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 2013

Contents

	Pages
Corporate Information	2
Chairman's Statement	3
Management Discussion and Analysis	5
Brief Biographical Details of Directors	10
Corporate Governance Report	13
Report of the Directors	21
Independent Auditors' Report	32
Consolidated Statement of Comprehensive Income	41
Consolidated Statement of Financial Position	43
Statement of Financial Position	45
Consolidated Statement of Changes in Equity	46
Consolidated Statement of Cash Flows	48
Notes to the Consolidated Financial Statements	50
Five Years Financial Summary	150
Particulars of Major Properties	152

Corporate Information

DIRECTORS

Executive Directors

Mr. Tan Cheow Teck (Chairman)
Mr. Shannon Tan Siang-Tau
Ms. Juanita Dimla De Guzman
Mr. Shen Xia (appointed on 28 August 2012)
Mr. Lau Kwan (appointed on 28 August 2012)
Mr. Leung Wai Shun Wilson
(appointed on 20 June 2013)
Mr. Yu Hong (resigned on 1 March 2013)
Mr. Li Bin (resigned on 15 April 2013)
Mr. Anastacio JR Agustin
(resigned on 6 August 2012)
Mr. Alberto Alducente Encomienda
(resigned on 6 August 2012)

Non-executive Directors

Mr. Pang King Sau, Nelson
(appointed on 7 October 2013)
Mr. Shen Xia
(appointed on 6 August 2012 and re-designated as executive director on 28 August 2012)

Independent Non-executive Directors

Mr. Sai Chun Yu
Dr. Chiao Li (appointed on 6 September 2013)
Mr. Chan Yee Ping, Michael
(appointed on 7 October 2013)
Mr. Wen Jian Sheng
(appointed on 6 August 2012)
Mr. Leung Wai Shun Wilson
(re-designated as executive director on 20 June 2013)
Mr. Zhang Xi Chu (resigned on 15 April 2013)

JOINT COMPANY SECRETARIES

Ms. Tang Lo Nar, Luler
Ms. Ko Mei Ying
(appointed on 11 January 2013 and resigned on 31 October 2013)

AUDITOR

BDO Limited
Certified Public Accountants
25/F., Wing On Centre
111 Connaught Road Central
Hong Kong

PRINCIPAL BANKERS

Hong Kong
The Hongkong and Shanghai Banking Corporation Limited
Chong Hing Bank Limited

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

Bough & Company
Room 1202, 12th Floor
Beautiful Group Tower
77 Connaught Road Central
Hong Kong

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

PRINCIPAL PLACE OF BUSINESS

22/F., Hip Shing Hong Centre,
No. 55 Des Voeux Road Central, Hong Kong

SHARE REGISTRAR AND TRANSFER OFFICE

Bermuda
MUFG Fund Services (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM08
Bermuda

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

Chairman's Statement

On behalf of the Board of Directors (the "Board"), I hereby present to the shareholders the annual report and audited consolidated financial statements of Yueshou Environmental Holdings Limited (the "Company", together with its subsidiaries, the "Group") for the year ended 31 July 2013.

BUSINESS REVIEW

For the year ended 31 July 2013, the Group's total turnover from its principal business was approximately HK$4,141,000, representing a slight decrease of 3.36% compared with last year, of which the entire turnover related to the property development operation.

Environmental Protection Operations

Despite the significant contribution in turnover, the environmental protection operation segment experienced a decline in profitability before disposing it as part of the consideration to settle the matured convertible notes during the year. The debt restructuring exercise was completed on 15 January 2013. For details, please refer to Note 45 to the consolidated financial statements.

Forestry Business

The Group has been striving to develop its forestry business in recent years. After the disposal of the forestry business in China as part of the debt restructuring exercise, the Group concentrated its resources in certain corporate investments in the Philippines which owned the development rights and management rights of certain pieces of public forestry lands in the Philippines.

However, the forestry plantation business in the Philippines remained stagnant in the past year due to numerous reasons: expiry of Environmental Compliance Certificates, unstable political environment around the forest region and the uncertain impact of Executive Order 23 on the business. Further details will be explained in Note 22(a) to the consolidated financial statements.

With all the uncertainties and obstacles cleared, the Group plans to adopt a new business model by selling sawn timbers in the coming years for higher margin.

Property Development Business

China, just like many other places in the globe, has made 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 such, the Group plans to hold the property development business on hand in a longer run till the market improves when the Group can have a better return on its existing projects.

PROSPECTS

The Group hopes to regain its strength following the debt restructuring exercise through the disposal of the environmental protection operations, and get back on track to focus on its forestry business in the coming years.

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 express my gratitude to our management team and all staff for their dedication and contributions in the execution of the Group's strategies and operations in the past year.

Tan Cheow Teck
Chairman

Hong Kong, 4 November 2013

Management Discussion and Analysis

BUSINESS REVIEW AND SEGMENT INFORMATION

In the past financial year ended 31 July 2013, the Group's total turnover from continuing operations remained stable and decreased slightly by 3.36% to approximately HK$4,141,000 (2012: HK$4,285,000). Gross profit decreased by 15.95% to HK$1,370,000 (2012: HK$1,630,000) due to higher maintenance costs for the investment properties this year.

As a result of the risks and uncertainties in the forestry plantation operations in the Philippines, the Group recorded impairment losses of HK$842,618,000 in respect of the goodwill of the forestry plantation operations (2012: Nil). Further details will be explained in Note 21 and Note 22(a) to the consolidated financial statements. The loss attributable to the equity shareholders of the Group was HK$1,027,479,000 (2012: loss of HK$562,500,000).

The entire turnover for the year was generated from those business segments in the PRC (2012: 100%).

Environmental Protection Operations

The Group had disposed of the environmental protection operations and the completion date was on 15 January 2013.

For the period from 1 August 2012 to 15 January 2013, total turnover of environmental protection operations was recorded approximately HK$33,038,000 (for the year ended 31 July 2012: HK$135,513,000), which accounted for approximately 93.45% of the Group's total turnover for the period from 1 August 2012 to 15 January 2013 (for the year ended 31 July 2012: 96.93%).

Property Development

Turnover in this segment was derived from property development and leasing of properties and accounted for 100% of the Group's total turnover from continuing operations (2012: 100%).

For the financial year ended 31 July 2013, there was a gain arising from change in fair value of investment properties located in Shunde, Guangdong Province, the PRC for about HK$32,804,000 (2012: HK$12,096,000).

Forestry Plantation Operation

The Group possessed 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 up to 15 January 2013. However, these forestry lands were disposed of as part of the debt restructuring exercise. For details, please refer to Note 16 to the consolidated financial statements.

As at the balance sheet date, the Group has certain corporate interests in forestry business including shares in some Philippines corporations which constituted the associates of the Group (the "Associate"). One of these associates, Shannalyne Inc ("Shannalyne"), owns the development rights and management rights of certain pieces of public forestry lands in Philippines.

Expiry of Environmental Compliance Certificates ("ECCs")

In April 2013, the board of directors was informed that five out of eight ECCs held by the Company's associate group in the Philippines may have expired or become invalid although it is stated on the ECCs validity until year 2023 and year 2026.

According to DENR, the ECCs expire automatically if the project has not been implemented within five years from the dates of ECCs issuance. However, work such as base line study, line survey, soil testing, ground survey, etc were performed from 1998 to 2008. Therefore, the Associate considered that there has been work done in each and every parcel of land within five years from the dates these ECCs were issued. However, as time goes by, the landscape there might have changed when no additional work done after 2008. The Associate has been advised by DENR to re-perform the environmental evaluation in these areas so as to re-apply the corresponding ECCs. In June 2013, the Associate has engaged a registered forester as consultant/specialist to assist in the preparation of the environmental impact study reports.

Military attacks in Philippines

For the financial year ended 31 July 2013, there were few attacks by the anti-Filipino government army in the Mindanao in which the forest of the Associate is operating. There were casualties arising from these battles. As a result of the political instability around the forest region, the forestry plantation operation of the Associate was significantly affected giving rise to impairment loss in goodwill of the forestry business in the Philippines.

Executive Order 23

In February 2011, Executive Order 23 ("EO23") was promulgated by the president in Philippines declaring a moratorium on the cutting and harvesting of timber in the natural and residual forests. The Associate has obtained a legal opinion on EO23 and considered that the EO23 was not applicable to the Associate and the Associate could claim exemption from this decree.

Subsequently in November 2011, a Memorandum of Agreement ("MoA") was entered into between DENR and the Associate after the promulgation of EO23. Both parties agreed that the Associate might not be entitled to receive more than 60% of the total volume of the logs cut over the forest in the Philippines where the Associate has the operation rights, which under the Associate's business plan will be sold preferably to legitimate wood processors within the region. A legal opinion has been obtained to clarify the legality of this MoA.

As a result of the opposing view in the interpretation of EO23 and the impact of the MoA on the Group in light of different opinions obtained in different times, the Group is not able to draw a concrete conclusion on the impact of profitability to the Group and the Group has adopted a more prudent approach in making assumptions in preparing the valuation of related assets. The Group is seeking further professional advice to reconcile the difference in opinions and the Group will take steps to clarify with DENR as to the interpretation and effectiveness of the MoA in order to fully understand the situation and assess its impact on the Group.

For the financial year ended 31 July 2013, the Group recorded a loss from share of results of the Associate for approximately HK$166,799,000 (2012: HK$256,893,000).

LIQUIDITY, FINANCIAL RESOURCES & GEARING RATIO

The operation of the Group was mainly financed by internal resources generated and the loan from a substantial shareholder of the Company. As at 31 July 2013, there was no secured bank borrowings outstanding (2012: Nil); the loan from substantial shareholder of the Company amounted to HK$49,891,000 (2012: HK$47,000,000).

As disclosed in the Company's announcement dated 25 October 2012, the Group's financial position has been substantially improved by the reduction of liability upon the completion of its debt restructuring exercises.

As at 31 July 2013, the current ratio was 1.30 (2012: 0.26), whereas the gearing ratio (defined as a ratio of convertible notes, promissory notes and loans from shareholders to net asset) was 5.8% (2012: 44.4%). The shareholders' equity decreased to HK$919,645,000 (2012: HK$1,457,010,000).

FOREIGN CURRENCY EXPOSURE

Borrowings and sales and purchases of the Group are generally transacted in Hong Kong Dollar, Renminbi and Philippine Peso. For the year ended 31 July 2013, the Group was not subject to any significant exposure to foreign exchange rates risk. Hence, no financial instrument for hedging was employed.

PLEDGE OF ASSETS

At 31 July 2013 and 31 July 2012, the Group has not pledged any of its assets to the banks to secure credit facilities granted to the Group.

FUTURE PLANS

Forestry Plantation Operations

Looking forward the Group believed that it will be another challenging year for Shannalyne. Due to political instability and the uncertainty in the applicability of EO23 and application of the MoA to Shannalyne, Shannalyne is now exploring to alter its business strategy from selling whole logs to producing sawn timber. Sawn timber can be used for railroad ties and miscellaneous transportation structures: bridges, sound barriers, guardrails and signposts. Producing sawn timber is considered to be a good alternative business model because of higher value.

Sawn timber generally is a board with certain measurement units of thickness by width by length. It is mass produced mechanically in saw mills using rotary or in some cases band saw. Sawn timber have to be processed to become finished products. Sawn timber can be used for railroad ties and miscellaneous transportation structures: bridges, sound barriers, guardrails, signposts and certain building materials such as floor boards.

Shannalyne shall strive to catch up with the behind development plan while the Group will continue to seek potential investors to bring in additional resources.

Property Development

After the disposal of the environmental protection operation, the Group intends to focus on its forestry operations and property development project on hand, and may seek potential property projects for investment in the future where appropriate. As at 31 July 2013, the Group owned three property interests in Shunde, Guangdong Province, the PRC, including (i) 36 residential units with a total gross floor area of approximately 4,047.68 sq.m.; (ii) a land parcel with a site area of approximately 3,799 sq.m.; (iii) a property comprises 102 commercial units and 151 car/motorbike parking spaces with a total gross floor area of approximately 26,323.17 sq.m..

MATERIAL DISPOSALS

Please refer to Note 45 to the consolidated financial statements for details of the disposal of a subsidiary group due to debt restructuring.

EMPLOYEES

As at the balance sheet date, the Group hired about 40 employees both in Hong Kong, and Mainland China (2012: 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 reinforcing the competence of all levels of our employees. Share options would be granted to respective employees with outstanding performance and contributions to the Group.

NEW OUTSTANDING COURT CASES

As at the balance sheet date, the Company has a number of outstanding legal cases of which almost all of them were directly or indirectly related to the Company's former chief financial officer, director and deputy chairman, Ms. CHENG Kit Yin Kelly ("Ms. Cheng"), who on 22 October 2013, pleaded guilty to 11 charges of conspiracy to defraud various banks in Hong Kong by (i) application for the issue of letters of credit ("LCs") via the Company's former subsidiary, Wing Fai Construction Company Limited ("Wing Fai") (In liquidation), and (ii) the falsification of documents required for negotiation of the LCs and (iii) of causing payments to be made where there were no genuine underlying transactions relating to each of the LCs.

Deed of Indemnity

In the past years, Ms. Cheng claimed to have a Deed of Indemnity ("the Deed"), dated 1 March 2000, signed between the Company and herself, covering all the legal expenses incurred by her arising from her tenure with the Company. However, the Company cast doubt on the authenticity of the Deed as (i) the Company has no record of the Deed and (ii) there was no public announcement or disclosure as to the Deed. Besides even if the Deed was genuine, the Deed was defective as (i) there was no Common Seal of the Company (ii) there were no identities of the signatories (iii) there were no identity of the witness and (iv) no insurance policy was purchased to cover the Deed. In view of the above, the Company filed a writ in December 2012 and served it in May 2013 on Ms. Cheng in an attempt to declare the Deed void and claim back all the funds, approximately HK$14 million, wrongfully paid to her. As the time of this annual report, this case was not yet settled.

As a result of the new development after balance sheet date, the Company believes it has very strong case in refusing to reimburse the legal expenses claimed by Ms. Cheng under the Deed.

Winding-up Petition

In late May 2013, Ms. Cheng filed a winding up petition with the court claiming the Company owed her a sum of approximately HK$2.8 million, which was not supported by any documentary evidence and thus wrongly recognised in the Company's books. According to the Company's records, this outstanding sum was indeed unsupported legal expenses claimed by Ms. Cheng under the Deed which had been in dispute. On 18 September 2013, the Company deposited the disputable sum of approximately HK$2.8 million to the court, and the Company had been solvent. As such, the Company believes it had strong grounds to strike out the winding up petition in due course.

In this connection, the Company filed a writ to the court, but not yet served, against its former auditors, HLB Hodgson Impey Cheng Limited, for potential professional negligence in connection with the sum of approximately HK$2.8 million, claimed to be owing to Ms. Cheng. The Company reserves its right to proceed further.

Brief Biographical Details of Directors

EXECUTIVE DIRECTORS

Mr. Tan Cheow Teck, aged 66, has been an Executive Director since September 2010 and the Vice Chairman of the Company up to 3 April 2012, and now is the Chairman of the Company. He has over 27 years of forest development and management experience in South East Asia. Mr. Tan is the father of Mr. Shannon Tan Siang-Tau (alias Shannon Chen Xiangdao), who is the sole beneficial owner of the corporate substantial shareholder (namely, Linshan Limited) of the Company.

Mr. Shannon Tan Siang-Tau, aged 37, has been an Executive Director since 19 December 2011. He holds a Bachelor's degree in Psychology from University of San Francisco in the United State. He also has a short term study in University College London, majoring in Statistics and Economics. Mr. Tan has over 9 years of consultancy experience in resource management. He is a director of Asiaone Forest Products Holdings Limited, Alyshan Limited and Flying Success International Limited, all of which are wholly-owned subsidiaries of the Company.

Ms. Juanita Dimla De Guzman, aged 35, has been an Executive Director since 3 April 2012, and is currently the Director and Treasurer of Shannalyne Inc., an associate of the Company, and has been in the position since 2007. She has also been the Incorporator, President and Director of Alverna Inc. since 2008. Ms. De Guzman was the Sales and Marketing Manager of Shannalyne New Zealand operations in forestry and logging from 2000 to 2007. She obtained her Bachelor of Science in Commerce in 1999 from Wesleyan University, the Philippines and the Post-graduate Diploma in Business Administration in 2003 from Massey University Albany, New Zealand.

Mr. Shen Xia, aged 50, has been an Executive Director of the Company since 28 August 2012, and was a Non-executive Director of the Company from 6 August to 28 August 2012. He holds a Bachelor degree from Zhejiang University and a Master degree from Chinese Academy of Social Sciences and University of Oxford, respectively. He has over 17 years of working experience in the fields of corporate finance and investment banking. 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.

During the period from 11 August 2010 to 15 December 2011, Mr. Shen was the Non-executive director of the Company, the director of Asiaone Forest Products Holdings Limited and Flying Success International Limited within the group of the Company. At the meantime, he was also a director of Alverna Dynamic Developments, Inc. and Shannalyne, Inc., which are associates of the Company.

EXECUTIVE DIRECTORS *(Continued)*

Mr. Lau Kwan, aged 48, has been an Executive Director of the Company since 28 August 2012. He graduated from the Faculty of International Politics, Nanjing University in the 1980s with over 18 years of business management experience. He was the General Manager of Tianjin Huamao Company, Hong Kong and the President of Beijing Aode Computer Company.

Mr. Leung Wai Shun Wilson, aged 40, has been an Executive Director and the Finance Director since 20 June 2013, and was an Independent Non-executive Director of the Company from 21 March 2012 to 20 June 2013. He has over 16 years experience in the accounting industry. Mr. Leung worked with one of the big four accounting firms from December 1996 to November 2008 where he worked as a senior manager before his resignation. In these 12 years of experience, Mr. Leung acquired extensive experience in accounting and auditing which he subsequently assumed a role in internal training within the firm. Mr. Leung is currently a lecturer in a prestigious financial training institute in which he specializes in providing tuition for accounting related courses. Mr. Leung is a Fellow of the Hong Kong Institute of Certified Public Accountants. Mr. Leung obtained a degree of Bachelor of Science in Business from the Indiana University Bloomington, USA with honors and distinction in 1995.

NON-EXECUTIVE DIRECTOR

Mr. Pang King Sau Nelson, aged 35, has been a Non-executive Director of the Company since 7 October 2013, holds a Master degree of Commerce in Finance from the University of New South Wales and a Bachelor degree of Commerce in Accounting & Economics from the University of Sydney, respectively. He is a Certified Practising Accountant of the CPA Australia and a member of the Society of Registered Financial Planners. Mr. Pang is currently a director of Perseus Strategic Capital Limited and the general manager of Sirius Venture Management Limited. He has over 10 years of working experience in the fields of accounting, finance and business consultancy.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Sai Chun Yu, aged 33, has been an Independent Non-executive Director of the Company since 21 March 2012. He is a practicing member of the Hong Kong Institute of Certified Public Accountants, and a member of the Association of Chartered Certified Accountants. He obtained a bachelor degree in business administration from the Chinese University of Hong Kong, and had worked in both local and international accounting firms before he started his own practice in 2008, with over 11 years of experience in audit, accounting and business consultancy. Mr. Sai also acts as the honorary auditors of some local charities.

INDEPENDENT NON-EXECUTIVE DIRECTORS *(Continued)*

Dr. Chiao Li, aged 47, has been an Independent Non-executive Director of the Company since 6 September 2013. He holds a PhD in Business Policy & Strategy from Tsinghua University, China and a Master of Business Administration degree from the University of Illinois at Urbana-Champaign, USA respectively. He has over 22 years of working experiences in the fields of corporate finance, investment banking and business management. He is currently a Managing Director of AP Capital Group, an investment and corporate finance consultancy firm. From August 2004 to December 2011, he was also a Corporate Finance Director of Ming Fung Jewellery Group Limited, a company listed on the Stock Exchange of Hong Kong Limited.

Mr. Chan Yee Ping Michael, aged 36, has been an Independent Non-executive Director of the Company since 7 October 2013. He holds a Bachelor degree of Business Administration (Honours) in Accountancy from the Hong Kong Polytechnic University. He is a practicing member of the Hong Kong Institute of Certified Public Accountants, and a fellow member of the Association of Chartered Certified Accountants. He is currently the company secretary of China Sunshine Paper Holdings Company Limited (Stock Code: 2002), which is listed on the Main Board of the Stock Exchange of Hong Kong, as well as Northeast Electric Development Co., Limited (Stock Code: 0042), a joint stock limited company incorporated in the People's Republic of China ("PRC"), whose are listed on the Shenzhen Stock Exchange of the PRC and the Main Board of the Stock Exchange of Hong Kong, respectively. Mr. Chan is also the director of CYC CPA Limited. He has over 10 years of working experiences in the fields of corporate secretarial management, accounting and audit and corporate governance.

Mr. Wen Jian Sheng, aged 50, has been an Independent Non-executive Director of the Company since 6 August 2012. He holds a Bachelor degree from Shenzhen University and a Master degree from Shanghai Jiao Tong University, respectively. He has over 26 years of working experience in business management, currently an executive director and legal representative of two companies which are a professional cosmetics enterprise and an investment holding enterprise in the PRC respectively.

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 Corporate Governance Code ("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 2013.

CODE PROVISION A.4.1

Under the code provision A.4.1 of the CG Code where the Company has complied as at 31 July 2013, Non-executive Directors should be appointed for a specific term and subject to re-election. Each of them is appointed for a term of one year, with all the terms being renewed automatically for successive terms of one year commencing from the date next after the expiry of the then current terms, unless terminated by not less than one months' written notice served by either party. Pursuant to the Articles of Association of the Company, every Director shall be subject to retirement by rotation at least three years in order to comply with the requirement of the code. 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.

DIRECTORS' 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 2013.

THE BOARD OF DIRECTORS

Composition of the Board

As at the date of this report, the Board comprises 11 Directors. There are 6 Executive Directors (including the Chairman), 1 Non-Executive Director and 4 Independent Non-executive Directors. Detailed 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 three Board committees including the Nomination Committee, 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. Twenty-seven meetings were held by the Board during the year ended 31 July 2013. Attendance of the meetings of the Board and those of the committees are set out as follows:

		Attendance/Number of Meetings					
Name of Directors	*Notes*	**Board**	**Nomination**	**Audit**	**Remuneration**	**AGM**	**SGM**
Executive Directors							
Mr. Tan Cheow Teck		16/27				0/1	0/2
Mr. Shannon Tan Siang-Tau		17/27				0/1	0/2
Ms. Juanita Dimla De Guzman		12/27				0/1	0/2
Mr. Shen Xia	*1*	26/27				1/1	2/2
Mr. Lau Kwan	*2*	2/24				0/1	0/2
Mr. Leung Wai Shun Wilson	*3*	26/27	N/A	2/2	2/2	1/1	2/2
Mr. Yu Hong	*4*	5/16				0/1	0/2
Mr. Li Bin	*5*	2/19				0/1	0/2
Mr. Anastacio JR Agustin	*6*	0/2				N/A	N/A
Mr. Alberto Alducente Encomienda	*6*	0/2				N/A	N/A
Non-executive Director							
Mr. Pang King Sau, Nelson	*7*	N/A				N/A	N/A
Independent Non-executive Directors							
Mr. Sai Chun Yu		23/27	N/A	2/2	2/2	0/1	2/2
Dr. Chiao Li	*8*	N/A	N/A	N/A	N/A	N/A	N/A
Mr. Chan Yee Ping, Michael	*7*	N/A	N/A	N/A	N/A	N/A	N/A
Mr. Wen Jian Sheng	*9*	3/26	N/A	1/2	1/2	0/1	0/2
Mr. Zhang Xi Chu	*5*	2/19	N/A	0/2	0/2	0/1	0/2

THE BOARD OF DIRECTORS *(Continued)*

Composition of the Board *(Continued)*

Notes:

1. Mr. Shen Xia was appointed as non-executive director on 6 August 2012 and re-designated as executive director on 28 August 2012.

2. Mr. Lau Kwan was appointed as executive director on 28 August 2012.

3. Mr. Leung Wai Shun Wilson was appointed as executive director and finance director since 20 June 2013 and was an independent non-executive director during the period from 1 August 2012 to 19 June 2013.

4. Mr. Yu Hong resigned as executive director on 1 March 2013.

5. Mr. Li Bin and Mr. Zhang Xi Chu resigned as executive director and independent non-executive directors on 15 April 2013 respectively.

6. Mr. Alberto Alducente Encomienda and Mr. Anastacio JR Agustin resigned as executive directors on 6 August 2012.

7. Mr. Pang King Sau Nelson and Mr. Chan Yee Ping Michael were appointed as non-executive director and independent non-executive director on 7 October 2013, respectively.

8. Dr. Chiao Li was appointed as independent non-executive director on 6 September 2013.

9. Mr. Wen Jian Sheng was appointed as independent non-executive director on 6 August 2012.

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

Responsibilities of the Board

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 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;

THE BOARD OF DIRECTORS *(Continued)*

Responsibilities of the Board *(Continued)*

- 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.

Appointment and Re-election of Directors

The procedures and process of appointment, re-election and removal of Directors are laid down in the Company's Bye-laws. The Nomination Committee is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of Directors, monitoring the appointment and succession planning of Directors and assessing the independence of Independent Non-Executive Directors.

Directors' Training

With effect from October 2012, all Directors are required to provide the Company with his or her training records on a yearly basis. During the year, the Company received training records from Mr. Leung Wai Shun Wilson and Mr. Sai Chun Yu relevant to the Company's business or to Directors' duties and responsibilities, while no training records received from any of the other Directors.

Directors' Insurance

The Company has management liability insurance covering the Directors during the year. (2012: started from April 2012.)

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 other Directors of the Company. Currently, Mr. Tan Cheow Teck is the Chairman.

NON-EXECUTIVE DIRECTOR AND INDEPENDENT NON-EXECUTIVE DIRECTORS

The Board currently has four Independent Non-executive Directors with two of them possessing appropriate professional qualifications, or accounting or related financial management expertise. It is noted that there is a deviation in the appointment of Independent Non-executive Directors from CG Code A.4.1, under which, Independent Non-executive Directors of the Company should be appointed for a specific term and subject to re-election. Currently, the non-executive director and independent non-executive directors are appointed for specific terms and are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Bye-laws of the Company.

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.

While the Executive Directors have direct responsibility for the Group's business operations, the Non-Executive Directors have a supervisory role in ensuring that a solid foundation for good corporate governance is provided to the Group.

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 nomination, audit and remuneration committees; and
- Scrutinizing the performance of the Group as necessary.

NON-EXECUTIVE DIRECTOR AND INDEPENDENT NON-EXECUTIVE DIRECTORS *(Continued)*

Pursuant to Rule 3.13 of the Listing Rules, the Company received an annual independence confirmation letter from Mr. Sai Chun Yu, and Dr. Chiao Li, Mr. Chan Yee Ping Michael and Mr. Wen Jian Sheng an independence confirmation letter respectively upon their appointment. The Company considers all Independent Non-executive Directors to be independent in accordance with the independence guidelines set out in the Listing Rules.

NOMINATION COMMITTEE

On 30 March 2012, the Company established a Nomination Committee which is primarily responsible for making recommendations to the Board regarding the Group's engagement of appropriate directors and managerial personnel (including the skills, knowledge and experience) to complement the Company's corporate strategies. The Nomination Committee comprises four Independent Non-executive Directors, namely Dr. Chiao Li, Mr. Chan Yee Ping Michael and Mr. Wen Jian Sheng and Mr. Sai Chun Yu who is the Chairman of this committee.

The Nomination Committee normally meets at least once a year for reviewing the current structure, size and composition of the Board. There was no meeting of the Nomination Committee during the year ended 31 July 2013.

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 four Independent Non-executive Directors, namely Dr. Chiao Li, Mr. Chan Yee Ping Michael, Mr. Wen Jian Sheng and Mr. Sai Chun Yu who is the Chairman of this committee.

The Audit Committee held two meetings during the year ended 31 July 2013 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 four Independent Non-executive Directors, namely Dr. Chiao Li, Mr. Chan Yee Ping Michael, Mr. Wen Jian Sheng and Mr. Sai Chun Yu who is the Chairman of this committee. 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 2013, two meetings were held by the Remuneration Committee and it reviewed the remuneration packages of Directors and senior management.

REMUNERATION COMMITTEE *(Continued)*

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' INDEPENDENCE AND REMUNERATION

The Audit Committee is mandated to monitor the independence of the external auditor to ensure the objectivity in the financial statements. As the former external auditors, HLB Hodgson Impey Cheng Limited ("HLB"), resigned during the year owing to potential conflict of interest. BDO Limited ("BDO") was appointed as the external auditors of the Group with effect from 6 September 2013, members of the Audit Committee are of the view that the Company's auditors, BDO, are independent and recommend the Board to propose its re-appointment as the Company's external auditors at the annual general meeting. For the year ended 31 July 2013, the fees charged to accounts of the Group for BDO's statutory audit amounted to approximately HK$1,235,000.

JOINT COMPANY SECRETARIES

The joint company secretaries, Ms. Tang Lo Nar, Luler and Ms. Ko Mei Ying, who are responsible for facilitating the Board meeting process, as well as communications among Board members, with shareholders and management. Ms. Ko was appointed as the joint company secretary on 11 January 2013 and resigned on 31 October 2013. During the year and up to the date of this report, Ms. Tang and Ms. Ko undertook not less than 15 hours of professional training to update their skills and knowledge.

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 2013, 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.

SHAREHOLDERS' RIGHT

Under the Company's Bye-laws, the Board, on the requisition of shareholders of the Company holding not less than 10% of the paid-up capital of the Company, can convene a special general meeting to address specific issues of the Company within 21 days from the date of deposit of written notice to the Company's principal place of business in Hong Kong. The same requirement and procedure also applies to any proposal to be tabled at shareholders' meetings for adoption.

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.

The Board confirmed that, during the year, there were no significant changes made to the Company's constitutional documents affecting its operations and reporting practices.

CONSTITUTIONAL DOCUMENTS

There are no significant changes in the Company's constitutional documents during the year.

Report of the Directors

The Directors present their annual report and the audited consolidated financial statements of Yueshou Environmental Holdings Limited (the "Company", together with its subsidiaries, the "Group") for the year ended 31 July 2013.

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 41 to the consolidated financial statements.

SEGMENT INFORMATION

An analysis to the Group's turnover and contribution to results by principal activity for the year ended 31 July 2013 is set out in Note 6 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The Group's results for the year ended 31 July 2013 and the statements of financial position of the Company and the Group as at 31 July 2013 are set out in the consolidated financial statements on pages 41 to 45.

The Directors do not recommend the payment of any dividend in respect of the year ended 31 July 2013 (2012: 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 pages 150 to 151.

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 39 and 36 to the consolidated financial statements respectively.

PLACING OF SHARES

(i) The placing of preference shares by Linshan Limited ("Linshan") and distribution of preference shares and ordinary shares by Corporate King Limited ("Corporate King") was completed on 28 September 2012. 5,200 million preference shares of Linshan have been successfully placed by the placing agent to not less than six placees pursuant to the terms and conditions of the placing agreement. All the conditions precedent to completion of the distribution agreement of Corporate King were fulfilled, completion of the distribution agreement took place immediately following the completion of the Placing Agreement. Pursuant to the distribution, 1,200 million Shares and 2,349,733,333 preference shares were distributed to the shareholders of Corporate King in proportion to their respective shareholdings in Corporate King. The majority of the net proceeds of the placing of the placing shares has been used by Linshan to repay the entirety of the third party loan currently indebted by Corporate King to an independent third party.

(ii) On 24 February 2013, the Company entered into the Placing Agreement, pursuant to which the Placing Agent has agreed to place 2,500 million Shares at the Placing Price of HK$0.019 per Placing Share. On the same day, the Company entered into the Subscription Agreement, pursuant to which the Subscribers agreed to subscribe for such number of Subscription Shares which is equivalent to the corresponding aggregate number of the Placing Shares actually placed to the placees under the Placing at the Subscription Price of HK$0.019 per Subscription Share. The whole transactions were completed on 6 March 2013. The net proceed was approximately HK$45.6 million and was used for the redemption of part of the convertibles notes issued by the Company in the principal amount of HK$30 million and the general working capital of the Group.

(iii) On 15 August 2013, the Company entered into the Placing Agreement, pursuant to which the Placing Agent has agreed to place up to 169,385,540 Placing Shares at the Placing Price of HK$0.20 per Placing Share. On 13 September 2013, the Company has successfully placed the total of 169,385,540 Placing Shares, at the placing price of HK$0.20 per Placing Shares and raised net proceed of approximately HK$29.7 million. The net proceed was used for general working capital of the Group.

REDEMPTION OF CONVERTIBLE NOTES

On 28 September 2012, the Company entered into an agreement with Give Power Technology Limited ("GPT") ("CN Restructuring Agreement"). Upon the First Completion of CN Restructuring Agreement took place on 15 January 2013, the aggregate consideration in the sum of HK$113,462,156 (from disposal of the Bestco Worldwide Investment Limited and its subsidiaries ("Bestco Group") was satisfied in full by way of GPT, the sole holder of all Convertible Notes, surrendering and delivering up Convertible Notes in the aggregate principal amount of HK$113,462,156, comprising: (i) Tranche 1 Notes in the principal amount of HK$3.6 million, (ii) Tranche 2 Notes in the principal amount of HK$2 million, and (iii) Part of Tranche 3 Notes in the principal amount of HK$107,862,156. Following the Second Completion of the CN Restructuring Agreement took place on 15 April 2013, (a) the Company redeemed part of the Convertible Notes in the principal amount of HK$30 million at their full face value in cash; and (b) GPT exercised the conversion rights attaching to part of the Convertible Notes having aggregate principal amounts of HK$90,137,844 (at the conversion price of HK$0.20 per Conversion Share) in accordance with the CN Terms (as amended), and the Company allotted and issued to Mr. Yu Hong (as nominated by GPT which is solely owned by him) 450,689,220 Conversion Shares upon such conversion. For details, please refer to the Company's relevant Circular dated 20 December 2012 and the announcements dated 15 January 2013 and 15 April 2013.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in Note 42 to the consolidated financial statements and in the consolidated statement of changes in equity on page 46 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 2013 (2012: no reserves available for distribution).

Pursuant to the Companies Act 1981 of Bermuda, the Company's share premium account of HK$1,549,602,000 (2012: HK$1,441,649,000) 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 20 to the consolidated 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 18 to the consolidated financial statements.

PLANTATION ASSETS

Details of movements in the plantation assets of the Group during the year are set out in Note 19 to the consolidated financial statements.

DIRECTORS

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

Executive Directors

Mr. Tan Cheow Teck (Chairman)
Mr. Shannon Tan Siang-Tau
Ms. Juanita Dimla De Guzman
Mr. Shen Xia (appointed on 28 August 2012)
Mr. Lau Kwan (appointed on 28 August 2012)
Mr. Leung Wai Shun Wilson (appointed on 20 June 2013)
Mr. Yu Hong (resigned on 1 March 2013)
Mr. Li Bin (resigned on 15 April 2013)
Mr. Anastacio JR Agustin (resigned on 6 August 2012)
Mr. Alberto Alducente Encomienda (resigned on 6 August 2012)

Non-executive Directors

Mr. Pang King Sau, Nelson (appointed on 7 October 2013)
Mr. Shen Xia (appointed on 6 August 2012 and re-designated as executive director on 28 August 2012)

DIRECTORS *(Continued)*

Independent Non-executive Directors

Mr. Sai Chun Yu
Dr. Chiao Li (appointed on 6 September 2013)
Mr. Chan Yee Ping, Michael (appointed on 7 October 2013)
Mr. Wen Jian Sheng (appointed on 6 August 2012)
Mr. Leung Wai Shun Wilson (re-designated as executive director on 20 June 2013)
Mr. Zhang Xi Chu (resigned on 15 April 2013)

In accordance with bye-law 86 (2), 87(1) and 87(2) of the Bye-laws of the Company, Mr. Tan Cheow Teck, Mr. Shannon Tan Siang-Tau, Mr. Wen Jian Sheng, Mr. Lau Kwan, Mr. Leung Wai Shun Wilson, Dr. Chiao Li, Mr. Pang King Sau Nelson and Mr. Chan Yee Ping Michael 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 10 to 12 of this annual report.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

MANAGEMENT CONTRACTS

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

DIRECTORS' SERVICE CONTRACTS

As at the date of this report, Mr. Leung Wai Shun Wilson has entered into a service contract commencing from 20 June 2013, for his appointment as a Finance Director. Mr. Leung is entitled to a basic salary, which based on the prevailing market conditions and the roles and responsibilities, and is subject to review from time to time.

Mr. Pang King Sau Nelson, Mr. Chan Yee Ping Michael, Mr. Sai Chun Yu, Dr. Chiao Li and Mr. Wen Jian Sheng have entered into the appointment letters with the Company in relation to their appointments as an independent non-executive director and non-executive director as the case may be, for a term of one year unless terminated by at least one month's written notice served by either party at any time during the then existing term. They are entitled to the monthly/annual director's fee apart from a discretionary bonus which may be granted by reference to the Group's results and performance for the financial year concerned and his performance, roles and responsibilities.

Saved as disclosed above, 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 2013, 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:

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

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)*
Shen Xia *(Note a)*	74,028,028	8.41%
Shannon Tan Siang-tau (alias Shannon Chen Xiangdao) *(Note b)*	81,639,880	9.27%

Note a: As at 31 July 2013, among the 74,028,028 Shares, 54,028,028 Shares are legally and beneficially held by Mr. Shen Xia, and 20,000,000 Shares are held under the name of Luckpath Limited, which is solely owned by Mr. Shen.

Note b: As at 31 July 2013, among such 81,639,880 Shares, 75,790,711 Shares are legally and beneficially held by Linshan and 5,849,169 Shares are held in the name of Mr. Tan Cheow Teck as trustee for the benefit of Linshan. Linshan is solely owned by Mr. Shannon Tan Siang-tau (alias Shannon Chen Xiangdao, an executive Director), the son of Mr. Tan Cheow Teck (another executive Director, and Chairman).

Note c: Based on the number of 880,614,460 Shares of the Company in issue as at 31 July 2013.

Save as disclosed above, as at 31 July 2013, 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 40 to the consolidated financial statements.

No options were granted to any Directors and employees of the Company during the two years ended 31 July 2012 and 31 July 2013 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 2013, 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 g)*
Able Expert Limited *(Note a)*	Beneficial owner	44,966,666 *(Note b)*	5.11%
Wong Sun Man ("Mr. Wong") *(Note a)*	Beneficial owner and interest in a controlled corporation	215,594,758 *(Note b)*	24.48%
Shen Xia ("Mr. Shen") *(Note c)*	Beneficial owner and interest in a controlled corporation	74,028,028 *(Note c)*	8.41%
Linshan Limited *(Note d)*	Beneficial owner	81,639,880 *(Note e)*	9.27%
Tan Shannon Siang-Tau *(Note d)*	Interest in controlled corporation	81,639,880 *(Note e)*	9.27%
Ng Kin Wing *(Note f)*	Beneficial owner	59,000,000 *(Note f)*	6.70%

SUBSTANTIAL SHAREHOLDERS *(Continued)*

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

Note a: Able Expert Limited ("Able Expert") is wholly-owned by Mr. Wong Sun Man. Mr. Wong is a director of Asiaone Forest Products Holdings Limited, a wholly-owned subsidiary of the Company.

Note b: As at 31 July 2013, among the 215,594,758 Shares, 170,628,092 ordinary shares ("Shares") are legally and beneficially held by Mr. Wong, and 44,966,666 Shares are held under the name of Able Expert. Mr. Wong is also interested in 153,286,665 Preference Shares among which 152,319,999 Preference Shares are legally and beneficially held by Mr. Wong and 966,666 Preference Shares are held under the name of Able Expert.

Note c: Mr. Shen Xia is an executive director of the Company. As at 31 July 2013, among the 74,028,028 Shares, 54,028,028 Shares are legally and beneficially held by Mr. Shen Xia, and 20,000,000 Shares are held under the name of Luckpath Limited, which is solely owned by Mr. Shen.

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

Note e: As at 31 July 2013, among such 81,639,880 Shares, 75,790,711 Shares are legally and beneficially held by Linshan and 5,849,169 Shares are held in the name of Mr. Tan Cheow Teck as trustee for the benefit of Linshan. Linshan is solely owned by Mr. Shannon Tan Siang-tau (alias Shannon Chen Xiangdao, an executive Director), the son of Mr. Tan Cheow Teck (another executive Director, and Chairman).

Note f: As at 31 July 2013, Mr. Ng Kin Wing held 59,000,000 Shares of HK$0.20 each in the Company. Mr. Ng is a third party independent of the Company and its connected person in accordance with the Listing Rules.

Note g: Based on the number of 880,614,460 Shares of the Company in issue as at 31 July 2013.

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 2013.

CONNECTED TRANSACTIONS

(i) Details of the discloseable connected transactions of the Group are set out below and in Notes 16 and 45 to the consolidated financial statements. On 28 September 2012, the Company entered into a Convertible Notes ("CN") Restructuring Agreement to dispose 100% interest of Bestco group to GPT, pursuant to which the parties have agreed on a conditional basis that (a) the Company shall (i) sell to GPT the Bestco Sale Share and (ii) assign to GPT the Bestco Sale Debts. The transfer consideration is in the sum of HK$113.46 million which shall be satisfied by GPT surrendering and delivering up convertible notes in the aggregate principal amount of HK$113.46 million to the Company at the first completion; (b) the Company shall redeem part of convertible notes in the principal amount of HK$30 million at their full face value by cash at second completion; (c) GPT shall exercise the conversion rights attaching to part of the convertible notes having aggregate principal amount of HK$90.1 million at the conversion price of HK$0.20 per conversion share in accordance with the convertible notes terms at the second completion. The first and the second completion of the CN Restructuring Agreement took place on 15 January 2013 and 15 April 2013 respectively. For details, please refer to the Company's Circular dated 20 December 2012. GPT was wholly owned by Mr. Yu Hong who was the former executive director up to his resignation took effect on 1 March 2013.

Apart from the above, the Company did not have any connected transactions or continuing connected transactions as stipulated in the Listing Rules.

FURTHER INVESTMENT IN AN ASSOCIATE OF THE COMPANY

Alyshan Limited ("Alyshan"), an indirect wholly owned subsidiary of the Company, entered into an Agreement for Subscription and Further Deposits with Juanita Dimla De Guzman ("JDG"), the beneficial owner of all the preferred shares in Alverna Dynamic Developments Inc. ("Alverna") which is the associate of the Company. Pursuant to the agreement, Alyshan and JDG have agreed to make further deposits for future subscriptions of up to approximately Peso 42.8 million (equivalent to about HK$7.8 million) and Peso 7.1 million (equivalent to about HK$1.3 million) respectively. For details, please refer to the Company's announcement on 26 September 2012.

MAJOR SUPPLIERS AND CUSTOMERS

The aggregate amount of turnover attributable to the Group's five largest customers represented less than 30% of the Group's total turnover.

The aggregate amount of purchases (not including the purchases of items which are of a capital nature) attributable to the Group's five largest suppliers represented less than 30% of the Group's total purchases.

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.

SHARE CONSOLIDATION

On 17 April 2013, by ordinary resolution, the Company's shareholders agreed that every twenty (20) issued and unissued existing ordinary shares of HK$0.01 each in the share capital of the Company was consolidated into one (1) consolidated ordinary share of HK$0.20 each and (ii) every twenty (20) issued and unissued existing preference shares of HK$0.01 each in the share capital of the Company was consolidated into one (1) consolidated preference share of HK$0.20 each.

CORPORATE GOVERNANCE

Particulars of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 13 to 20 of the annual report.

AUDITORS

The accounts for the year were audited by BDO whose term of office will expire upon the forthcoming annual general meeting. HLB resigned as auditors of the Group with effect from 29 August 2013. BDO was appointed as the new auditors of the Group to fill the casual vacancy following the resignation of HLB and to hold office until the conclusion of the next annual general meeting of the Company. A resolution for the appointment of BDO as the auditors of the Company for the subsequent year is to be proposed at the forthcoming annual general meeting.

On Behalf of the Board

Tan Cheow Teck
Chairman

Hong Kong, 4 November 2013

BDO

Tel : +852 2218 8288
Fax: +852 2815 2239
www.bdo.com.hk

電話：+852 2218 8288
傳真：+852 2815 2239
www.bdo.com.hk

25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

香港干諾道中111號
永安中心25樓

TO THE SHAREHOLDERS OF
YUESHOU ENVIRONMENTAL HOLDINGS LIMITED
（粵首環保控股有限公司）
(Incorporated in Bermuda with limited liability)

We were engaged to audit the consolidated financial statements of Yueshou Environmental Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 41 to 149, which comprise the consolidated and company statements of financial position as at 31 July 2013, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made 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.

Except for the inability to obtain sufficient appropriate audit evidence as explained below, 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. Because of the matter described in the Basis for Disclaimer of Opinion paragraphs below, we were not able to obtain sufficient appropriate audit evidence to provide a basis for our opinion.

BASIS FOR DISCLAIMER OF OPINION

1. Carrying value of interests in associates

As set out in note 22 to the consolidated financial statements, the Group's interest in associates is largely represented by its interest in certain plantation assets and forest concession rights held by one of its associates (the "Associate"), Shannalyne, Inc. in the Caraga region of Mindanao, the Philippines. The carrying value of the Group's interest in associates at 31 July 2013 was HK$757,388,000 and represents over 82% of the Group's net assets. In respect of Shannalyne's total assets, its plantation assets make up virtually 100% of its total assets. Plantation assets are stated at fair value less costs to sell.

During our audit of the Group for the year ended 31 July 2013, we were unable to satisfy ourselves that the carrying value of the associate's plantation assets was fairly stated for the reasons set out below:

(i) As further detailed in note 22(a)(iii) & (v), Executive Order 23 ("EO23") was signed and dated 1 February 2011. EO23 means a moratorium on the cutting and harvesting of timber in natural and residual forests in the Philippines, as well as creating an anti-illegal logging tasks force. On 27 March 2011, the Associate obtained a legal opinion on the impact of EO23, and according to the legal opinion the Associate can claim exemption from and/or challenge EO23. Notwithstanding this legal opinion, in order to have more options to choose from, politically and operationally, the management of the Associate held discussions with DENR (government regulator of natural resource matters) to ask for some concessions and/or waivers from EO23 because of its significant potential impact. Arising from these discussions, the Associate signed a Memorandum of Agreement ("MoA") on 17 November 2011. The directors of the Company represented to us that some of the Company's directors became aware of EO23 and MoA in or around September 2011 and June 2013 respectively. However, the Company's board of directors (the "Board") have not confirmed to us when they became aware of the legal opinion obtained by the Associate.

The combined effect of EO23 and MoA may have a potentially significant effect on the Associate's forestry plantation operations as they imply (a) the Associate will receive not more than 60% of the volume of logs cut from areas delineated for tree plantation business and (b) such logs and plantation business may only be carried out in "degraded forest areas" and open land.

In late September 2013, the Company became aware of a further memorandum ("Memorandum") from DENR dated 3 June 2013. Under this Memorandum, the Company's Chairman, was of the view that EO23 (and consequently MoA) was not applicable to the Associate and in essence under the Memorandum would revert to the same position before EO23 was issued. In order to seek additional comfort in view of the significance of this matter, a second legal opinion was sought in October 2013. This second legal opinion had a different view and opined that the EO23 and MoA were of full force and effect.

Faced with these conflicting legal opinions and different views, the Board has decided to take a conservative approach and assume EO23 and MoA are effective for the purposes of the valuation of the Associate's plantation assets and forest concession rights at 31 July 2013. In the meantime the Board has taken steps to look further into this issue and will seek a direct meeting with DENR to clarify this matter. Pending this clarification with DENR, there were no alternative audit procedures that would enable us to determine whether EO23 and MoA is in force and applicable to the Associate. This could have a significant effect on the valuation of the Associate's plantation assets as at 31 July 2013. We are unable to quantify this effect.

As mentioned above, EO23 and MoA were issued in February and November 2011 respectively. The valuation of the Associate's plantation assets at 31 July 2012 did not take into account the effect, if any, of EO23 and MoA and therefore may not have been fairly stated as at 31 July 2012. Similarly, the valuation of the Associate's plantation assets at 31 July 2011 did not take into account the effect, if any, of EO23. To the extent any adjustments may have been necessary to the carrying value of the Associate's plantation assets at 31 July 2012 and 2011, it would have had a consequential effect on the Group's share of Associate's results for the year ended 31 July 2013 and 2012 and the Group's share of net assets of the Associate at 31 July 2012 and 2011. We are unable to quantify this effect.

As explained in note 22(a)(v), it is unclear what is meant by "degraded forest area" as the regulations do not define this term. The Company has assumed "degraded forest areas" to be broadly equivalent to the approximately 125,000 hectares referred to in the VSA Circular for harvesting and plantation and equivalent again to the area under the Comprehensive Development Management Plans ("CDMP") for harvesting and plantation business. However, 38.68% of the forest area for harvesting and plantation under the CDMP comprises open/scrub land which is unlikely to have much standing trees and therefore little plantation asset value. The plantation asset valuation adopted by the Associate has not allowed for this open/scrub land and may therefore have overstated the value of plantation assets. However, pending clarification from DENR on this term, we are unable to determine if the correct areas have been used in the determination of the fair value of the plantation assets at 31 July 2013 and 2012.

(ii) As set out in note 22(a)(iv), the Associate has used the sawn timber business model to value its plantation assets at 31 July 2013. However, management of the Company have encountered difficulty obtaining accurate market prices in the Philippines for sawn timber produced from tree species found in the Associate's forest areas. As there is no transparent active market in Philippines due to cessation of forestry businesses in general because of EO23, the Board have used prices from Indonesia from an international timber trade journal as reference for its estimated selling price. In addition, under this business model, the Associate will subcontract out the processing of the logs to a third party for an all-in processing charge. As there is no active market in Philippines for this service, management were unable to secure any actual contract or fee quotation by an independent subcontractor. They have estimated this subcontractor charge with reference to a Bhutan research report, which management estimate was issued around 2000.

The selling price and subcontractor charges are key drivers under the sawn timber business model. The source of certain data used by management for their estimation is in parts quite old and may be out of date and none of the source data is specific to the Philippines. We have not been able to obtain other satisfactory evidence to satisfy ourselves whether these estimates are fair and reasonable. If the Associate is unable to achieve the estimated selling prices and/or the estimated subcontractor charges, it would have a significant negative effect on the valuation of the plantation assets at 31 July 2013. Further, no adjustment has been made for the additional profit arising from the processing of raw timber logs into sawn timber. We are unable to quantify these effects.

(iii) As explained in note 22(a)(vii), the independent valuers engaged by the Group, BMI Appraisals were unable to complete their valuation exercise in September 2013 owing to an escalation in the conflict between militant factions in Mindanao and Philippine government forces at the time of the site visit. In addition, they were also unable to obtain an updated satellite image of the forest area, a key requirement of the valuation exercise owing to persistent cloud cover over the relevant forest area. BMI Appraisals have therefore used data from the June 2010 valuation exercise (which was used in the VSA Circular) to complete their valuation of the plantation assets at 31 July 2013. As we were not the reporting accountants at the time of the VSA Circular, we are unable to rely on such a valuation as we did not attend any onsite inspections, nor observe any sample counts with the valuers on which the valuation is based. We would also need to see an updated satellite image on or after the 31 July 2013 to satisfy ourselves the trees in forest areas covered by the Associate's concession rights existed at the 31 July 2013.

In the view of the matters raised (i) (ii) (iii) above, we were unable to rely on the valuation report prepared by BMI Appraisals Limited for the year ended 31 July 2013 and accordingly cannot determine whether the Associate's plantation assets are fairly stated and therefore whether the Group's interests in associates are fairly stated at 31 July 2013. There were no other satisfactory alternative audit procedures we could perform.

2. Disposal of discontinued operation during the year ended 31 July 2013

As set out in note 16 to the consolidated financial statements, during the year the Group disposed of its Environmental Protection operations, represented by Bestco Worldwide Investment Limited and its subsidiaries (the "Bestco Group"). The disposed operations constituted a discontinued operation. Subsequent to the disposal, the directors of the Company have been unable to reach agreement with the new owners to allow us access to the books and records of the Bestco Group in order for us to carry out certain audit procedures.

We have therefore been unable to carry out audit procedures to obtain sufficient appropriate audit evidence to satisfy ourselves as to whether:

(i) The assets and liabilities of the Group as at 1 August 2012, as it pertained to the Bestco Group, were free from material misstatement as we were not able to perform any work on these opening balances carried forward from the previous year. There was no alternative work we could perform; and

(ii) The net liabilities of the Bestco Group at 15 January 2013 were free from material misstatement, and consequently whether the gain on disposal of the Bestco Group, and the results of the Bestco Group for the period up to that date was fairly stated as we were unable to perform any work on these net liabilities at the date of disposal.

Accordingly, we are unable to determine whether any adjustments are necessary to fairly state the Group's accumulated losses as at 1 August 2012 and the results of discontinued operations and gain on disposal of Bestco Group for the year ended 31 July 2013.

3. Incorrect equity accounting for interest in associates

The Group's forestry plantation operations in the Philippines were acquired by way of purchase of 100% of the equity interest of Asiaone Forest Products Holdings Limited ("Asiaone") on 9 August 2010. Asiaone, which became a wholly owned subsidiary of the Group, held interests in two Philippine associates, Shannalyne, Incorporated ("Shannalyne" or "Associate") whose main business is forestry plantation business in the Caraga region, Mindanao, Philippines, and Alverna Dynamic Developments, Inc. ("Alverna"), an investment holding company incorporated in the Philippines and whose major asset is a 60% interest in Shannalyne. Further details of these associates and their operations are set out in note 22. Details of the acquisition and background of the forestry plantation operations were set out in the Company's Very Substantial Acquisition Circular dated 30 June 2010 (the "VSA Circular").

In respect of Alverna, the Group acquired 100% of Alverna's issued common shares whilst a Philippine national holds 100% of Alverna's issued preferred shares. Under the acquisition agreement, the number of issued common shares to the number of preferred shares shall always remain in the ratio 40:60 in compliance with the Foreign Investments Act of 1991 and Anti-Dummy Law in the Philippines. Pursuant to Alverna's Articles of Association ("Articles"), the common shares and preferred shares carry equal voting rights. The common shares and preferred shares therefore carry 40% and 60% of the total voting rights of Alverna respectively. As such, the Group does not have control over either Alverna or Shannalyne and both have accordingly been accounted for as associates in the consolidated financial statements.

Under Alverna's Articles of Association and as explained in the VSA Circular, Alverna's preferred shares are entitled to a cumulative fixed preference dividend of 8% p.a. based on the issued preferred share capital. The preferred dividend is only payable if Alverna has made profits. Once the preferred share dividend is paid, the common shareholders may declare dividends from the remaining profits. The Articles state the preferred shareholders may not deprive the common shareholders their rights to receive dividends (once the preferred dividend has been paid/accrued). Based on the above, the voting and dividend (and therefore in substance profit) entitlement of the preferred shareholders and common shareholders are not the same.

In prior years and since the date when the Group acquired its interests in Alverna, the Group has accounted for its interest in Alverna by equity accounting using 64%. In our view the Group should have equity accounted for its interest in Alverna using 100% to account for its share of net assets and profits/losses after deducting the preferred dividend. If Alverna had been correctly equity accounted for at 100%, the goodwill on acquisition of Asiaone would have been HK$189,371,000, not HK$842,618,000 as presented in the Company's consolidated financial statements in prior years.

The Group fully impaired the goodwill in the current year. We noted that in prior years the Group has assessed goodwill impairment based on the value-in-use of the forestry plantation operation. If the assessment had been properly performed, in our view the goodwill would have been fully impaired in the year ended 31 July 2011.

A summary of the required material adjustments to reflect this are set out below.

Summary of adjustments required to correctly equity account for interest in associates

	As reported *HK$'000*	Adjustments required *HK$'000*	As corrected *HK$'000*
Consolidated statement of financial position as at 31 July 2013			
Goodwill on acquisition	–	–	–
Interest in associates	757,388	428,697	1,186,085
Accumulated losses	(1,775,751)	5,314	(1,770,437)
Exchange reserve	54,056	26,581	80,637
Consolidated statement of comprehensive income for the year ended 31 July 2013			
Impairment loss recognised in respect of goodwill on acquisition of subsidiaries	(842,618)	842,618	–
Share of results of associates	(166,799)	(94,273)	(261,072)

	As previously reported *HK$'000*	Adjustments required *HK$'000*	As corrected *HK$'000*
Consolidated statement of financial position as at 31 July 2012			
Goodwill of forestry and logging operations	842,618	(842,618)	–
Interest in associates	944,684	534,604	1,479,288
Accumulated losses	(1,227,485)	(346,228)	(1,573,713)
Exchange reserve	106,203	38,214	144,417
Consolidated statement of comprehensive income for the year ended 31 July 2012			
Share of results of associates	(256,893)	(144,943)	(401,836)
Consolidated statement of financial position as at 1 August 2011			
Goodwill of forestry and logging operations	842,618	(842,618)	–
Interest in associates	1,212,821	685,873	1,898,694
Accumulated losses	(664,985)	(201,285)	(866,270)
Exchange reserve	115,535	44,540	160,075

DISCLAIMER OF OPINION

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraphs, we have not been able to obtain sufficient appropriate evidence to provide a basis for an audit opinion. Accordingly we do not express an opinion on the consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in accordance with the disclosure requirements of Hong Kong Companies Ordinance.

OTHER MATTERS

Had we not disclaimed our opinion, we would have issued an adverse opinion in respect of our disagreement with the way the Group has equity accounted for its associates as set out in section (3) of the Basis for Disclaimer of Opinion paragraphs above.

The predecessor auditor disclaimed their audit opinion on the consolidated financial statements for the year ended 31 July 2012 on the basis of a material uncertainty relating to the going concern basis. Their audit report was dated 30 October 2012.

BDO Limited
Certified Public Accountants
Jonathan Russell Leong
Practising Certificate Number: P03246

Hong Kong, 4 November 2013

Consolidated Statement of Comprehensive Income

for the year ended 31 July 2013

	Notes	2013 HK$'000	2012 HK$'000 (Restated)
Continuing operations			
Turnover	7	**4,141**	4,285
Cost of sales and services		**(2,771)**	(2,655)
Gross profit		**1,370**	1,630
Other revenue and other gain	8	**7,644**	1,526
Administrative expenses		**(20,289)**	(21,370)
Reversal of provision/(provision) for impairment loss recognised in respect of trade and other debtors		**395**	(3,870)
Impairment loss recognised in respect of loan receivables	29	**(11,963)**	(4,465)
Impairment loss recognised in respect of goodwill	21	**(842,618)**	–
Gain arising from changes in fair value of investment properties	20	**32,804**	12,096
Share of results of the associates	22	**(166,799)**	(256,893)
Finance costs	13	**(31,755)**	(49,658)
Loss before income tax	9	**(1,031,211)**	(321,004)
Income tax	14	**(21,194)**	1,718
Loss for the year from continuing operations		**(1,052,405)**	(319,286)
Discontinued operations			
Profit/(loss) for the year from discontinued operations	16	**24,926**	(243,214)
Loss for the year		**(1,027,479)**	(562,500)

Consolidated Statement of Comprehensive Income

for the year ended 31 July 2013

	Notes	2013 HK$'000	2012 HK$'000 (Restated)
Other comprehensive income:			
Translation reserve realised upon disposal of subsidiaries	45	**(31,887)**	–
Exchanges differences on translating foreign operations		**237**	1,912
Share of other comprehensive income of the associates	22	**(20,497)**	(11,244)
Other comprehensive income for the year		**(52,147)**	(9,332)
Loss attributable to owners of the Company		**(1,027,479)**	(562,500)
Total comprehensive income for the year attributable to the owners of the Company		**(1,079,626)**	(571,832)
Loss per share from continuing and discontinued operations			
– Basic and diluted (2012: as restated)	17	**HK$(110.7) cents**	HK$(67.3) cents
Loss per share from continuing operations			
– Basic and diluted (2012: as restated)	17	**HK$(113.4) cents**	HK$(38.2) cents

Consolidated Statement of Financial Position

as at 31 July 2013

	Notes	2013 HK$'000	2012 HK$'000 (Restated)
Non-current assets			
Property, plant and equipment	18	**6,461**	13,788
Plantation assets	19	**–**	41,929
Investment properties	20	**166,928**	134,124
Goodwill	21	**–**	842,618
Interests in associates	22	**757,388**	944,684
Amounts due from associates	22	**46,178**	43,650
Intangible assets	23	**–**	38,884
		976,955	2,059,677
Current assets			
Properties held for sale	24	**7,465**	7,613
Properties under development	30	**31,431**	–
Inventories	25	**–**	15,082
Trade and other receivables	26	**427**	20,758
Deposits and prepayments	27	**3,723**	9,755
Other deposits	28	**10,163**	9,434
Loan receivables	29	**–**	11,963
Bank balances and cash	31	**8,526**	7,090
Total current assets		**61,735**	81,695
Current liabilities			
Trade and other payables	32	**35,581**	19,168
Accruals		**8,969**	5,592
Loans from shareholders	33	**3,000**	47,000
Amount due to a shareholder	34	**–**	2,000
Amount due to a director	34	**–**	2,634
Convertible notes	36	**–**	231,140
Tax payable		**–**	2,392
Total current liabilities		**47,550**	309,926
Net current assets/(liabilities)		**14,185**	(228,231)
Total assets less current liabilities		**991,140**	1,831,446

Consolidated Statement of Financial Position

as at 31 July 2013

	Notes	2013 *HK$'000*	2012 *HK$'000* (Restated)
Non-current liabilities			
Loans from shareholders	*33*	**49,891**	–
Deferred income	*35*	**–**	4,745
Promissory notes	*37*	**–**	369,281
Deferred tax	*38*	**21,604**	410
Total non-current liabilities		**71,495**	374,436
NET ASSETS		**919,645**	1,457,010
Capital and reserves attributable to owners of the Company			
Share capital	*39*	**206,780**	169,273
Reserves		**712,865**	1,287,737
TOTAL EQUITY		**919,645**	1,457,010

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 4 November 2013.

Shannon Tan Siang-Tau
Director

Shen Xia
Director

Statement of Financial Position

as at 31 July 2013

	Notes	2013 HK$'000	2012 HK$'000
Non-current assets			
Investments in subsidiaries	41	**737,115**	1,536,405
Current assets			
Other deposits	28	**10,163**	9,435
Amounts due from subsidiaries	41	**52,855**	52,189
Bank balances and cash	31	**2,653**	125
Total current assets		**65,671**	61,749
Current liabilities			
Other payables		**313**	7,939
Accruals		**8,969**	4,904
Loan from a shareholder	33	**3,000**	3,000
Amount due to a director	34	**–**	1,500
Amounts due to subsidiaries	41	**385**	1,748
Convertible notes	36	**–**	231,140
Total current liabilities		**12,667**	250,231
Net current assets/(liabilities)		**53,004**	(188,482)
Total assets less current liabilities		**790,119**	1,347,923
Non-current liabilities			
Deferred tax	38	**–**	410
NET ASSETS		**790,119**	1,347,513
Capital and reserves			
Share capital	39	**206,780**	169,273
Reserves	42	**583,339**	1,178,240
TOTAL EQUITY		**790,119**	1,347,513

The financial statements were approved and authorised for issue by the Board of Directors on 4 November 2013.

Shannon Tan Siang-Tau
Director

Shen Xia
Director

Consolidated Statement of Changes in Equity

for the year ended 31 July 2013

	Share capital HK$'000 *(Note 39)*	Share premium HK$'000 *(Note (i))*	Capital reserve HK$'000	Exchange reserve HK$'000 *(Note (ii))*	Distributable reserve HK$'000 *(Note (iii))*	Contributed surplus HK$'000 *(Note (iv))*	Convertible notes reserve HK$'000 *(Note (v))*	Statutory reserves HK$'000 *(Note (vi))*	Accumulated loss HK$'000	Total HK$'000
At 1 August 2011	816,367	1,426,720	11,613	115,535	77,033	143,218	61,991	20,421	(664,985)	2,007,913
Loss for the year	–	–	–	–	–	–	–	–	(562,500)	(562,500)
Other comprehensive income for the year:										
Exchange differences on translating foreign operations	–	–	–	1,912	–	–	–	–	–	1,912
Share of other comprehensive income of the associates *(Note 22)*	–	–	–	(11,244)	–	–	–	–	–	(11,244)
Other comprehensive income for the year	–	–	–	(9,332)	–	–	–	–	–	(9,332)
Total comprehensive income for the year	–	–	–	(9,332)	–	–	–	–	(562,500)	(571,832)
Capital reduction *(Note 39(ii))*	(653,094)	–	–	–	–	653,094	–	–	–	–
Placements of new shares *(Note 39(iii))*	6,000	14,929	–	–	–	–	–	–	–	20,929
At 31 July 2012 and 1 August 2012	169,273	1,441,649	11,613	106,203	77,033	796,312	61,991	20,421	(1,227,485)	1,457,010
Loss for the year	–	–	–	–	–	–	–	–	(1,027,479)	(1,027,479)
Other comprehensive income for the year:										
Reclassification adjustment of translation reserve upon disposal of subsidiaries *(Note 45)*	–	–	–	(31,887)	–	–	–	–	–	(31,887)
Exchange differences on translating foreign operations	–	–	–	237	–	–	–	–	–	237
Share of other comprehensive income of the associates *(Note 22)*	–	–	–	(20,497)	–	–	–	–	–	(20,497)
Other comprehensive income for the year	–	–	–	(52,147)	–	–	–	–	–	(52,147)
Total comprehensive income for the year	–	–	–	(52,147)	–	–	–	–	(1,027,479)	(1,079,626)
Convertible notes surrendered and delivered up upon disposal of subsidiaries	–	–	–	–	–	–	(61,991)	–	61,991	–
Waiver of promissory notes *(Note 37)*	–	–	–	–	–	–	–	–	396,801	396,801
Conversion of convertible notes to ordinary shares *(Note 36)*	4,507	85,630	–	–	–	–	–	–	–	90,137
Placements of new shares *(Note 39)*	33,000	22,323	–	–	–	–	–	–	–	55,323
Disposal of subsidiaries *(Note 45)*	–	–	–	–	–	–	–	(20,421)	20,421	–
At 31 July 2013	206,780	1,549,602	11,613	54,056	77,033	796,312	–	–	(1,775,751)	919,645

Notes:

(i) Share premium

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

(ii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in Note 4(p).

(iii) Distributable reserve

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.

(iv) Contributed surplus

The Company passed a special resolution on 13 February 2012 for a capital reduction and the issued share capital of the Company was reduced from approximately HK$816,367,000 to HK$163,273,000. The capital reduction resulted in reducing the issued share capital of the Company by approximately HK$653,094,000. Such amount was credited to the contributed surplus of the Company.

(v) Convertible notes reserve

The balance of 31 July 2012 represents the equity component of outstanding convertible notes issued by the Company recognised in accordance with the accounting policy adopted for convertible notes in Note 4(k)(iv).

(vi) Statutory reserves

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.

Consolidated Statement of Cash Flows

for the year ended 31 July 2013

	2013 *HK$'000*	2012 *HK$'000*
Operating activities		
Loss before income tax from continuing operations	**(1,031,211)**	(321,004)
Profit/(loss) before income tax from discontinued operations	**24,926**	(240,845)
	(1,006,285)	(561,849)
Adjustments for:		
Amortisation of intangible assets	**1,690**	5,048
Depreciation and amortisation of property, plant and equipment	**2,150**	2,157
Loss on disposal of property, plant and equipment	**34**	–
Write-off of amounts due to former directors	**(6,486)**	–
Net gain arising from changes in fair value of investment properties	**(32,804)**	(12,096)
Loss arising from changes in fair value of plantation assets less costs to sell	**–**	45,248
Impairment loss recognised in respect of goodwill	**842,618**	140,898
Impairment loss recognised in respect of intangible assets	**–**	39,842
Impairment loss recognised in respect of inventories	**–**	244
Impairment loss recognised in respect of loan receivables	**11,963**	4,465
Impairment loss recognised in respect of property, plant and equipment	**–**	569
(Reversal of provision)/provision for impairment loss recognised in respect of trade and other debtors	**(395)**	4,438
Interest income	**(1)**	(1,340)
Finance costs	**31,755**	49,658
Gain on disposal of subsidiaries	**(28,914)**	–
Share of results of the associates	**166,799**	256,893
Operating loss before movements in working capital	**(17,876)**	(25,825)
Decrease in properties held for sale	**148**	–
Increase in properties under development	**(30,982)**	–
Decrease in inventories	**2,506**	2,094
(Increase)/decrease in trade and other receivables	**(204)**	21,674
Increase in deposits and prepayments	**(2,508)**	(462)
Increase in other deposits	**(729)**	–
Increase/(decrease) in trade and other payables	**35,901**	(21,277)
Increase in accruals	**3,540**	1,897
Cash used in operations	**(10,204)**	(21,899)
Income taxes (paid)/refund	**(2,370)**	78
Interest paid	**(290)**	(210)
Net cash used in operating activities	**(12,864)**	(22,031)

Consolidated Statement of Cash Flows

for the year ended 31 July 2013

	2013 HK$'000	2012 HK$'000
Investing activities		
Disposals of subsidiaries	**(6,480)**	–
Proceeds on disposal of assets classified as held for sale	**–**	3,393
Loan receivables	**–**	(495)
Interest received	**1**	98
Purchase of property, plant and equipment	**(184)**	(8,874)
Purchase of plantation assets	**(584)**	(11,876)
Increase in amounts due from associates	**(2,528)**	(7,796)
Net cash used in investing activities	**(9,775)**	(25,550)
Financing activities		
Proceeds from issue of ordinary shares	**55,323**	20,929
Redemption of principal of convertible notes	**(30,000)**	–
Repayment of amount due to a shareholder	**–**	(3,400)
Repayment of loans from shareholders	**(291)**	–
Loans from shareholders	**–**	4,000
Increase in amount due to a director	**992**	1,634
Decrease in amount due to a shareholder	**(2,000)**	–
Net cash generated from financing activities	**24,024**	23,163
Net increase/(decrease) in cash and cash equivalents	**1,385**	(24,418)
Cash and cash equivalents at beginning of the year	**7,090**	31,349
Effect of foreign exchange rate changes	**51**	159
Cash and cash equivalents at end of the year, representing bank balances and cash	**8,526**	7,090

1. GENERAL

Yueshou Environmental Holdings Limited (the "Company", together with its subsidiaries, the "Group") 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 22/F., Hip Shing Hong Centre, No.55 Des Voeux Road Central, Hong Kong.

The principal activity of the Company is investment holding. Its subsidiaries and associates are principally engaged in the property development in the People's Republic of China (the "PRC") and forestry plantation operations in the Philippines respectively.

During the year, the Group ceased its operations in provision of installation services, sales of chemical agents and petroleum chemical products, provision of technical services of environmental protection operations in the PRC and forestry operation in the PRC.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of amendment to HKFRSs – first effective on 1 August 2012

Amendments to HKAS 1 (Revised)	Presentation of Items of Other Comprehensive Income
Amendments to HKAS 12	Deferred Tax – Recovery of Underlying Assets

The adoption of these amendments has no material impact on the Group's financial statements.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(b) New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

HKFRSs (Amendments)	Annual Improvements 2009–2011 Cycle[1]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKAS 32	Presentation – Offsetting Financial Assets and Financial Liabilities[2]
Amendments to HKAS 36	Impairment of assets[2]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[1]
HKFRS 12	Disclosure of Interests in Other Entities[1]
HKFRS 13	Fair Value Measurement[1]
HKFRS 19 (2011)	Employee Benefits[1]
HKAS 27 (2011)	Separate Financial Statements[1]
HKAS 28 (2011)	Investments in Associates and Joint Ventures[1]
HK(IFRIC) – Interpretation 21	Levies[2]
Amendements to HKAS 39	Financial instruments: Recognition and measurement[3]

1 *Effective for annual periods beginning on or after 1 January 2013*
2 *Effective for annual periods beginning on or after 1 January 2014*
3 *Effective for annual periods beginning on or after 1 January 2015*

HKFRSs (Amendments) – Annual Improvements 2009-2011 Cycle

The improvements made amendments to the following standards.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(b) New/revised HKFRSs that have been issued but are not yet effective *(Continued)*

HKFRSs (Amendments) – Annual Improvements 2009-2011 Cycle *(Continued)*

(i) HKAS 1 Presentation of Financial Statements

The amendments clarify that the requirement to present a third statement of financial position when an entity applies an accounting policy retrospectively or makes a retrospective restatement or reclassification of items in its financial statements is limited to circumstances where there is a material effect on the information in that statement of financial position. The date of the opening statement of financial position is the beginning of the preceding period and not, as at present, the beginning of the earliest comparative period. The amendments also clarify that, except for disclosures required by HKAS 1.41-44 and HKAS 8, the related notes to the third statement of financial position are not required to be presented. An entity may present additional voluntary comparative information as long as that information is prepared in accordance with HKFRSs. This may include one or more statements and not a complete set of financial statements. Related notes are required for each additional statement presented.

(ii) HKAS 16 Property, Plant and Equipment

The amendments clarify that items such as spare parts, stand-by equipment and servicing equipment are recognised as property, plant and equipment when they meet the definition of property, plant and equipment. Otherwise, such items are classified as inventory.

(iii) HKAS 32 Financial Instruments: Presentation

The amendments clarify that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction should be accounted for in accordance with HKAS 12 Income Taxes. Depending on the circumstances these items of income tax might be recognised in equity, other comprehensive income or in profit or loss.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(b) New/revised HKFRSs that have been issued but are not yet effective *(Continued)*

HKFRSs (Amendments) – Annual Improvements 2009-2011 Cycle *(Continued)*

(iv) HKAS 34 Interim Financial Reporting

The amendment clarifies that in interim financial statements, a measure of total assets and liabilities for a particular reportable segment needs to be disclosed when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total assets and liabilities for that segment from the amount disclosed in the last annual financial statements.

Amendments to HKFRS 7 – Offsetting Financial Assets and Financial Liabilities

HKFRS 7 is amended to introduce disclosures for all recognised financial instruments that are set off under HKAS 32 and those that are subject to an enforceable master netting agreement or similar arrangement, irrespective of whether they are set off under HKAS 32.

Amendments to HKAS 32 – Offsetting Financial Assets and Financial Liabilities

The amendments clarify the offsetting requirements by adding appliance guidance to HKAS 32 which clarifies when an entity "currently has a legally enforceable right to set off" and when a gross settlement mechanism is considered equivalent to net settlement.

HKFRS 9 – Financial Instruments

Under HKFRS 9, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for those non-trade equity investments, which the entity will have a choice to recognise the gains and losses in other comprehensive income. HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(b) New/revised HKFRSs that have been issued but are not yet effective *(Continued)*

HKFRS 10 – Consolidated Financial Statements

HKFRS 10 introduces a single control model for consolidation of all investee entities. An investor has control when it has power over the investee (whether or not that power is used in practice), exposure or rights to variable returns from the investee and the ability to use the power over the investee to affect those returns. HKFRS 10 contains extensive guidance on the assessment of control. For example, the standard introduces the concept of "de facto" control where an investor can control an investee while holding less than 50% of the investee's voting rights in circumstances where its voting interest is of sufficiently dominant size relative to the size and dispersion of those of other individual shareholders to give it power over the investee. Potential voting rights are considered in the analysis of control only when these are substantive, i.e. the holder has the practical ability to exercise them. The standard explicitly requires an assessment of whether an investor with decision making rights is acting as principal or agent and also whether other parties with decision making rights are acting as agents of the investor. An agent is engaged to act on behalf of and for the benefit of another party and therefore does not control the investee when it exercises its decision making authority. The implantation of HKFRS 10 may result in changes in those entities which are regarded as being controlled by the Group and are therefore consolidated in the financial statements. The accounting requirements in the existing HKAS 27 on other consolidation related matters are carried forward unchanged. HKFRS 10 is applied retrospectively subject to certain transitional provisions.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(b) New/revised HKFRSs that have been issued but are not yet effective *(Continued)*

HKFRS 12 – Disclosure of Interests in Other Entities

HKFRS 12 integrates and makes consistent the disclosure requirements about interests in subsidiaries, associates and joint arrangements. It also introduces new disclosure requirements, including those related to unconsolidated structured entities. The general objective of the standard is to enable users of financial statements to evaluate the nature and risks of a reporting entity's interests in other entities and the effects of those interests on the reporting entity's financial statements.

HKFRS 13 – Fair Value Measurement

HKFRS 13 provides a single source of guidance on how to measure fair value when it is required or permitted by other standards. The standard applies to both financial and non-financial items measured at fair value and introduces a fair value measurement hierarchy. The definitions of the three levels in this measurement hierarchy are generally consistent with HKFRS 7 "Financial Instruments: Disclosures". HKFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). The standard removes the requirement to use bid and ask prices for financial assets and liabilities quoted in an active market. Rather the price within the bid-ask spread that is most representative of fair value in the circumstances should be used. It also contains extensive disclosure requirements to allow users of the financial statements to assess the methods and inputs used in measuring fair values and the effects of fair value measurements on the financial statements. HKFRS 13 can be adopted early and is applied prospectively.

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

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(b) New/revised HKFRSs that have been issued but are not yet effective *(Continued)*

HKAS 19 (2011) – Employee Benefits

HKAS 19 (2011) abandons the corridor approach with the result that changes in defined benefit obligations and the fair value of plan assets are recognised in the period in which they occur. The revised standard requires the changes in the Group's net defined benefit liability (or asset) to be separated into three components: service cost (including current and past service cost and settlements) recognised in profit or loss; net interest on the net defined benefit liability recognised in profit or loss; and re-measurements of the defined benefit liability (or asset) recognised in other comprehensive income. The revised standard distinguishes between short-term and long-term employee benefits based on the expected date of settlement. The previous standard used the term "due to be settled". This change may result in more plans being classified as long-term employee benefit plans that will need to be accounted for in a similar way to defined benefit plans as detailed in note (r)(ii) to these financial statements. HKAS 19 (2011) provides additional guidance on the definition of termination benefits. Benefits that are conditional on future service being provided including those that increase if additional service is provided are not termination benefits. The revised standard requires that a liability for termination benefits is recognised on the earlier of the date when the entity can no longer withdraw the offer of those benefits and the date the entity recognises any related restructuring costs. This could lead to later recognition of voluntary termination benefits in some cases. The amendments will generally be applied retrospectively with two exceptions.

3. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRS") and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules").

(b) Basis of measurement

The financial statements have been prepared under the historical cost basis, except for investment properties, plantation assets and certain financial instruments, which are measured at fair values as explained in the accounting policies set out below.

(c) Functional and presentation currency

The financial statements are presented in Hong Kong dollars ("HK$"), which is the same as the functional currency of the Company.

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Business combination and basis of consolidation *(Continued)*

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective dates of acquisition or up to the effective dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interest that represents present ownership interest in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instrument in which case the costs are deducted from equity.

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Business combination and basis of consolidation *(Continued)*

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 interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

(b) Subsidiaries

A subsidiary is an entity over which the Company is able to exercise control. Control is achieved where the Company, directly or indirectly, 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 are presently 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.

(c) Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies. Associates are accounted for using the equity method whereby they are initially recognised at cost and thereafter, their carrying amount are adjusted for the Group's share of the post-acquisition change in the associates' net assets except that losses in excess of the Group's interest in the associate are not recognised unless there is an obligation to make good those losses.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Associates *(Continued)*

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate.

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate and the entire carrying amount of the investment is subject to impairment test, by comparing the carrying amount with its recoverable amount, which is higher of value in use and fair value less costs to sell.

(d) Goodwill

Goodwill is initially recognised at cost being the excess of the aggregate of consideration transferred and the amount recognised for non-controlling interests over the fair value of identifiable assets, liabilities and contingent liabilities acquired.

Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is recognised in profit or loss on the acquisition date, after re-assessment.

Goodwill is measured at cost less impairment losses. For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Goodwill *(Continued)*

For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro-rata on the basis of the carrying amount to each asset in the unit. Any impairment loss for goodwill is recognised in profit or loss and is not reversed in subsequent periods.

(e) Plantation assets

Plantation assets comprise forest in the PRC.

Plantation assets are stated at fair value less costs to sell, with any resulting 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.

(f) Property, plant and equipment

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

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Property, plant and equipment *(Continued)*

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

Property, plant and equipment are depreciated so as to write off their cost net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The principal annual rates/useful lives used for this purpose are as follows:

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

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

(g) Investment properties

Investment properties are properties held either to earn rentals or for capital appreciation or for both, but not held for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at fair value with any change therein recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Leasing

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

The Group as lessor under operating leases

Rental income from operating leases is recognised in profit or loss 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 as an expense on the straight-line basis over the lease term.

The Group as lessee under operating leases

The total rentals payable under the operating leases are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

(i) Intangible assets

(i) Acquired intangible assets

Intangible assets acquired separately are initially recognised at cost. The cost of intangible assets acquired in a business combination is fair value at the date of acquisition. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is provided on a straight-line basis over their useful lives as follows. Intangible assets with indefinite useful lives are carried at cost less any accumulated impairment losses. The amortisation expense is recognised in profit or loss and included in administrative expenses.

Patent	20 years
Timber concession and plantation licenses	Over the remaining terms of the licenses

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Intangible assets *(Continued)*

(ii) Impairment

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually by comparing their carrying amounts with their recoverable amounts, irrespective of whether there is any indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount.

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

Intangible assets with finite lives are tested for impairment when there is an indication that an asset may be impaired.

(j) Properties held for sale

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Financial instruments

(i) Financial assets

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets at fair value through profit or loss are initially measured at fair value and all other financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade debtors), and also incorporate other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses, except where the effect of discounting would be immaterial, in which case, the loans and receivables are stated at cost less impairment losses.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Financial instruments *(Continued)*

(ii) Impairment loss on financial assets

The Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

– significant financial difficulty of the debtor;

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

– granting concession to a debtor because of debtor's financial difficulty; or

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

For loans and receivables

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Financial instruments *(Continued)*

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. All of the Group's financial liabilities are financial liabilities at amortised costs which are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost

Financial liabilities at amortised cost, including trade and other payables, accruals, borrowings, amounts due to related parties, promissory notes and the liability component of convertible notes issued by the Group, are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Convertible notes

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Financial instruments *(Continued)*

(iv) Convertible notes (Continued)

In subsequent periods, the liability component of the convertible notes is carried at amortised cost using the effective interest method. The equity component, represented by the option to convert the liability component into ordinary shares of the Company, will remain in convertible notes reserve until the embedded option is exercised (in which case the balance stated in convertible notes reserve will be transferred to share premium). Where the option remains unexercised at the expiry dates, the balance stated in convertible notes reserve will be released to the retained profits. No gain or loss is recognised upon conversion or expiration of the option.

(v) Effective interest method

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

(vi) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Financial instruments *(Continued)*

(vii) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contact at the higher of: (i) the amount determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 Revenue.

(viii) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents 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.

(n) Revenue recognition

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

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

Rental income under operating leases is recognised on a straight-line basis over the term of the relevant lease.

Interest income is accrued on a time basis on the principal outstanding at the applicable interest rate.

Service fee income and management fee income are recognised when the services are provided.

Income from installation service is recognised based on the percentage of completion.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) Income tax

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates expected to apply in the period when the liability is settled or the asset is realised based on tax rates that have been enacted or substantively enacted at the end of reporting period.

An exception to the general requirement on determining the appropriate tax rate used in measuring deferred tax amount is when an investment property is carried at fair value under HKAS 40 "Investment Property". Unless the presumption is rebutted, the deferred tax amounts on these investment properties are measured using the tax rates that would apply on sale of these investment properties at their carrying amounts at the reporting date. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all the economic benefits embodied in the property over time, rather than through sale.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(p) Foreign currency

Transactions entered into by group entities in currencies other than the currency of the primary economic environment in which they operate (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. 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 differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollar) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as translation reserve (attributed to non-controlling interests as appropriate). Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as translation reserve.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(p) Foreign currency *(Continued)*

On disposal of a foreign operation, the cumulative exchange differences recognised in the translation reserve relating to that operation up to the date of disposal are reclassified to profit or loss as part of the profit or loss on disposal.

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

(q) Employee benefits

(i) Defined contribution retirement plan

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees.

(ii) Termination benefits

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

(r) Impairment of other assets

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, investments in subsidiaries and investments in associates to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) Impairment of other assets *(Continued)*

If the recoverable amount (i.e. the greater of the fair value less costs to sell and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately.

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

(s) Capitalisation of borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of qualifying assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(t) Government grants

Government grants are recognised when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(u) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(v) Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(v) Related parties *(Continued)*

(b) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

(a) Impairment of loan receivables, trade and other debtors

The aged debt profile of debtors is reviewed on a regular basis to ensure that the trade debtors 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 debtors balances are called into question, specific provisions for debtors are made based on credit status of the customers, the aged analysis of the debtors balances and past collection history. Any amount considered uncollectible is written off against the provision and the debtor balance. Changes in the collectability of debtors for which provisions are not made could affect the results of operations.

(b) Impairment of associates

The Group assesses the potential for impairment of interests in associates based on objective evidence. To the extent that the carrying amount exceeds the share of present value of the estimated future cash flows expected to be generated by the investee and the proceeds on ultimate disposal of the investment, an impairment loss is recognised.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

(c) Impairment and depreciation 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.

(d) 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 it 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.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

(e) 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; repair and maintenance 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.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

(f) 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 determination of the liability and equity components requires an estimation of the market interest rate of a similar debt instrument which does not have the conversion option.

(g) Fair value of plantation assets of the Group and the associates

The Group's and the associates' 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 market approach which requires a number of key assumptions and estimates as detailed in Note 21 and 22. 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.

6. SEGMENT REPORTING

The Group determines its operating segments based on the reports reviewed by the chief operating decision-makers that are used to make strategic decisions.

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

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

6. SEGMENT REPORTING *(Continued)*

(ii) the forestry plantation operations 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 Caraga region of Mindanao in the Philippines. The forestry plantation business in the Philippines is carried out through an associate, further details of which are set out in Note 22.

The following is an analysis of the Group's reportable segements

(a) Business segments

	Continuing operations						Discontinued operations			
	Property development		Forestry plantation operations in Philippines		Total		Environmental protection and forestry and logging operations in the PRC		Total	
	2013 **HK$'000**	2012 *HK$'000*	**2013** **HK$'000**	2012 *HK$'000*	**2013** **HK$'000**	2012 *HK$'000*	**2013** **HK$'000**	2012 *HK$'000*	**2013** **HK$'000**	2012 *HK$'000*
Reportable segment revenue	**4,141**	4,285	**–**	–	**4,141**	4,285	**33,038**	135,513	**37,179**	139,798
Reportable segment profit/(loss)	**29,684**	11,296	**(189,421)**	(271,774)	**(159,737)**	(260,478)	**(3,988)**	(102,316)	**(163,725)**	(362,794)
Unallocated corporate income									**7,627**	1
Unallocated corporate expense									**(4,728)**	(10,869)
Changes in fair value of plantation assets less costs to sell	**–**	–	**–**	–	**–**	–	**–**	(45,248)	**–**	(45,248)
Changes in fair value of investment properties	**32,804**	12,096	**–**	–	**32,804**	12,096	**–**	–	**32,804**	12,096
Impairment loss recognised in repect of goodwill	**–**	–	**(842,618)**	–	**(842,618)**	–	**–**	–	**(842,618)**	–
Impairment loss recognised in respect of intangible assets	**–**	–	**–**	–	**–**	–	**–**	(39,842)	**–**	(39,842)
Reversal of provision/(provision) for impairment loss recognised in respect of trade and other debtors	**414**	(334)	**(19)**	(3,535)	**395**	(3,869)	**–**	(569)	**395**	(4,438)
Impairment loss recognised in respect of loan receivables	**–**	–	**(11,963)**	(4,465)	**(11,963)**	(4,465)	**–**	–	**(11,963)**	(4,465)
Amortisation of intangible assets	**–**	–	**–**	–	**–**	–	**(1,690)**	(5,048)	**(1,690)**	(5,048)
Depreciation of property, plant and equipment	**(1,868)**	(915)	**(271)**	(111)	**(2,139)**	(1,026)	**(11)**	(1,131)	**(2,150)**	(2,157)
Reportable segment assets	**217,797**	154,646	**804,821**	1,844,735	**1,022,618**	1,999,381	**–**	129,276	**1,022,618**	2,128,657
Additions to non-current assets	**178**	4,402	**6**	569	**184**	4,971	**584**	15,786	**768**	20,757
Reportable segment liabilities	**(32,207)**	(809)	**(52,852)**	(49,398)	**(85,059)**	(50,207)	**–**	(11,347)	**(85,059)**	(61,554)

6. SEGMENT REPORTING *(Continued)*

(b) Geographical information

The following table provides an analysis of the Group's revenue from external customers from continuing and discontinued operations and its non-current assets other than financial instruments, deferred tax assets and post-employment benefit assets ("specified non-current assets").

	Revenue from external customers		Specified non-current assets	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
The People's Republic of China (the "PRC")	**37,179**	139,798	**173,170**	222,708
Hong Kong	**–**	–	**219**	6,017
Philippines	**–**	–	**757,388**	1,787,302
	37,179	139,798	**930,777**	2,016,027

(c) Information about a major customer

No customer had exceeded 10% of the Group's turnover arising from both property development and forestry planatation operations during the year and prior year.

For the turnover arising from discontinued operations segment, due to limitation of scope in obtaining sufficient appropriate audit evidence as set out in the independent auditor's report from the disposed subsidiaries, we do not have any information about the turnover of major customers in current year (2012: two major customers from environmental protection operations with turnover approximately HK$14,038,000 and HK$18,624,000).

6. SEGMENT REPORTING *(Continued)*

(d) Reconciliation of reportable segment profit, assets and liabilities

	2013 HK$'000	2012 HK$'000
Loss before income tax expense and discontinued operations:		
Reportable segment loss	**(163,725)**	(362,794)
Impairment loss recognised in respect of goodwill	**(842,618)**	–
Segment loss from discontinued operations	**3,988**	102,316
Unallocated corporate income	**7,627**	1
Unallocated corporate expenses	**(4,728)**	(10,869)
Finance costs	**(31,755)**	(49,658)
Consolidated loss before income tax expense from continuing operations	**(1,031,211)**	(321,004)

	2013 HK$'000	2012 HK$'000
Assets:		
Reportable segment assets	**1,022,618**	1,999,381
Segment assets of discontinued operations	**–**	129,276
Unallocated corporate assets	**16,072**	12,715
Consolidated total assets	**1,038,690**	2,141,372
Liabilities:		
Reportable segment liabilities	**85,059**	50,207
Segment liabilities of discontinued operations	**–**	11,347
Unallocated convertible notes	**–**	231,140
Unallocated promissory notes	**–**	369,281
Unallocated corporate liabilities	**12,382**	21,977
Deferred tax liabilities	**21,604**	410
Consolidated total liabilities	**119,045**	684,362

7. TURNOVER

Turnover from continuing operations represents the aggregate of sales revenue from the sales of properties in the PRC, rental and management fee income from properties in the PRC.

Turnover from discontinued operations represents the sales of chemical agents and petroleum chemical products and the service income from the provision of technical and installation services.

	2013 HK$'000	2012 HK$'000
Continuing operations:		
Sales of properties in the PRC	**378**	330
Rental income	**2,092**	1,663
Management income	**1,671**	2,292
	4,141	4,285
Discontinued operations:		
Sales of chemical agents and petroleum chemical products	**33,038**	119,315
Provision of installation services	**–**	4,894
Provision of technical services	**–**	11,304
	33,038	135,513

8. OTHER REVENUE AND OTHER GAIN

	2013 HK$'000	2012 HK$'000
Continuing operations:		
Other revenue:		
Interest income	**1**	1,290
Sundry income	**7,643**	1
	7,644	1,291
Other gain:		
Exchange gain, net	**–**	235
	7,644	1,526

9. LOSS BEFORE INCOME TAX

Loss before income tax (including continuing and discontinued operations) is arrived at after charging/(crediting):

	2013 HK$'000	2012 HK$'000
Cost of inventories recognised as expenses	**33,875**	135,128
Staff costs *(Note 10)*	**10,099**	10,843
Depreciation of property, plant and equipment*	**2,150**	2,157
Amortisation of intangible assets (included in administrative expenses) *(Note 23)*	**1,690**	5,048
Operating lease rentals in respect of land and buildings	**1,371**	1,580
Auditors' remuneration	**1,235**	1,200
Exchange loss/(gain), net	**69**	(749)
(Reversal of provision)/provision for impairment loss recognised in respect of trade and other debtors	**(395)**	4,438
Loss on disposal of property, plant and equipment	**34**	–

* Cost of inventories includes HK$1,868,000 (2012: HK$964,000) relating to depreciation of property, plant and equipment for which the amount is also included in the respective total amount separately above.

10. STAFF COSTS

	2013 HK$'000	2012 HK$'000
Staff costs (including directors' emoluments) comprise:		
Salaries and other benefits	**9,844**	9,921
Contributions on defined contribution retirement plans	**255**	922
	10,099	10,843

11. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the directors were as follows:

	Fees HK$'000	Salaries and other benefits HK$'000	Contributions to defined contribution plans HK$'000	Total HK$'000
2013:				
Executive directors:				
Mr. Tan Cheow Teck	–	2,128	–	2,128
Mr. Yu Hong	–	229	1	230
Mr. Li Bin	–	138	1	139
Mr. Shannon Tan Siang-Tau	–	480	–	480
Mr. Lau Kwan	445	–	1	446
Mr. Shen Xia	445	–	1	446
Mr. Leung Wai Shun Wilson (re-designated as executive director on 20 June 2013)	93	125	3	221
Ms. Juanita Dimla De Guzman	–	–	–	–
Mr. Alberto Alducente Encomienda (resigned on 6 August 2012)	–	–	–	–
Mr. Anastacio JR Agustin (resigned on 6 August 2012)	–	–	–	–
Non-executive director:				
Shen Xia (appointed on 6 August 2012 and re-designated as executive director on 28 August 2012)	–	–	–	–

11. DIRECTORS' EMOLUMENTS *(Continued)*

	Fees HK$'000	Salaries and other benefits HK$'000	Contributions to defined contribution plans HK$'000	Total HK$'000
Independent non-executive directors:				
Mr. Sai Chun Yu	**112**	**–**	**–**	**112**
Mr. Wen Jian Sheng	**79**	**–**	**–**	**79**
Mr. Zhang Xi Chu	**43**	**–**	**–**	**43**
	1,124	**3,193**	**7**	**4,324**

	Fees HK$'000	Salaries and other benefits HK$'000	Contributions to defined contribution plans HK$'000	Total HK$'000
2012:				
Executive directors:				
Mr. Tan Cheow Teck	–	2,078	12	2,090
Mr. Yu Hong	–	500	1	501
Mr. Li Bin	–	300	1	301
Mr. Shannon Tan Siang-Tau	–	297	7	304
Ms. Juanita Dimla De Guzman	–	–	–	–
Mr. Alberto Alducente Encomienda	–	–	–	–
Mr. Anastacio JR Agustin	–	–	–	–
Non-executive director:				
Mr. Shen Xia	45	–	–	45
Independent non-executive directors:				
Mr. Sai Chun Yu	34	–	–	34
Mr. Leung Wai Shun Wilson	29	–	–	29
Mr. Wen Jian Sheng	–	–	–	–
Mr. Kwong Ping Man	62	–	–	62
Mr. Zhang Xi Chu	127	–	–	127
Ms. Sun Zhi Li	62	–	–	62
	359	3,175	21	3,555

None of the directors waived or agreed to waive any emolument during the year ended 31 July 2013 and 2012.

12. FIVE HIGHEST PAID INDIVIDUALS

Of the five individuals with highest emoluments in the Group, two (2012: two) were directors of the Company, whose emoluments are included in the disclosures in Note 11 above. The emolument of the remaining three (2012: three) individuals were as follows:

	2013 **HK$'000**	2012 *HK$'000*
Salaries and other benefits	**2,792**	2,715
Contributions to defined contribution plans	**45**	38
	2,837	2,753

Their emoluments were within the following bands:

	2013 ***Number of individuals***	2012 *Number of individuals*
Nil to HK$1,000,000	**2**	2
HK$1,500,001 to HK$2,000,000	**1**	1
	3	3

12. FIVE HIGHEST PAID INDIVIDUALS *(Continued)*

The emoluments paid or payable to members of senior management were within the following bands:

	2013 Number of individuals	2012 Number of individuals
Nil to HK$1,000,000	**13**	12
HK$2,000,001 to HK$2,500,000	**1**	1
	14	13

13. FINANCE COSTS

	2013 HK$'000	2012 HK$'000
Imputed interest expenses on convertible notes *(Note 36(a) & (b))*	**2,434**	10,504
Imputed interest expenses on promissory notes *(Note 37)*	**27,520**	35,250
Interest expenses on loans from shareholders	**628**	3,904
Interest expenses on loans from former shareholders	**637**	–
Interest expenses on other loans	**536**	–
	31,755	49,658

14. INCOME TAX

The amount of income tax in the consolidated statement of comprehensive income represents:

	2013	2012
	HK$'000	*HK$'000*
Continuing operations:		
Current tax – PRC		
– tax for the year	**–**	18
Deferred tax *(Note 38)*		
– current year	**10,624**	(1,736)
– under provision in prior years	**10,570**	–
	21,194	(1,718)
Discontinued operations:		
Current tax – PRC		
– under provision in prior years *(Note 16)*	**–**	2,369
Income tax	**21,194**	651

No provision for Hong Kong Profits Tax was made for the years ended 31 July 2013 and 2012 as the Company and its respective subsidiaries in Hong Kong incurred tax losses for both years.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

14. INCOME TAX *(Continued)*

Income tax for the year can be reconciled to the profit/(loss) before income tax per the consolidated statement of comprehensive income as follows:

	2013	2012
	HK$'000	*HK$'000*
Loss before income tax from continuing operations	**(1,031,211)**	(321,004)
Profit/(loss) before income tax from discontinued operations *(Note 16)*	**24,926**	(240,845)
Loss before income tax (including continuing and discontinued operations)	**(1,006,285)**	(561,849)
Tax calculated at the domestic income tax rate of 16.5% (2012: 16.5%)	**(166,037)**	(92,705)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(816)**	(4,958)
Tax effect of expenses not deductible for tax purpose	**180,325**	93,732
Tax effect of income not taxable for tax purpose	**(6,122)**	(2,216)
Tax effect of tax losses not recognised	**3,655**	5,752
Tax effect of deductible temporary differences not recognised	**(381)**	(1,323)
Under-provision in prior years	**10,570**	2,369
Income tax for the year	**21,194**	651
Attributable to:		
Continuing operations	**21,194**	(1,718)
Discontinued operations *(Note 16)*	**–**	2,369
	21,194	651

15. LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY

Loss for the year attributable to owners of the Company is approximately HK$702,854,000 (2012: HK$640,618,000) which has been dealt with in the financial statements of the Company.

16. DISCONTINUED OPERATIONS

On 28 September 2012, as part of its debt restructuring exercise detailed in the announcements dated 25 October 2012 and 15 January 2013, as well as the circular dated 20 December 2012, the Company entered into an agreement to dispose of its environmental protection and forestry and logging operations in the PRC, Bestco Worldwide Investment Limited and its subsidiaries ("Bestco group"). The disposal of the environmental protection and forestry and logging operations in the PRC is consistent with the Group's long-term policy to focus its activities on the property development and forestry plantation operations. The disposal was completed on 15 January 2013, the date on which the control of Bestco Group was passed to the acquirer. The sales, results and cash flows of the discontinued operations were as follows:

	2013 ***HK$'000***	2012 *HK$'000*
Turnover	**33,038**	135,513
Cost of sales	**(31,104)**	(132,473)
Gross profit	**1,934**	3,040
Other revenue	**149**	808
Amortization of intangible assets	**(1,690)**	(5,048)
Impairment loss recognised in respect of intangible assets	**–**	(39,842)
Administrative expenses	**(4,381)**	(12,276)
Impairment loss recognised in respect of property, plant and equipments	**–**	(569)
Impairment loss recognised in respect of trade and other debtors	**–**	(568)
Impairment loss recognised in respect of inventories	**–**	(244)
Impairment loss recognised in respect of goodwill *(Note 21)*	**–**	(140,898)
Loss arising from changes in fair values of plantation assets less costs to sell	**–**	(45,248)
Gain on disposal of subsidiaries *(Note 45)*	**28,914**	–
Profit/(loss) before income tax	**24,926**	(240,845)
Income tax *(Note 14)*	**–**	(2,369)
Profit/(loss) for the year from discontinued operations	**24,926**	(243,214)
Total cash inflow/(outflow)	**1,164**	(12,024)
Other information:		
Reportable assets	**–**	129,276
Reportable liabilities	**–**	11,347

16. DISCONTINUED OPERATIONS *(Continued)*

A gain of HK$28,914,000 arose on the disposal of Bestco Group, being the proceeds of disposal less the carrying amount of Bestco Group's net assets. No tax charge or credit arose from the disposal.

For the purpose of presenting the discontinued operation, the comparative consolidated statement of comprehensive income and the related notes have been re-presented as if the operation discontinued during the year had been discontinued at the beginning of the comparative period.

17. LOSS PER SHARE

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

From continuing and discontinued operations

	2013	2012
	HK$'000	*HK$'000*
Loss		
Profit/(loss) attributable to owners of the Company for the purposes of basic and diluted loss per share:		
From continuing operations	**(1,052,405)**	(319,286)
From discontinued operations	**24,926**	(243,214)
	(1,027,479)	(562,500)

	2013	2012
Number of shares		
Weighted average number of ordinary shares and convertible preference shares after taking into account the effect of the share consolidation for the purposes of basic and diluted loss per share	**928,157,686**	835,945,753

17. LOSS PER SHARE *(Continued)*

From continuing and discontinued operations *(Continued)*

The denominators used are the same as those detailed above for both basic and diluted loss per share for (i) continuing and discontinued operations; and (ii) continuing operations.

From discontinued operations

Basic and diluted earnings per share for the discontinued operations is HK$2.7 cents (2012: basic and diluted losses per share of HK29.1 cents) per share, based on the profit for the year from the discontinued operations of HK$24,926,000 (2012: loss of HK$243,214,000) attributable to owners of the Company and the denominators detailed above for both basic and diluted losses per share of the continuing and discontinued operations.

For the years ended 31 July 2013 and 31 July 2012, 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.

18. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold improvement	Furniture, fixtures and equipment	Motor vehicles	Plant and Machinery	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost					
At 1 August 2011	4,801	6,173	9,425	1,084	21,483
Exchange adjustments	–	18	105	13	136
Additions	4,905	59	3,910	–	8,874
At 31 July 2012 and 1 August 2012	9,706	6,250	13,440	1,097	30,493
Exchange adjustments	275	–	–	–	275
Additions	179	5	–	–	184
Disposals	–	(3,681)	(274)	–	(3,955)
Disposal of subsidiaries *(Note 45)*	(100)	(1,665)	(12,289)	(1,097)	(15,151)
At 31 July 2013	10,060	909	877	–	11,846

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

Group *(Continued)*

	Leasehold improvement	Furniture, fixtures and equipment	Motor vehicles	Plant and Machinery	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Accumulated depreciation and impairment					
At 31 August 2011	516	5,897	7,060	414	13,887
Exchange adjustments	–	16	71	5	92
Depreciation	1,008	193	847	109	2,157
Impairment loss	–	–	–	569	569
At 31 July 2012 and 1 August 2012	1,524	6,106	7,978	1,097	16,705
Exchange adjustments	114	–	–	–	114
Depreciation	2,119	31	–	–	2,150
Eliminated on disposals	–	(3,647)	(274)	–	(3,921)
Disposal of subsidiaries *(Note 45)*	(99)	(1,640)	(6,827)	(1,097)	(9,663)
At 31 July 2013	3,658	850	877	–	5,385
Net book value					
At 31 July 2013	6,402	59	–	–	6,461
At 31 July 2012	8,182	144	5,462	–	13,788

As at 31 July 2012, as a result of the decrease in customers' demand and the unsatisfactory performance in the environmental protection operations, the Group carried out a review of the recoverable amount of the related plant and machinery. The review led to the recognition of an impairment loss of approximately HK$569,000, which had been recognised in profit or loss in 2012. The recoverable amount of the relevant assets had been determined on the basis of their value in use. The discount rate used in measuring value in use was 12.53% per annum.

During the year, the plant and machinery relating to environmental protection operations were derecognised upon disposal of Bestco group. Details of the disposal are disclosed in Note 45.

19. PLANTATION ASSETS

Group

	2013	2012
	HK$'000	*HK$'000*
At beginning of year	**41,929**	74,497
Plantation expenditure incurred	**584**	11,876
Exchange alignment	**103**	804
Loss arising from changes in fair values less costs to sell	**–**	(45,248)
Disposal of subsidiaries *(Note 45)*	**(42,616)**	–
At end of year	**–**	41,929

During the year, the plantation assets in the PRC were derecognised upon disposal of Bestco group. Details of the disposal are disclosed in note 45.

As at 31 July 2012, the Group's plantation assets in the PRC were regarded as biological assets which are measured at fair value less costs to sell at the end of each reporting period in accordance with HKAS 41 Agriculture. These assets were independently valued by BMI Appraisals Limited ("BMI") as at 31 July 2012. BMI had adopted market value approach for the valuation of standing timbers. For the year ended 31 July 2012, as active market existed for the standing timber in its present location and condition, the quoted price in that market was used as the basis for determining the fair value of the standing timber. The method used the present market price per volume and the estimated standing timber volume as the basis for estimating the fair value less cost to sell of the Group's plantation assets in the PRC.

As at 31 July 2012, the Group had been granted 9 timber concession and plantation licences for a gross area of approximately 10,311.5 Chinese Mou in PRC. The licences were for 30 to 61 years, the earliest of which expired in 2037.

20. INVESTMENT PROPERTIES

Group

	2013 HK$'000	2012 HK$'000
Fair value:		
Completed investment properties, in the PRC	**92,877**	86,923
Investment properties under construction, in the PRC	**74,051**	47,201
	166,928	134,124

Group

	2013 HK$'000	2012 HK$'000
Fair value:		
At beginning of year	**134,124**	122,028
Fair value gain	**32,804**	12,096
At end of year	**166,928**	134,124

The fair value of the Group's completed investment properties and investment properties under construction at 31 July 2013 and 2012 have been arrived at on market value basis and residual site basis respectively carried out by Peak Vision Appraisals Limited, an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment properties being valued. The valuation was arrived at by reference to market evidence of recent rental transactions for similar properties.

20. INVESTMENT PROPERTIES *(Continued)*

The Group's carrying amount of investment properties is as follows:

	2013	2012
	HK$'000	*HK$'000*
Land in the PRC:		
– Long-term lease	**166,928**	134,124

Property rental income earned during the year was HK$2,092,000 (2012: HK$1,663,000) and the related direct operating expenses were approximately HK$1,047,000 (2012: HK$2,119,000). The property held had committed tenants for 1 to 5 years. At the end of the reporting period, the Group contracted with tenants for the following future minimum lease receivables:

	2013	2012
	HK$'000	*HK$'000*
Within one year	**2,205**	1,930
In the second to fifth year inclusive	**3,848**	3,672
	6,053	5,602

21. GOODWILL

Group

	2013	2012
	HK$'000	*HK$'000*
Cost		
At beginning of year	**1,558,486**	1,558,486
Derecognised on disposal of subsidiaries	**(715,868)**	–
At end of year	**842,618**	1,558,486
Accumulated impairment losses		
At beginning of year	**715,868**	574,970
Impairment losses recognised during the year	**842,618**	140,898
Derecognised on disposal of subsidiaries	**(715,868)**	–
At end of year	**842,618**	715,868
Carrying amount:		
At end of year	**–**	842,618

Impairment testing on goodwill

For the purpose of impairment testing, goodwill is allocated to the cash generating units ("CGU") identified as follows:

	2013	2012
	HK$'000	*HK$'000*
Environmental protection operations	**–**	–
Forestry plantation operations	**–**	842,618
	–	842,618

21. GOODWILL *(Continued)*

Impairment testing on goodwill *(Continued)*

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

	2013	2012
	HK$'000	*HK$'000*
Environmental protection operations	**–**	715,868
Forestry plantation operations	**842,618**	842,618
	842,618	1,558,486

Environmental protection operations

As at 31 July 2012, the recoverable amounts of the CGU had been determined from value in use calculations based on cash flow projections from approved budgets covering a five-year period. Cash flow beyond the five-year period were extrapolated using an estimated weighted average growth rate of 3.73%, which was projected long-term average growth rate for the market.

	2012
Discount rate	12.53%
Growth rate within the five-year period	3.73%

The key assumptions used in the value in use calculations for the environmental protection operations were 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 operations in the industry.
Budgeted gross margin	Average gross margins achieved in the period immediately before the budget period which reflects past experience.

21. GOODWILL *(Continued)*

Impairment testing on goodwill *(Continued)*

Forestry plantation operations

The recoverable amounts of the CGU have been determined from value in use calculations based on cash flow projections from approved budgets covering a five-year period. Cash flow beyond the five-year period are extrapolated using an estimated growth rate of 0% (2012: 3.32%), which is projected long-term average growth rate for the tree resources until the expiry date of corresponding licences.

	2013	2012
Discount rate	**27.41%**	19.91%
Growth rate within the five-year period	**0%**	3.32%

This year the management takes a conservative approach and assumes a zero growth rate since the valuation exercise cannot be completed because of political issue. Satellite image is not yet available for supporting up to the date of this annual report because of unstable weather condition in Philippines. Therefore, a prudent valuation is taken that the management, as agreed by the tree valuation expert, did not take the natural growth rate into account and assumed growth rate as zero.

The key assumptions used in the value in use calculations for the forestry plantation operations:

Budgeted sales and gross margins	Average sales and gross margins planned to achieve, which is consistent with management plan and market reference for operations in the industry.

The discount rate used is post-tax and reflect specific risks relating to the relevant CGU. Please refer to Note 22 for details of specific risks relating to the forestry plantation operations.

As a result of the risks and uncertainties highlighted in Note 22(a), the goodwill generated from the acquisition of the forestry business in 2010 suffers a significant impairment of HK$842,618,000 (2012: Nil) for the year ended 31 July 2013.

22. INTERESTS IN ASSOCIATES

Group

	2013 HK$'000	2012 HK$'000
Unlisted shares, at cost	**1,154,359**	1,154,359
Share of post-acquisition loss	**(444,104)**	(277,305)
Share of changes in other comprehensive income	**47,133**	67,630
	757,388	944,684
Amounts due from associates	**46,178**	43,650

The amounts due from associates are unsecured, interest-free and as deposit for future subscriptions for share capital in nature.

Details of the associates are as follows:

Name	Form of business structure	Place of incorporation	Place of operation and principal activity	Percentage of direct voting rights held by the Group
Alverna Dynamic Developments Inc* ("Alverna")	Corporation	Philippines	Investment holding in Philippines	40%
Shannalyne Inc. ("Shannalyne")	Corporation	Philippines	Forestry plantation operations in Philippines	40%
2010 Duran Inc.	Corporation	Philippines	Forestry plantation operations in Philippines	40%
Morton 2011 Inc.	Corporation	Philippines	Dormant	40%

* *Alverna holds 60% direct equity interest in Shannalyne.*

22. INTERESTS IN ASSOCIATES *(Continued)*

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

	2013	2012
	HK$'000	*HK$'000*
Plantation assets *(Note (a))*	**1,737,380**	2,155,084
Forestry concession rights *(Note (b))*	**–**	11,550
Others	**671**	10,175
Total assets	**1,738,051**	2,176,809
Total liabilities	**(554,744)**	(697,541)
Net assets	**1,183,307**	1,479,268
Group's share of net assets of the associates	**757,388**	944,684
Total revenue	**–**	–
Total loss for the year	**(261,072)**	(401,836)
Group's share of result of the associates for the year	**(166,799)**	(256,893)
Group's share of other comprehensive income of the associates	**(20,497)**	(11,244)

22. INTERESTS IN ASSOCIATES *(Continued)*

(a) Plantation assets

(i) Valuation basis

Plantation assets comprise forest crop covered by the forest concession areas held by Shannalyne, an associate of the Group in the Caraga region of Mindanao, the Philippines. The total gross area of standing timber acquired, planted and managed by the associate covers an area of approximately 223,124 hectares. Of this, forest area with expected harvest value is approximately 125,381 hectares, representing around 56.22% of the associate's total forest land area. Plantation assets are measured at fair value less costs to sell, with any change therein recognised in the associate's profit or loss. Costs to sell include all costs that would be necessary to sell the assets. Standing timber, if any, is transferred to inventory at its fair value less estimated costs to sell at the date of harvest.

The fair value of plantation assets is determined by the associate with the assistance of BMI Appraisals Limited ("BMI Appraisals"), an independent professional valuer, which has assisted the associate to value its plantation assets and forest concession rights since the Group acquired its interest in the associate. BMI Appraisals has over 6 years experience in valuing similar assets or companies engaged in similar activities as those of the associate worldwide.

In determining this valuation, the associate uses the net present value approach which requires a number of key assumptions and estimates. Management of the associate reviews these assumptions and estimates periodically to identify any significant change in fair values. For the current year, in view of the non-availability of market value for trees in the Philippines, the associate and BMI Appraisals has applied the net present value approach by projecting future net cash flows based on its assessment of current sawn timber prices. These were discounted at the rate of 27.41% (2012: 19.91%) for plantation assets for the year and applied to post-tax cash flows to provide a current market value of the plantation assets.

22. INTERESTS IN ASSOCIATES *(Continued)*

(a) Plantation assets *(Continued)*

(i) Valuation basis (Continued)

The fair value of the associate's plantation assets has decreased by approximately 19.38% or HK$417,704,000 over the previous year. This is primarily due to the effect of (iii) and (iv) below.

Other critical aspects of the valuation exercise, as well as key changes in assumptions and metrics adopted in the current year are set out below.

(ii) Movement in plantation assets for the year

	HK$'000
At 1 August 2011	2,724,558
Loss arising from changes in fair values less costs to sell	(550,692)
Exchange adjustments	(18,782)
At 31 July 2012 and 1 August 2012	2,155,084
Additions	726
Loss arising from changes in fair values less costs to sell	(418,844)
Exchange adjustments	414
At 31 July 2013	1,737,380

The additions represent the value of tree saplings planted during the current year.

The changes in fair value less costs to sell during the current and prior years represent the aggregate of the difference between the value of the existing plantation assets as of the beginning and end of the year. The associate has not harvested any forest crop during the current year.

22. INTERESTS IN ASSOCIATES *(Continued)*

(a) Plantation assets *(Continued)*

(iii) Impact of Executive Order 23 ("EO23") and Memorandum of Agreement ("MoA")

On 1 February 2011, the Philippine Department of Environmental & Natural Resources ("DENR") issued Executive Order 23. This order effectively meant a moratorium on the cutting and harvesting of timber in natural and residual forests in the Philippines, as well as creating an anti-illegal logging task force. On 27 March 2011, the associate obtained a legal opinion on the impact of EO23. According to the said legal opinion, the associate can claim exemption from and/or challenge EO23.

In order to have more options to choose from, politically and operationally, the management of the associate also held discussions with DENR to ask for some concessions and/or waivers from EO23, as the potential impact of EO23 may significantly reduce the value of the Group's Philippine forestry plantation operations. The outcome of these discussions was the signing of a Memorandum of Agreement ("MoA") dated 17 November 2011 between the associate and DENR. Under the MoA, the associate is allowed to continue its forestry plantation operations but with two major limitations (i) the associate may only receive 60% of and the cleared materials in areas those are delineated for the establishment of tree plantation and (ii) tree plantation will be established only on forests land classified as open land and degraded forest land. Several board members of the Group was only unofficially informed of the MoA in June 2013.

Subsequently, a further Memorandum ("Memorandum") was issued by DENR on 3 June 2013, for which the Board became aware of in late September 2013. Under this Memorandum, the Group's Chairman, Mr. CT Tan was of the view that the EO23 (and consequently the MoA) was not applicable to the associate. In essence under the Memorandum, the associate would revert to the same position before EO23 was issued. Mr. CT Tan is also a consultant to the associate, as he is an expert in forestry plantation operations and has many years of experience in the Philippines.

22. INTERESTS IN ASSOCIATES *(Continued)*

(a) Plantation assets *(Continued)*

(iii) Impact of Executive Order 23 ("EO23") and Memorandum of Agreement ("MoA") *(Continued)*

However, in order to seek additional comfort in view of the significance of this matter, a second legal opinion was sought. This second opinion had a different result and essentially opined that the EO23 and MoA were of full force and effect.

In view of these quite conflicting legal opinions, the Board has decided to take a conservative view and assume the EO23 and MoA are effective for the purposes of the valuation of the associate's plantation assets and forest concession rights. In the meantime the Board has taken steps to look further into this issue and seek a direct meeting with DENR to clarify this matter. At the date of this annual report, no such meeting could be scheduled. Further details of this matter are set out in the Company's announcement dated 18 October 2013.

(iv) Change in business model from previous year

Owing to the potential restrictions on the development of its forestry business noted in (iii) above, and the resulting potential significant adverse effect on its business, management has decided to change its business model from selling trees in unprocessed log form to sawn timber. The former does not require any further processing and requires the associate to essentially sell the timber in its raw log form once it has been harvested. In the new business model, the associate is required to process the cut trees into sawn timber. The benefit of doing so is a significantly better selling price.

Since there is no transparent active market in Philippines due to the cessation in forestry business as discussed in (iii) above, management made reference to the international tropical timber market report to support the assumption of the selling price. By comparison, under the old business model, the associate assumed it would only sell unprocessed logs to the subcontractor at a lower price under an offtake agreement.

22. INTERESTS IN ASSOCIATES *(Continued)*

(a) Plantation assets *(Continued)*

(iv) Change in business model from previous year (Continued)

Under this new business model, management have assumed the processing and harvesting of these logs will be subcontracted out to an independent third party. Management have estimated the additional cost of cutting these logs and converting them to sawn timber by referencing to a research report on sawmilling from external sources. Due to the lack of active market in Philippines, management has not been able to secure any actual contract or fee quotation by an independent subcontractor. Under this plan, little or no capital expenditure is expected as all the capital/heavy equipment is meant to be provided by the subcontractor as part of the price they charge per cubic metre.

After the completion of tree plantation establishment on open land and degraded forest land, management intends carrying on the land clearing and tree plantation business progressively, as was planned under the original business model.

(v) Meaning and allowance for "degraded forest area"

As noted in (iii) above, the associate is restricted to cutting and harvesting of timber in degraded forest areas and open land only under the MoA.

According to the Comprehensive Development Management Plans ("CDMP"), which is prepared by Shannalye Inc. and approved by DENR, the forest is classified into three types of lands: 1) Scrub/open land 2) degraded area and 3) Steep land and protection forest. As defined in the CDMP, degraded forest area is an area of one hectare with less than 5 square meter of basal area of commercial tree species.

22. INTERESTS IN ASSOCIATES *(Continued)*

(a) Plantation assets *(Continued)*

(v) Meaning and allowance for "degraded forest area" *(Continued)*

On the other hand, according to the VSA Circular dated 30 June 2010, the forest land available for harvesting and plantation is approximately 125,000 hectares. Since the harvesting of trees in steep land and protection forest is prohibited in accordance with CDMP, the remaining types of forest lands available for harvesting and plantation can only be the Scrub/open land and degraded area.

Although the term "degraded forest area" mentioned in the MoA has not been explicitly referred to in the VSA Circular, the management can reasonably infer that the "degraded forest area" in the MoA allowing for land clearing effectively means the term "harvesting and plantation area" used in the VSA Circular of 125,000 hectares.

(vi) Discount rate

The Weighted Average Cost of Capital was adopted as the discount rate. In 2013, BMI Appraisal estimated this discount rate to be 27.41% (2012: 19.91%). The increase in discount rate is mainly due to a higher company risk premium of 12% (2012: 8%) as a result of the additional risks associated with the forest industry in the Philippines and the early development stage of the associates' forestry plantation operations.

22. INTERESTS IN ASSOCIATES *(Continued)*

(a) Plantation assets *(Continued)*

(vii) Issues experienced on current year valuation exercise in September 2013

As mentioned in the Company's announcement of 19 September 2013, during the week of 9 September 2013, the Company had arranged for the BMI Appraisals to conduct the year end valuation of the plantation assets and forestry concession rights, which was also attended by the Group's auditor, BDO Limited. Unfortunately on the second day of this site visit, the valuation exercise had to be stopped owing to a significant escalation in the conflict between the Philippine Government forces and various militant anti-government factions in the island of Mindanao. The best known of these factions include the Moro National Liberation Front ("MNLF"), New People's Army ("NPA") and the Moro Islamic Liberation Front ("MILF"). There has been much local and international media coverage of this conflict in the Philippines. Much of the media focus was on Zambonga City, which is a city south west of Butuan, and where most of the casualties were reported. However, local law enforcement officers have indicated to management that the Group's forest areas have been used by these militant factions as a means of traversing from one area of Mindanao to another and was not safe to travel. The conflict has unfortunately had some direct impact on the Group, with militants torching some heavy equipment belonging to the Group including several bulldozers and pay loaders in June 2013. Local media report that up to five people related to a paramilitary group were killed/executed in the Group's forest areas also in June 2013.

As a result of the above, the valuation exercise could not be completed and only very limited data was obtained. For the purposes of the valuation exercise, BMI Appraisals were therefore forced to use data they previously obtained in their first full valuation in June 2010.

In addition, due to persistent bad weather and/or heavy cloud cover over the associate's forest areas in Mindanao, Philippines in recent months, BMI Appraisals was unable to obtain a clear updated satellite image for the forests in 2013 for the purposes of the year end valuation exercise. They accordingly had to use the satellite image taken in June 2010 for the purposes of the current year's valuation exercise.

22. INTERESTS IN ASSOCIATES *(Continued)*

(a) Plantation assets *(Continued)*

(vii) Issues experienced on current year valuation exercise in September 2013 (Continued)

In addition to the above, the associate is exposed to a number of risks related to its forestry plantation assets:

Regulatory and environmental risks

The associate is subject to environmental laws and regulations in Philippines in which it operates. The associate has established environmental policies and procedures aimed at compliance with local environmental and other laws. The management of the associate performs regular reviews to identify environmental risks and to ensure that the systems in place are adequate to manage those risks.

Supply and demand risk

The associate is exposed to risks arising from fluctuations in the price and sales volume of wood. When possible the management of the associate manages this risk by aligning its harvest volume to market supply and demand. The management of the associate performs regular industry trend analyses to ensure that the associate's pricing structure is in line with the market and to ensure that projected harvest volumes are consistent with the expected demand when the domestic market becomes active.

Climate and other risks

The associate's plantation assets are exposed to the risk of damage from climatic changes, diseases, forest fires and other natural forces. The associate has extensive processes in place aimed at monitoring and mitigating those risks, including regular forest health inspections and industry pest and disease surveys. The associate also insures itself against natural disasters such as floods and hurricanes.

22. INTERESTS IN ASSOCIATES *(Continued)*

(a) Plantation assets *(Continued)*

(vii) Issues experienced on current year valuation exercise in September 2013 *(Continued)*

Political and social risks

The associate's plantation assets and its forestry business are exposed to policy changes as a result of political unforeseen reasons and instability in the political and social environment in Philippines. The associate management mitigates this risk by meeting with government officials and relevant stakeholders regularly to manage their expectations.

(b) Forest concession rights

	Forest concession rights
	HK$'000
Cost:	
At 1 August 2011	32,088
Exchange adjustment	(150)
At 31 July 2012 and 1 August 2012	31,938
Exchange adjustment	(944)
At 31 July 2013	30,994
Accumulated amortisation and impairment:	
At 1 August 2011	6,363
Charge for the year	661
Impairment loss recognised for the year	13,097
Exchange adjustments	267
At 31 July 2012 and 1 August 2012	20,388

22. INTERESTS IN ASSOCIATES *(Continued)*

(b) Forest concession rights *(Continued)*

	Forest concession rights
	HK$'000
At 31 July 2012 and 1 August 2012	20,388
Charge for the year	318
Impairment loss recognised for the year	11,410
Exchange adjustments	(1,122)
At 31 July 2013	30,994
Carrying amount:	
At 31 July 2013	–
At 31 July 2012	11,550

The concession rights represent the rights granted to the associate to harvest, sell and utilise such trees and crops, as well as to cut, process and export logs and other forest products harvested from the plantations in the forests located in the Caraga Region in Mindanao, Philippines ("CARAGA").

The associate owns eleven concession rights in CARAGA, which have common terms of 25 years, and renewable for another 25 years. These concession rights fall under three Co-Production Agreements comprising (in abridged form) the (i) the IFMAs (ii) the CPA and (iii) the MOA. Further details of these agreements and concession rights are set out in the VSA Circular dated 30 June 2010.

23. INTANGIBLE ASSETS

Group

	Patent	Timber concession and plantation license	Total
	HK$'000	*HK$'000*	*HK$'000*
Cost			
At 1 August 2011	69,581	47,502	117,083
Exchange adjustments	816	557	1,373
At 31 July 2012 and 1 August 2012	70,397	48,059	118,456
Exchange adjustments	(132)	(89)	(221)
Disposal of subsidiaries *(Note 45)*	(70,265)	(47,970)	(118,235)
At 31 July 2013	–	–	–
Amortisation and impairment			
At 1 August 2011	26,650	7,619	34,269
Exchange adjustments	321	92	413
Amortisation	3,584	1,464	5,048
Impairment	39,842	–	39,842
At 31 July 2012 and 1 August 2012	70,397	9,175	79,572
Exchange adjustments	(132)	(17)	(149)
Amortisation	–	1,690	1,690
Disposal of subsidiaries *(Note 45)*	(70,265)	(10,848)	(81,113)
At 31 July 2013	–	–	–
Net carrying value			
At 31 July 2013	**–**	**–**	**–**
At 31 July 2012	–	38,884	38,884

23. INTANGIBLE ASSETS *(Continued)*

As at 31 July 2012, as a result of the decrease in customers' demand and the unsatisfactory performance in the environmental protection operations, the Group carried out a review of the recoverable amount of the patent. The review led to the recognition of an impairment loss of approximately HK$39,842,000, which has been recognised in the consolidated statement of comprehensive income in 2012. The recoverable amount of the relevant assets has been determined on the basis of their value in use. The discount rate used in measuring value in use was 12.53% per annum.

During the year, the intangible assets relating to environmental protection operations were derecognised upon disposal of Bestco group. Details of the disposal are disclosed in Note 45.

24. PROPERTIES HELD FOR SALE

Group

	2013 ***HK$'000***	2012 *HK$'000*
Properties held for sale	**7,465**	7,613

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

25. INVENTORIES

Group

	2013 ***HK$'000***	2012 *HK$'000*
Raw material	–	2,742
Finished goods	–	12,584
	–	15,326
Less: Provision for obsolete inventories	–	(244)
	–	15,082

The cost of inventories recognised as an expense during the year was approximately HK$33,875,000 (2012: HK$135,128,000).

26. TRADE AND OTHER RECEIVABLES

Group

	2013 **HK$'000**	2012 *HK$'000*
Trade receivables, net of impairment	–	16,795
Other receivables, net of impairment	**427**	3,963
	427	20,758

The Group allows an average credit period of 30 to 365 days to its trade customers (2012: 30 to 90 days). The ageing analysis of trade receivable are as follows:

Group

	2013 **HK$'000**	2012 *HK$'000*
Current to less than 1 month past due	–	8,499
1 to 3 months past due	–	1,475
More than 3 months but less than 12 months past due	–	6,821
	–	16,795

As at 31 July 2012, the Group's trade receivables of approximately HK$2,414,000 were individually determined to be impaired. The individually impaired receivables related to debtors that were in financial difficulties or in breach of the repayment terms and management assessed that only a portion of the receivables is expected to be recovered.

27. DEPOSITS AND PREPAYMENTS

Group

	2013	2012
	HK$'000	*HK$'000*
Deposit paid for legal claim	**3,199**	3,199
Deposits paid	**446**	409
Prepayment	**78**	6,147
	3,723	9,755

28. OTHER DEPOSITS

Included in other deposits is a sum of approximately HK$9,413,000 (2012: HK$$9,434,000) relating to 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.

29. LOAN RECEIVABLES

On 13 January 2011, the Group, as lender, has entered into a loan agreement with a subcontractor to provide a 18-month non-revolving term loan facility to the extent of US$2,000,000 to the subcontractor. The loan carries an interest rate of 8% per annum and is secured by the subcontractor's machineries and equipment and the shares of the subcontractor held by its shareholder. The subcontractor is engaged in providing services to the forestry plantation operations carried out by the Group's associates in Philippines.

29. LOAN RECEIVABLES *(Continued)*

According to the Agreement of Charge over equipment, the Group is permitted to take possession or appoint a receiver, who can exercise all or any of the powers and authorities to collect, and get in and give receipts for all or any part of the charged assets when the borrower is unable to repay the loan amount.

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

Group

	2013 ***HK$'000***	2012 *HK$'000*
Loan receivables, net of impairment	–	11,963

As at 31 July 2013, the loan receivables were determined to be impaired. The impaired loan receivables related to the above financing arrangement that the subcontractor has breached the repayment terms. Management assessed that only the amount to the extent of the recoverable amount of machineries and equipment and the shares of subcontractor held by its shareholder could be recovered. However, such secured machineries and equipment were damaged during the year. Thus, an impairment loss of approximately HK$11,963,000 (2012: HK$4,465,000) has been recognised in the consolidated statement of comprehensive income.

30. PROPERTIES UNDER DEVELOPMENT

At 31 July 2013, the Group has pledged the following assets to secure a sub-contractor.

Group

	2013	2012
	HK$'000	*HK$'000*
Properties under development	**31,431**	–

As at 31 July 2013, the carrying amount of properties under development of HK$31,431,000 (2012: HK$Nil) represented the deemed cost of 169 identified units of properties ("Properties") which had been specifically set aside for the settlement of an outstanding construction fee in accordance with 清付工程款項協議書 dated 15 August 2005 ("Settlement Agreement") in prior years.

In addition to the Settlement Agreement, the Group has entered into another agreement 抵押還款協議書 dated 27 April 2006 ("Pledge Agreement") with 廣州市第四建築工程有限公司 (the "Subcontractor") to pledge the Properties as security. Under the two said Agreements, the Group and the Subcontractor mutually agreed to use the designated Properties to settle the outstanding balance. In conjunction with this settlement arrangement, both parties also mutually agreed the outstanding balance were to be settled without recourse, which in case the sales proceeds of the Properties exceeded the outstanding balance, the Group could not claim the extra proceeds received by the Subcontractor. Similarly, if the sales proceeds were insufficient to settle the amount owed to the Subcontractor, the Subcontractor agreed to waive the residual unpaid portion. In light of this particular clause, management considered that the significant risks and rewards of ownership of the Properties had been transferred to the Subcontractor when the two Agreements were signed. As a result, these properties under development and the corresponding liability were not recognised in the financial statements in prior years.

In the current year, the Group received a demand letter from the Subcontractor to claim the said outstanding balance, plus interest and an exact amount of RMB15,000,000 (equivalent to HK$18,827,000) without any basis. Apart from the RMB20,439,000 (equivalent to HK$25,653,000) which has been stipulated in the two Agreements signed, the Group saw no merit of the other claims by the Subcontractor. As at the date of this annual report, the settlement is still under negotiation.

In view of the dispute and the uncertainty in enforcing the settlement arrangement under both Agreements, management considers it appropriate to recognise the Properties and the corresponding liabilities this year as the previous offset arrangement may no longer be achievable.

30. PROPERTIES UNDER DEVELOPMENT *(Continued)*

As at the reporting date, registration of the authentic rights of these Properties were not yet completed. Therefore these Properties were classified as properties under development.

As at 31 July 2013, the fair value of the Properties is HK$71,290,000 which is estimated by Peak Vision Appraisals Limited, an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the properties being valued.

31. BANK BALANCES AND CASH

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash and bank balances	**8,526**	7,090	**2,653**	125

As at 31 July 2013, cash and bank balances of the Group included currencies denominated in RMB amounted to approximately HK$5,395,000 (2012: HK$5,262,000) which is not freely convertible into other currencies.

32. TRADE AND OTHER PAYABLES

Trade payables

At 31 July 2013, included in the Group's trade and other payables of HK$35,581,000 (2012: HK$19,168,000) were trade payables of HK$31,843,000 (2012: HK$849,000), in which HK$31,431,000 (2012: Nil) represented the outstanding construction fee in dispute as mentioned in Note 30.

The aging analysis of trade payables, based on invoice date, is as follows:

Group

	2013	2012
	HK$'000	*HK$'000*
0-30 days	–	471
31-90 days	–	314
90-365 days	–	47
Over 365 days	**31,843**	17
	31,843	849

32. TRADE AND OTHER PAYABLES *(Continued)*

Amounts due to former directors

As at 31 July 2012, included in the Group's trade and other payables were amounts due to former directors in the aggregate amount of HK$6,486,000. This balance was unsecured, interest free and repayable on demand.

During the year, the amount due to Ms. Kelly Cheng, a former director, amounting to HK$2,805,587 was written off. In the opinion of the directors, the Company has good grounds in this case as the Deed of Indemnity is void with defects and the Company is not allowed by laws (S.165 of the Companies Ordinance) to indemnify directors in a way as now claimed by Ms. Kelly Cheng.

During the year, the amount due to another former director, amounting to HK$3,680,413 was written off as the claim has been inactive for a long period of time.

33. LOANS FROM SHAREHOLDERS

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Non-current				
Linshan Limited	**49,891**	–	**–**	–
Current				
Corporate King Limited	**–**	44,000	**–**	–
Mr. Sun Yin Chung	**3,000**	3,000	**3,000**	3,000
	3,000	47,000	**3,000**	3,000

33. LOANS FROM SHAREHOLDERS *(Continued)*

The loan from Mr. Sun is unsecured, bear interest at a fixed rate 7% (2012: 7%) per annum and repayable on demand.

During the year, an assignment of deed was entered into between the Linshan Limited ("Linshan"), a substantial shareholder of the Company, and Corporate King Limited ("Corporate King") such that the shareholder's loan with accrued interest amounting to approximately HK$49,891,000 was assigned from Corporate King to Linshan.

The loan from Linshan is unsecured, bear interest rate of 1% per annum and repayable on 31 December 2014.

34. AMOUNT DUE TO A DIRECTOR/SHAREHOLDER

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

35. DEFFERED INCOME

Group

	2013	2012
	HK$'000	*HK$'000*
At beginning of year	**4,745**	4,690
Exchange realignment	**11**	55
Disposal of subsidiaries *(Note 45)*	**(4,756)**	–
At end of year	**–**	4,745

36. CONVERTIBLE NOTES

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

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

The Convertible Notes 1 recognised in the statement of financial position is 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

Group and Company

	2013 ***HK$'000***	2012 *HK$'000*
Liability component at beginning of the year	**5,574**	4,870
Imputed interest expense *(Note 13)*	**–**	704
Convertible notes surrendered and delivered up upon disposal of subsidiaries	**(5,574)**	–
Liability component at end of the year	**–**	5,574

Interest expense on the Convertible Notes 1 is calculated using the effective interest method by applying the effective interest rate of 16.774% to the liability component. The liability component of outstanding Convertible Notes 1 amounted to approximately HK$5,574,000 as at 31 July 2012.

36. CONVERTIBLE NOTES *(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 statement of financial position is 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

Group and Company

	2013 *HK$'000*	2012 *HK$'000*
Liability component at beginning of the year	**225,566**	215,766
Imputed interest expense *(Note 13)*	**2,434**	9,800
Convertible notes surrendered and delivered up upon disposal of subsidiaries	**(107,863)**	–
Redemption of convertible notes	**(30,000)**	–
Conversion of convertible notes to ordinary shares	**(90,137)**	–
Liability component at end of the year	**–**	225,566

Interest expenses on the Convertible Notes 2 is calculated using the effective interest method by applying the effective interest rate of 4.534% to the liability component. As at 31 July 2012, the fair value of the liability component of Convertible Notes 2 of approximately HK$225,566,000 was approximately HK$220,060,000.

During the year, Convertible Notes 1 and Convertible Notes 2 have been fully derecognised upon the Completion of CN Restructuring Plan. Details of which are set out in the Company's Circular dated 20 December 2012.

37. PROMISSORY NOTES

Group

	2013	2012
	HK$'000	*HK$'000*
At beginning of year	**369,281**	334,031
Imputed interest expense *(Note 13)*	**27,520**	35,250
Waiver of promissory notes upon the completion of the Convertible Notes Plan	**(396,801)**	–
At end of year	**–**	369,281

On 9 August 2010, the Group issued promissory notes with a principal amount of HK$500,000,000 due on 8 August 2015 in connection with the acquisition of the entire share capital of Asiaone. The promissory notes are interest free and the effective interest rate is 10.55%.

As at 31 July 2012, the fair value of promissory notes was approximately HK$323,320,000.

Under the undertakings of promissory notes holders, the holders of promissory notes agreed to waive the entire principal amounts of the promissory notes in the aggregate principal sum of HK$500,000,000, subject to such wavier taking place simultaneously with the Completion of CN Restructuring Plan. The CN Restructuring Plan was successfully completed on 15 April 2013. In such connection, the entire principal amounts of the promissory notes in the aggregate sum of HK$500,000,000 were waived. Further details of this transaction were set out in an announcement by the Company on 15 January 2013 and 15 April 2013.

38. DEFERRED TAX

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

Group

	Revaluation of investment properties HK$'000	Convertible notes HK$'000	Total HK$'000
At 1 August 2011	–	2,146	2,146
Credit to profit or loss *(Note 14)*	–	(1,736)	(1,736)
At 31 July 2012 and 1 August 2012	–	410	410
Charge/(Credit) to profit or loss *(Note 14)*	21,604	(410)	21,194
At 31 July 2013	21,604	–	21,604

At 31 July 2013, the Group has unused tax losses of HK$123,309,000 (2012: HK$101,149,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future profit streams.

Company

	Convertible notes HK$'000
At 1 August 2011	2,146
Credit to profit or loss	(1,736)
At 31 July 2012 and 1 August 2012	410
Credit to profit or loss	(410)
At 31 July 2013	–

39. SHARE CAPITAL

	Number of shares	Amount HK$'000
Authorised:		
Ordinary shares		
At 1 August 2011, of HK$0.05 each	30,000,000,000	1,500,000
Share subdivision *(Note i)*	120,000,000,000	–
At 31 July 2012 and 1 August 2012, of HK$0.01 each	150,000,000,000	1,500,000
Share consolidation *(Note v)*	(142,500,000,000)	–
At 31 July 2013, of HK$0.2 each	7,500,000,000	1,500,000
Convertible preference shares (the "CPS")		
At 1 August 2011, of HK$0.05 each	20,000,000,000	1,000,000
Share subdivision *(Note i)*	80,000,000,000	–
At 31 July 2012 and 1 August 2012, of HK$0.01 each	100,000,000,000	1,000,000
Share consolidation *(Note v)*	(95,000,000,000)	–
At 31 July 2013, of HK$0.2 each	5,000,000,000	1,000,000

39. SHARE CAPITAL *(Continued)*

	Number of shares	Amount HK$'000
Issued and fully paid:		
Ordinary shares		
At 1 August 2011, of HK$0.05 each	4,193,999,999	209,700
Conversion of convertible preference shares	328,080,000	5,281
Share reduction *(Note ii)*	–	(169,760)
Placing of ordinary shares *(Note iii)*	600,000,000	6,000
At 31 July 2012 and 1 August 2012, of HK$0.01 each	5,122,079,999	51,221
Conversion of convertible note	450,689,220	4,507
Conversion of convertible preference shares	8,739,520,000	87,395
Share consolidation (Note v)	(16,731,674,759)	–
Placing of ordinary shares (Note vi)	3,300,000,000	33,000
At 31 July 2013, of HK$0.2 each	880,614,460	176,123
Convertible preference shares (the "CPS")		
At 1 August 2011, of HK$0.05 each	12,133,333,333	606,667
Conversion to ordinary shares	(328,080,000)	(5,281)
Share reduction *(Note ii)*	–	(483,334)
At 31 July 2012 and 1 August 2012, of HK$0.01 each	11,805,253,333	118,052
Conversion to ordinary shares	(8,739,520,000)	(87,395)
Share consolidation (Note v)	(2,912,446,667)	–
At 31 July 2013, of HK$0.2 each	153,286,666	30,657

39. SHARE CAPITAL *(Continued)*

Note:

(i) Pursuant to the ordinary resolution passed in the special general meeting hold on 13 February 2012, the share subdivision implemented whereby each authorised but unissued ordinary shares and convertible preference shares of HK$0.05 was subdivided into 5 new shares of HK$0.01 each. The authorised ordinary shares of the Company remained at HK$1,500,000,000 but divided into 150,000,000,000 new shares. The authorised convertible preference shares of the Company remained at HK$1,000,000,000 but divided into 100,000,000,000 new shares.

(ii) On 13 February 2012, the Company passed a special resolution for capital reduction, the issued share capital of the Company was reduced from approximately HK$816,367,000 to HK$163,273,000. The capital reduction resulted in reducing the issued share capital of the Company by approximately HK$653,094,000. Such amount was credited to the contributed surplus of the Company.

(iii) On 3 January 2012, 600,000,000 shares of HK$0.01 were placed at a price of HK$0.036 per placing shares. A share premium of approximately HK$14,929,000 had credited to share premium account. The net proceeds of approximately HK$20,929,000 are intended to be applied by the Group for the development of the forestry projects in Philippines. Details of the placing were set out in the Company's announcement dated 3 January 2012.

(iv) 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.

(v) Pursuant to the ordinary resolution passed in the special general meeting of the Company held on 17 April 2013, the share consolidation implemented whereby each twenty issued and unissued existing ordinary shares and convertible preference shares of HK$0.01 each was consolidated into one consolidated 1 share of HK$0.2 each. The authorized ordinary shares remained at HK$1,500,000,000 but consolidated into 7,500,000,000 new shares. The authorized convertible preference shares remained at HK$1,000,000,000 but consolidated into 5,000,000,000 new shares.

(vi) On 27 December 2012, 800 million shares of HK$0.01 were placed at a price of HK$0.012 per placing shares. A share premium of approximately HK$1,302,000 was credited to share premium account. The net proceeds of approximately HK$9,301,000 are intended to be applied by the Group as the working capital for its ordinary business and operation.

On 24 February 2013, another 2,500 million shares of HK$0.01 were placed at a price of HK$0.019 per placing shares. A share premium of approximately HK$21,021,000 was credited to share premium account. The net proceeds of approximately HK$45,600,000 are intended to be applied by the Group to settle the cash payment for redemption of HK$30 million and the remaining balance as the working capital for its ordinary business and operations.

(vii) On 4 June 2010, the Company issued 240,000,000 CPSs at a total nominal value of HK$360,000,000 as part of the consideration for the business combinations. The conversion price of the CPS is fixed at HK$1.5 per ordinary share and can be converted into ordinary shares without a maturity date. Neither the Company nor the holder of the CPS shall have any right to redeem the CPS, other than for the purpose of conversion of the CPS pursuant to the terms thereof. The CPS shall at all times rank (a) in priority to the ordinary shares of the Company and any other shares of the Company as to return of capital; and (b) pari passu with ordinary shares of the Company in issue as to dividends. The gross fair value of the CPS, at the initial recognition, was HK$249,084,000. An amount of HK$248,579,000, net of professional issue expenses of HK$505,000, was credited to the convertible preference shares reserve.

40. 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 to 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 2013 and 31 July 2012 pursuant to the New Scheme.

41. INTERESTS IN SUBSIDIARIES

	The Company	
	2013	2012
	HK$'000	*HK$'000*
Unlisted shares, at cost	**1,720,000**	2,104,000
Less: Impairment loss	**(982,885)**	(567,595)
Investments in subsidiaries, net of impairment loss	**737,115**	1,536,405
Amounts due from subsidiaries, net of impairment loss recognised	**68,784**	271,721
	(15,929)	(219,532)
	52,855	52,189
Amounts due to subsidiaries	**(385)**	(1,748)

During the year, the Company disposed of subsidiaries with accumulated allowance for investments in subsidiaries of HK$384,000,000 (2012: HK$384,000,000) at the disposal date.

Accumulated impairment losses on investment cost and amounts due from subsidiaries of HK$982,885,000 (2012: HK$567,595,000) and HK$15,929,000 (2012: HK$219,532,000) respectively were recognised at the end of reporting period.

The amounts due from/to subsidiaries are unsecured, interest-free and repayable on demand.

41. INTERESTS IN SUBSIDIARIES *(Continued)*

The following list contains only the particulars of the principal subsidiaries as at 31 July 2013 which principally affect the results, assets or liabilities of the Group as the directors are of the opinion that a full list of all the subsidiaries would be of excessive length.

Name of subsidiary	Place of incorporation or registration/ operations	Issued and fully paid share capital/ registered capital	Percentage of ownership interests/ voting rights/profit share Directly	Indirectly	Principal activities
Benefit Holdings International Limited	British Virgin Islands ("BVI")	US$200	–	100%	Investment holding
China Rich Properties Limited ("China Rich")	Hong Kong	Ordinary HK$10,000,000	–	100%	Property development
Shunde China Rich Properties Limited ("Shunde China Rich")	The PRC	*(Note b)*	–	100%	Property development
Sunshine Phoenix Limited *(Note a)*	BVI	Ordinary US$1	100%	–	Investment holding
Asiaone Forest Products Holdings Limited	BVI	Ordinary US$1,836	–	100%	Investment holding
Alyshan Limited	BVI	Ordinary US$100	–	100%	Investment holding
Yueshou Management Service Limited *(Note a)*	Hong Kong	Ordinary HK$1	100%	–	Services provider

Notes:

(a) Except for 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.

(c) None of the subsidiaries had issued any debt securities at the end of the year.

42. RESERVES OF THE COMPANY

	Share premium HK$'000	Contributed surplus HK$'000	Distributable reserve HK$'000 (Note (a))	Convertible notes reserves HK$'000 (Note (b))	Accumulated losses HK$'000	Total HK$'000
At 1 August 2011	1,426,720	143,218	77,033	61,991	(558,127)	1,150,835
Share capital reduction	–	653,094	–	–	–	653,094
Issue of ordinary shares, net of transaction cost	14,929	–	–	–	–	14,929
Loss for the year	–	–	–	–	(640,618)	(640,618)
At 31 July 2012 and 1 August 2012	1,441,649	796,312	77,033	61,991	(1,198,745)	1,178,240
Convertible notes surrendered and delivered up upon disposal of subsidiaries	–	–	–	(61,991)	61,991	–
Conversion of convertible notes to ordinary shares	85,630	–	–	–	–	85,630
Issue of ordinary shares, net of transaction cost	22,323	–	–	–	–	22,323
Loss for the year	–	–	–	–	(702,854)	(702,854)
At 31 July 2013	**1,549,602**	**796,312**	**77,033**	**–**	**(1,839,608)**	**583,339**

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) The Company passed a special resolution on 13 February 2012 for capital reduction, the issued share capital of the Company was reduced from approximately HK$816,367,000 to HK$163,273,000. The capital reduction resulted in reducing the issued share capital of the Company by approximately HK$653,094,000. Such amount was credited to the contributed surplus of the Company.

43. LEASES

Operating lease – lessee

The Group paid minimum lease payments of HK$1,371,000 (2012: HK$1,580,000) under operating leases in respect of rented premises.

At the end of the reporting period, the Group has commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which will fall due as follows:

Group

	2013	2012
	HK$'000	*HK$'000*
Within one year	**771**	1,401
In the second to fifth years inclusive	**–**	862
After five years	**–**	
	771	2,263

Operating lease payments represent rentals payable by the Group for certain of its office premises. Leases of office premises are negotiated for an average term of 1 to 2 years within fixed rentals.

44. RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Save for those disclosed elsewhere in these financial statements, details of transactions between the Group and other related parties are disclosed below.

(a) During the year, the Group entered into the following transactions with related parties:

	2013	2012
	HK$'000	*HK$'000*
Minimum lease payments paid to a director, Mr. Yu Hong	–	59

The associates of the Group paid consultancy fee to the directors of the Company are as follows:

	2013	2012
	HK$'000	*HK$'000*
Ms. Juanita Dimla De Guzman	**699**	468
Mr. Alberto Alducente. Encomeinda	–	1,203
Mr. Anastacio JR Agustin	–	36
	699	1,707

(b) Other transaction with related party

During the year, the Group disposed Bestco Worldwide Investment and its subsidiaries (the "Bestco Group") to Give Power Technology Limited, a related company solely owned by a former director of the Group. Further details of the transaction are included in note 45 to the consolidated financial statements.

44. RELATED PARTY TRANSACTIONS *(Continued)*

(c) Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2013 **HK$'000**	2012 HK$'000
Short-term benefits	**7,931**	6,249
Post-employment benefits	**52**	59
	7,983	6,308

(d) Amounts with related parties are summarised below:

		2013 **HK$'000**	Maximum amount outstanding during the year HK$'000	2012 HK$'000
(i)	Amounts due from:			
	– An associate	**46,178**	46,178	43,650
(ii)	Amounts due to:			
	– A director*	**–**		2,634
	– A substantial shareholder	**–**		2,000
		–		4,634
(iii)	Loans from shareholders	**52,891**	52,891	47,000

The balances with the above related parties are unsecured, interest-free and repayable on demand or within one year after the end of reporting period.

* *As at 31 July 2013, there is a total sum of HK$3,058,000 due to a director (2012:HK$422,000) by the associates Alverna Dynamic Developments, Inc. and Shannalyne, Inc. and the amount is included in the interest in associates.*

44. RELATED PARTY TRANSACTIONS *(Continued)*

(e) Members of key management during the year comprised only the directors whose remuneration is set out in Note 11.

45. DISPOSAL OF SUBSIDIARIES

On 15 January 2013, the Group entered into a sales and purchase agreement ("CN Restructuring Agreement") to dispose 100% interest of Bestco Worldwide Investment Limited and its subsidiaries (the "Bestco Group") to Give Power Technology Limited ("GPT"), pursuant to which the parties have agreed on a conditional basis that (a) the Company shall (i) sell to GPT the Bestco Sale Share and (ii) assign to GPT the Bestco Sale Debts. The transfer consideration is in the sum of HK$113,462,000 which shall be satisfied by GPT surrendering and delivering up convertible notes in the aggregate principal amount of HK$113,462,000 to the Company at the first completion; (b) the Company shall redeem part of convertible notes in the principal amount of HK$30,000,000 at their full face value by cash at second completion; (c) GPT shall exercise the conversion rights attaching to part of the convertible notes having aggregate principal amount of HK$90,137,000 at the conversion price of HK$0.20 per conversion share in accordance with the convertible notes terms at second completion. The first completion and second completion of the CN Restructuring Agreement took place on 15 January 2013 and 15 April 2013 respectively. The disposal was completed on 15 January 2013.

The principal activities of the Bestco Group are the installation services, sales of chemical agents and petroleum chemical products and the provision of technical services in the PRC and development, management and processing of agricultural lands for the planting, cultivation and production of industrial and fruit bearing trees and other agricultural forest products in the PRC.

45. DISPOSAL OF SUBSIDIARIES *(Continued)*

The net liabilities of the Bestco Group at the date of disposal and the gain on disposal were as follows:

	HK$'000
Plantation assets *(Note 19)*	42,616
Property, plant and equipment *(Note 18)*	5,488
Intangible assets *(Note 23)*	37,122
Trade and other debtors	20,520
Deposits and prepayments	8,543
Inventories	12,576
Cash and cash equivalents	2,612
Deferred income *(Note 35)*	(4,756)
Trade and other creditors	(8,343)
Accrued charges	(163)
Amount due to the holding company	(816,895)
Amount due to a director	(3,626)
Tax payable	(22)
Net liabilities disposed of	(704,328)
Assignment of amount due to the holding company	816,895
	112,567
Release of exchange reserve	(31,887)
Transaction costs attributable to disposal of subsidiaries	3,868
Gain on disposal *(Note 16)*	28,914
Consideration	113,462
Net cash outflow arising on disposal:	
Bank balances and cash disposed of	2,612
Transaction costs attributable to disposal of subsidiaries	3,868
	6,480

46. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATERGORY

Group

	2013	2012
	HK$'000	*HK$'000*
Financial assets		
Loans and receivables (including bank balances and cash), at amortised cost	**69,017**	102,650
Financial liabilities		
Financial liabilities, amortised cost	**97,441**	676,815

47. SIGNIFICANT NON-CASH TRANSACTION

During the year, included in the total consideration for the redemption of convertible notes, is the amount of HK$90,137,000 which was settled by set-off of conversion rights attaching to part of the convertible notes having aggregate principal amount of HK$90,137,000 at the conversion price of HK$0.20 per conversion shares in accordance with the convertible notes terms at second completion.

48. FINANCIAL RISK MANAGEMENT

The Group's major financial instruments include trade and other receivables, bank balances, trade and other payables and loans from shareholders. Details of the financial instruments are disclosed in respective notes. The risks associated with certain of these financial instruments include market risk (interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. The Group's overall strategy remains unchanged from prior year.

48. FINANCIAL RISK MANAGEMENT *(Continued)*

Market risk

Interest rate risk

The Group has no significant interest-bearing assets and liabilities except for loan from a shareholder, details of which have been disclosed in Note 33. The Group's income and operating cash flows are substantially independent of changes in market interest rate.

The Group and the Company has no significant interest rate risk as at 31 July 2013.

Credit risk

In order to manage its the credit risk, 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. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Liquidity risk

In management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowing and ensures compliance with loan covenants.

48. FINANCIAL RISK MANAGEMENT *(Continued)*

Liquidity risk *(Continued)*

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms as well as derivative financial instruments. The table has been drawn up based on the undiscounted cash flows of the financial instruments based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

The Group

	Within 1 year or on demand *HK$'000*	More than 1 year but less than 2 years *HK$'000*	More than 2 years but less than 5 years *HK$'000*	More than 5 years *HK$'000*	Total contractual undiscounted cash flows *HK$'000*	Carrying amount *HK$'000*
2013						
Non-derivative financial liabilities						
Trade and other payables	**35,581**	**–**	**–**	**–**	**35,581**	**35,581**
Accruals	**8,969**	**–**	**–**	**–**	**8,969**	**8,969**
Loans from shareholders	**3,000**	**49,891**	**–**	**–**	**52,891**	**52,891**
	47,550	**49,891**	**–**	**–**	**97,441**	**97,441**
2012						
Non-derivative financial liabilities						
Trade and other payables	19,168	–	–	–	19,168	19,168
Accruals	5,592	–	–	–	5,592	5,592
Loans from shareholders	47,000	–	–	–	47,000	47,000
Amount due to a shareholder	2,000	–	–	–	2,000	2,000
Amount due to a director	2,634	–	–	–	2,634	2,634
Promissory notes	–	–	500,000	–	500,000	369,281
Convertible notes	233,600	–	–	–	233,600	231,140
	309,994	–	500,000	–	809,994	676,815

48. FINANCIAL RISK MANAGEMENT *(Continued)*

Liquidity risk *(Continued)*

The Company

	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000	Total contractual undiscounted cash flows HK$'000	Carrying amount HK$'000
2013						
Non-derivative financial liabilities						
Other payables	**313**	**–**	**–**	**–**	**313**	**313**
Accruals	**8,969**	**–**	**–**	**–**	**8,969**	**8,969**
Loan from a shareholder	**3,000**	**–**	**–**	**–**	**3,000**	**3,000**
Amounts due to subsidiaries	**385**	**–**	**–**	**–**	**385**	**385**
	12,667	**–**	**–**	**–**	**12,667**	**12,667**
2012						
Non-derivative financial liabilities						
Other payables	7,939	–	–	–	7,939	7,939
Accruals	4,904	–	–	–	4,904	4,904
Loan from a shareholder	3,000	–	–	–	3,000	3,000
Amount due to a director	1,500	–	–	–	1,500	1,500
Amounts due to subsidiaries	1,748	–	–	–	1,748	1,748
Convertible notes	233,600	–	–	–	233,600	231,140
	252,691	–	–	–	252,691	250,231

Currency risk

Most of the Group's assets and liabilities are denominated in Hong Kong dollars, United States dollars, Philippine Peso and Renminbi, which are the functional currencies of respective group companies. The Group does not expect any significant exposure to foreign currency risks.

48. FINANCIAL RISK MANAGEMENT *(Continued)*

Currency risk *(Continued)*

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the US$ exchange rate, with all other variables held constant, of the Group's profit before income tax (due to changes in the fair value of monetary assets and liabilities).

Group

	Increase/ (decrease) in HK$rate	Increase/ (decrease) in profit before income tax
	%	*HK$'000*
2013		
If the RMB weakens against the HK$	**5%**	**1,339**
If the PHP weakens against the HK$	**5%**	**160**
2012		
If the RMB weakens against the HK$	5%	336
If the PHP weakens against the HK$	5%	101

Fair value

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

- the fair values of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices; and
- the fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

48. FINANCIAL RISK MANAGEMENT *(Continued)*

Fair value *(Continued)*

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

Group

	2013		2012	
	Carrying amount	**Fair value**	Carrying amount	Fair value
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Financial Liabilities				
Convertible notes	–	–	231,140	225,630
Promissory notes	–	–	369,281	323,320

Fair value measurements recognised in the consolidated statement of financial position

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.

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

49. 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 stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt (which includes convertible notes, promissory notes and loans from shareholders) 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. The gearing ratios of the Group at 31 July 2013 and 2012 were as follows:

	2013 ***HK$'000***	2012 *HK$'000*
Debt	**52,891**	652,055
Total capital	**919,645**	1,457,010
Gearing ratio	**5.8%**	44.8%

The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares to reduce debts.

The Group has no plan to use special measures to adjust its gearing ratio in the foreseeable future.

50. CONTINGENT LIABILITIES

(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 and the appeal is pending in the Court of Appeal.

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.

(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 purchase price for the shares of Wing Fai Subsidiaries.

50. CONTINGENT LIABILITIES *(Continued)*

(b) Benefit took legal action against Mr. Eric Chim for the sum of HK$40,000,000 plus HK$3,000,000 balance purchase price and obtained a 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 2010 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.

(c) As disclosed in the Company's announcement dated 11 December 2012, the Company's former director Ms. Kelly Cheng ("Ms. Cheng") presented and claimed against the Company to pay, reimburse or indemnify Ms. Cheng under an alleged service agreement dated 1 March 1999 and an alleged deed of indemnity dated 1 March 2000 purportedly made between the Company and Ms. Cheng, thus claiming for restitution, repayment or recovery of money had and received for the payments of legal costs and disbursements to her or her solicitors under the alleged service agreement and alleged deed of indemnity in the form of repayment of her alleged loan(s) in disguise.

The Company has filed a writ to the Court of First Instance on 11 December 2012 to refute the claims from Ms. Cheng.

The writs were served on Ms. Kelly Cheng on 29 May 2013.

50. CONTINGENT LIABILITIES *(Continued)*

(c) *(Continued)*

The Company has wrongfully recorded HK$16,438,748.42 as at 31 July 2005 in its accounts as amount due to the Ms. Kelly Cheng, as valid reimbursement of legal expenses claimed by her under the Deed of Indemnity when at that time she was the deputy chairman, executive director and chief financial officer of the Company; and further wrongfully recorded by the former Company Secretary and Financial Controller, Mr. Wan Hon Keung another HK$1,304,347.05 as at 31 July 2011 without proper verification.

The Company has filed a writ to the High Court against its former Auditors, HLB, and the former Company Secretary and Financial Controller, Mr. Wan Hon Keung on 26 July 2013 for professional negligence causing losses to the Company in this regard.

Besides, on 8 August 2013, Ms. Kelly Cheng sent the Company a claim letter and continued to try to lodge further claims for reimbursement of the alleged legal expenses incurred by her from the Company under the Deed of Indemnity for another sum of HK$20,948,543.97 where the Company did not record this amount in its accounts as the whole claim basis is now in serious doubt.

The Company is now waiting for a court session to proceed.

In the opinion of the directors, the Company has good grounds in this case as the Deed of Indemnity is void with defects and the Company is not allowed by laws (S.165 of the Companies Ordinance) to indemnify directors in a way as now claimed by Ms. Kelly Cheng. Furthermore, the Company might be able to recover the losses by taking a separate legal action against its former legal professional, for misleading the Company and professional negligence. The directors consider they are contingent liabilities.

50. CONTINGENT LIABILITIES *(Continued)*

(d) On 28 May 2013, the petitioner, Ms. Kelly Cheng, filed a winding up petition to the High Court for winding up of the Company the alleged sum of HK$2,805,586.97, which was a balance of unpaid legal expenses she tried to reimburse from the Company under the Deed of Indemnity in dispute under HCA 2284/2012.

The Company has voluntarily paid to the court a full sum of HK$2,805,586.97 on 18 September 2013 to prove its solvency.

A case management hearing has been scheduled on 21 October 2013.

In the opinion of the directors, the Company has good grounds and chance to strike out the winding up petition soon as the Company is not insolvent and that the amount demanded by the petitioner is in fact in dispute under another High Court action HCA 2284/2012. There would not be any material contingent liability and it is highly likely that part of the legal costs incurred or to be incurred by the Group may be recoverable from Ms. Kelly Cheng.

51. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, the Company has fulfilled all conditions set out in the placing agreement and the completion of the placing took place on 13 September 2013 whereby a total of 169,385,540 placing shares have been successfully placed to Mr. KUA Kong Chak, Denny, ("Mr. KUA") at a placing price of HK$0.20 in accordance with the terms and conditions of the placing agreement.

52. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation. These reclassification have no impact on the Group's total equity as at both 31 July 2013 and 31 July 2012, or on the Group's loss for the years ended 31 July 2013 and 2012.

53. AUTHORISATION FOR ISSUE OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 4 November 2013.

Five Years Financial Summary

RESULTS

The consolidated results, assets and liabilities of the Group for the last five financial years as extracted from the audited financial statements of the Group and restated as appropriate are summarised below:

	2009 *HK$'000*	2010 *HK$'000*	2011 *HK$'000*	2012 *HK$'000*	**2013** ***HK$'000***
Revenue					
– continuing operation	4,021	12,256	17,887	4,285	**4,141**
– discontinued operation	120,094	93,470	109,715	135,513	**33,038**
	124,115	105,726	127,602	139,798	**37,179**
Profit/(loss) before tax					
– continuing operation	(25,019)	(22,265)	(106,134)	(321,004)	**(1,031,211)**
– discontinued operation	47,660	(502,449)	(92,873)	(240,845)	**24,926**
	22,641	(524,714)	(199,007)	(561,849)	**(1,006,285)**
Income tax credit/(expense)					
– continuing operation	2,764	2,305	1,668	1,718	**(21,194)**
– discontinued operation	(3,568)	1,279	440	(2,369)	**–**
	(804)	3,584	2,108	(651)	**(21,194)**
Profit/(loss) for the year					
– continuing operation	(22,255)	(19,960)	(104,466)	(319,286)	**(1,052,405)**
– discontinued operation	44,092	(501,170)	(92,433)	(243,214)	**24,926**
	21,837	(521,130)	(196,899)	(562,500)	**(1,027,479)**
Attributable to owners of the Company	21,837	(521,130)	(196,899)	(562,500)	**(1,027,479)**

ASSETS AND LIABILITIES

	2009 *HK$'000*	2010 *HK$'000*	2011 *HK$'000*	2012 *HK$'000*	**2013** ***HK$'000***
Total assets	1,224,122	697,554	2,659,262	2,141,372	**1,038,690**
Total liabilities	(402,388)	(304,202)	(651,349)	(684,362)	**(119,045)**
	821,734	393,352	2,007,913	1,457,010	**919,645**
Attributable to owners of the Company	821,734	393,352	2,007,913	1,457,010	**919,645**

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 blocks have been completed and three were issued Occupancy permits by the PRC Authority	N/A
Regal Garden No. 888 Lunchang Road, Lunjiao Town, Shunde District, Foshan, Guangdong Province, The PRC	December 2065	18,551	Commercial	100%	Completed	N/A