respectively.

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

The loan from Corporate King is unsecured, bear interest rate at HSBC's Current Hong Kong Dollars Best Lending rate plus 3% per annum and repayable on demand.

44. ACQUISITION OF SUBSIDIARIES

On 30 November 2009, the Group entered into a sale and purchase agreement with independent third parties to acquire the entire share capital of Asiaone and its subsidiaries (collectively referred to "Asiaone Group"), for a total contracted consideration of HK$2,500,000,000. The aggregate amount of goodwill arising as a result of the acquisition is approximately HK$842,618,000. The acquisition was completed on 9 August 2010.

The net assets acquired in the transaction and the goodwill arising is as follows:

	Acquiree's carrying amounts and fair values
	HK$'000
Net assets acquired:	
Property, plant and equipment	73
Investments in associates	1,154,359
Amount due from associates	27,125
Deposits and prepayments	200
Cash and bank balances	76
Amount due to associates	(1,668)
	1,180,165
Goodwill	842,618
	2,022,783
Total consideration satisfied by:	
Fair value of convertible preference shares	1,720,000
Fair value of promissory notes	302,783
	2,022,783
Net cash inflow arising on acquisition:	
Cash and bank balances acquired	76

44. ACQUISITION OF SUBSIDIARIES *(Continued)*

Note:

(i) The share considerations were settled through issue of 13,333,333,333 convertible preference shares. The fair values of the convertible preference shares were determined in accordance with the quoted market price of the Company's share of HK$0.129 as at the completion date of the acquisition.

(ii) The fair value of the promissory notes issued has been arrived at on the basis of a valuation carried out on the completion date of the acquisition by an independent qualified professional valuer and not connected with the Group. The valuation was arrived at by reference to discounted cash flow method.

(iii) Goodwill arose in the business combination because the cost of the combination included at control premium paid to acquire Asiaone Group. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies and future development of Asiaone Group. These benefits are not recognised separately from goodwill as the future economic benefits arising from them cannot be reliably measured.

(iv) From the date of acquisition to the end of the reporting period, Asiaone Group attributed loss of approximately HK$25,944,000 to the Group's loss for the year. Asiaone Group did not contribute any revenue to the Group during the year.

(v) Had the acquisition been effected on 1 August 2010, the revenue of the Group would have been HK$123,269,000 and the loss for the year would have been HK$197,035,000. The pro forma information is for illustrative purpose only and is not necessarily an indication of revenue and results of the Group that actually would have been achieved had the acquisition been completed on 1 August 2010, nor is it intended to be a projection of future results.

45. DISPOSAL OF A SUBSIDIARY

On 15 June 2011, Guangzhou Yueshou Industry entered into sale and purchase agreement (the "S&P") to disposal of its 100% equity interest in Fushan Yueshou Environmental Limited to an independent third party (the "Purchaser") for cash consideration of approximately RMB1,061,000 (equivalent to approximately HK$1,251,000). The disposal was completed on 6 July 2011. Summary of the effects of the disposal is as follows:

	HK$'000
Net assets disposed of:	
Property, plant and equipment	1,572
Cash and bank balances	710
Amount due to a director	(1)
Amount due to Guangzhou Yueshou Industry *(Note)*	(1,377)
	904
Gain on disposal	347
Total consideration	1,251
Satisfied by:	
Cash	1,251
Net cash inflow arising on disposal:	
Cash consideration	1,251
Cash and bank balances disposed	(710)
Net inflow of cash and cash equivalents	541

46. COMMITMENTS

Operating lease commitment:

The Group

While the Company had no outstanding operating lease commitments at the end of the reporting period, 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:

	2011	2010
	HK$'000	*HK$'000*
Operating leases which expire:		
– within one year	**1,216**	1,255
– in the second to fifth year inclusive	**201**	1,663
	1,417	2,918

The Group and the Company had no other significant commitments at the end of the reporting period.

47. PLEDGE OF ASSETS

The Group

At 31 July 2011 and 31 July 2010, the Group has not pledged any of its assets to the banks to secure credit facilities granted to the Group.

48. CONTINGENT LIABILITIES

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 have taken up legal action against the Company and several of its subsidiaries. Notices of Intention to Proceed have been filed by the solicitors for the liquidators about early 2010 after years of inaction. Certain defendants including the Company made an application to dismiss one of the legal actions for want of prosecution. A hearing has been held on 19 October 2010 to hear such application and the High Court allowed the application and dismissed one of the legal actions against the Company for want of prosecution. The liquidator has appealed the said Court Order of the High Court dismissing one of its claims against the Company. The Court of Appeal dismissed the appeal of the liquidator with costs to the Company. Upon further application by the liquidator, the Court of Appeal also dismissed the liquidator's application for leave to appeal to the Court of Final Appeal with costs to the Company.

In the opinion of the Company's legal advisors, the Group has a good defence on all the claims on the remaining legal action 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 defend the actions and as such, no provision is made in the consolidated financial statements of the Group for its exposure to the above actions.

48. CONTINGENT LIABILITIES *(Continued)*

The Group *(Continued)*

(b) 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 being the balance of the 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 being the balance of the purchase price and obtained a judgment 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 2011 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 consolidated financial statements.

49. 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.

50. MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions and balances as disclosed elsewhere in the consolidated 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$84,845 (2010: HK$26,000) to a director, Mr. Yu Hong.

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

50. 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:–

	2011	2010
	HK$'000	*HK$'000*
Salaries and other short-term benefits	**4,395**	2,100
Employer contribution to pension scheme	**33**	35
	4,428	2,135

Further details of directors' emoluments are included in Note 12 to the consolidated financial statements.

51. NON-CASH TRANSACTIONS

During the year, the Group acquired the entire share capital of Asiaone Group for a total contracted consideration of HK$2,500,000,000, the consideration was satisfied by convertible preference shares of approximately HK$1,720,000,000 and promissory notes of approximately HK$302,783,000.

52. PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries at 31 July 2011 are as follows:

Name of subsidiary	Place of incorporation/ registration/ operations	Proportion of ownership interest and voting power held Directly	Indirectly	Issued and fully paid share capital	Principal activities
Benefit Holdings International Limited	British Virgin Islands ("BVI")	–	100%	Ordinary US$200	Investment holding
Bestco Worldwide Investment Limited *(note a)*	BVI	100%	–	Ordinary 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
Guangzhou Yueshou Industry Co. Ltd.	The PRC	–	100%	Registered RMB35,000,000	Environmental protection
Goldfield International Investment Group Ltd.	BVI	–	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
Sunshine Phoenix Limited *(note a)*	BVI	100%	–	Ordinary US$1	Investment holding
Asiaone Forest Products Holdings Limited	BVI	–	100%	Ordinary US$1,836	Investment holding
Alyshan Limited	BVI	–	100%	Ordinary US$100	Investment holding
Yueshou Management Service Limited *(note a)*	Hong Kong	100%	–	Ordinary HK$1	Service provider

52. PRINCIPAL SUBSIDIARIES *(Continued)*

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 Bestco Worldwide Investment Limited, Sunshine Phoenix Limited and Yueshou Management Service 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.

53. EVENTS AFTER THE REPORTING PERIOD

The Company held 40% equity interest of Alverna Dynamic Developments Inc. ("Alverna"). Alverna is in the process of being increased its preferred shares and common shares. The Group has to remit a sum as deposit for future subscription within one year from the date of the announcement, which is dated on 26 October 2011. The remittances will be made subject to the management's assessment of, inter alia, the sufficiency of working capital of the Group. The remittances will eventually be applied to the subscription of up to 2,017 common shares (with nominal value of Peso 21,150 each) in Alverna. Details please refer to the Company's announcement dated on 26 October 2011.

54. AUTHORISATION FOR ISSUE OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 31 October 2011.

Five Years Financial Summary

	Year ended 31 July				
	2007	2008	2009	2010	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Turnover	37,871	207,593	120,473	101,626	**123,269**
Profit/(loss) before taxation	(2,584)	46,079	22,641	(524,714)	**(199,007)**
Taxation	(4,185)	(11,584)	(804)	3,584	**2,108**
Profit/(loss) for the year	(6,769)	34,495	21,837	(521,130)	**(196,899)**
Attributable to:					
– Owners of the Company	(14,037)	23,653	21,837	(521,130)	**(196,899)**
– Non-controlling interest	7,268	10,842	–	–	**–**
	(6,769)	34,495	21,837	(521,130)	**(196,899)**

	As at 31 July				
	2007	2008	2009	2010	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Total assets	859,815	1,174,481	1,224,122	697,554	**2,659,262**
Total liabilities	(349,882)	(371,303)	(402,388)	(304,202)	**(651,349)**
Non-controlling interest	(12,734)	(888)	–	–	**–**
Shareholders' funds	497,199	802,290	821,734	393,352	**2,007,913**

Particulars of Major Properties

	Lease Expiry	Approx. gross floor area *(Sq.m.)*	Type	Effective % held	Stage of completion	Anticipated completion
Investment properties						
Regal Garden No. 888 Lunchang Road, Lunjiao Town, Shunde District, Foshan City, 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
Regal Garden No. 888 Lunchang Road, Lunjiao Town, Shunde District, Foshan City, Guangdong Province, The PRC	December 2065	18,551	Commercial	100%	Completed	N/A