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

(Incorporated in Bermuda with limited liability)

(Stock Code: 1191)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 JULY 2014

The Board of Directors (the "Board") of Yueshou Environmental Holdings Limited (the "Company") announces the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 July 2014 together with comparative figures for the year ended 31 July 2013 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 July 2014

	Notes	**2014** ***HK$'000***	2013 *HK$'000* (Represented)
Continuing operations			
Turnover	*5*	**3,995**	4,141
Cost of sales and services		**(2,867)**	(2,771)
Gross profit		**1,128**	1,370
Other revenue and other gain	*6*	**25**	7,644
Administrative expenses		**(20,495)**	(11,334)
(Impairment loss)/reversal of impairment loss on other receivables		**(273)**	414
Fair value gains on investment properties		**2,793**	32,804
Finance costs		**(706)**	(31,755)

	Notes	**2014**	2013
		HK$'000	*HK$'000*
			(Represented)
Loss before income tax		**(17,528)**	(857)
Income tax	*7*	**(1,173)**	(21,194)
Loss for the year from continuing operations		**(18,701)**	(22,051)
Discontinued operations			
Loss for the year from discontinued operations	*8*	**(760,988)**	(1,005,428)
Loss for the year		**(779,689)**	(1,027,479)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Exchanges differences on translation of foreign operations		**(14)**	237
Share of other comprehensive income of associates		**(7,895)**	(20,497)
Items reclassified to profit or loss			
Recognition of accumulated exchange reserve in profit or loss arising from disposal of subsidiaries		**–**	(31,887)
Recognition of accumulated exchange reserve in profit or loss arising from deemed disposal of associates		**(39,238)**	–
Other comprehensive income for the year		**(47,147)**	(52,147)
Loss attributable to owners of the Company		**(779,689)**	(1,027,479)
Total comprehensive income for the year attributable to owners of the Company		**(826,836)**	(1,079,626)
Loss per share from continuing and discontinued operations		***HK cents***	*HK cents*
– Basic and diluted	*10*	**(63.7)**	(110.7)
Loss per share from continuing operations			
– Basic and diluted	*10*	**(1.5)**	(2.4)
Loss per share from discontinued operations			
– Basic and diluted	*10*	**(62.2)**	(108.3)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 July 2014

	Notes	2014 HK$'000	2013 HK$'000
Non-current assets			
Property, plant and equipment		**4,389**	6,461
Investment properties		**169,721**	166,928
Goodwill		**–**	–
Interests in associates	*11*	**–**	757,388
Amounts due from associates	*11*	**–**	46,178
Available-for-sale financial asset		**–**	–
		174,110	976,955
Current assets			
Properties held for sale		**7,465**	7,465
Properties under development		**31,431**	31,431
Other receivables		**1,112**	427
Deposits and prepayments		**13,663**	13,886
Bank balances and cash		**50,157**	8,526
Total current assets		**103,828**	61,735
Current liabilities			
Trade and other payables	*12*	**32,740**	35,581
Accruals		**4,152**	8,969
Loans from shareholders		**52,680**	3,000
Total current liabilities		**89,572**	47,550

	Notes	**2014**	2013
		HK$'000	*HK$'000*
Net current assets		**14,256**	14,185
Total assets less current liabilities		**188,366**	991,140
Non-current liabilities			
Loan from a shareholder		**–**	49,891
Deferred tax liabilities		**22,777**	21,604
Total non-current liabilities		**22,777**	71,495
NET ASSETS		**165,589**	919,645
Capital and reserves attributable to owners of the Company			
Share capital		**284,657**	206,780
Reserves		**(119,068)**	712,865
TOTAL EQUITY		**165,589**	919,645

NOTES TO FINANCIAL STATEMENTS

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 shares 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 property development in the People's Republic of China (the "PRC") and tree plantation operations in the Philippines respectively. The Company considered the tree plantation business held by its Philippine associates as an operating segment ever since its acquisition in 2010. However, during the year, as explained in Note 8, the Directors considered this business to be a discontinued operation.

During the prior 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 operations in the PRC. These operations constituted a discontinued operation, further details of which are set out in Note 8.

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

(a) *Adoption of new/revised HKFRSs – effective 1 August 2013*

HKFRSs (Amendments)	Annual Improvements 2009-2011 Cycle
HKFRSs (Amendments)	Annual Improvements 2010-2012 Cycle
Amendments to HKFRS 7	Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 19 (2011)	Employee Benefits
HKAS 27 (2011)	Separate Financial Statements
HKAS 28 (2011)	Investments in Associates and Joint Ventures
HK(IFRIC) – Interpretation 20	Stripping Costs of the Production Phase of a Surface Mine

Except as explained below, the adoption of the new/revised HKFRSs has no material impact on the Group's financial statements.

HKFRSs (Amendments) – Annual Improvements 2009-2011 Cycle

HKAS 1 has been amended to clarify that an opening statement of financial position is required only when a retrospective application of an accounting policy, a retrospective restatement or reclassification has a material effect on the information presented in the opening position. Further, this opening statement of financial position does not have to be accompanied by comparative information in the related notes. This is consistent with the Group's existing accounting policy.

HKFRSs (Amendments) – Annual Improvements 2010-2012 Cycle

The Basis of Conclusions for HKFRS 13 Fair Value Measurement was amended to clarify that short-term receivables and payables with no stated interest rate can be measured at their invoice amounts without discounting, if the effect of discounting is immaterial. This is consistent with the Group's existing accounting policy.

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.

The adoption of the amendments has no impact on these financial statements as the Group has not offset financial instruments, nor has it entered into a master netting agreement or a similar arrangement.

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 accounting requirements in HKAS 27 (2008) on other consolidation related matters are carried forward unchanged. The Group accordingly has changed its accounting policy in determining whether it has control of an investee and therefore is required to consolidate that interest.

The adoption of HKFRS 10 has not resulted in any change of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 August 2013.

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 is applied prospectively.

HKFRS 13 did not materially affect any fair value measurements of the Group's assets and liabilities and therefore has no effect on the Group's financial position and performance. The standard requires additional disclosures about fair value measurements and these are in respect of the Group's investment properties which are located in the PRC, and which are carried at fair value. Comparative disclosures have not been presented in accordance with the transitional provisions of the standard.

HKAS 19 (2011) – Employee Benefits

HKAS 19 (2011) 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". 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.

The Group has amended its accounting policies for short-term employee benefits and termination benefits, however the adoption of the revised standard has no effect on the Group's financial position or performance.

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

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

Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKAS 36	Recoverable Amount Disclosure for Non-Financial Assets[1]
HKFRS 9 (2014)	Financial Instruments[3]
HKFRS 15	Revenue from Contracts with Customers[2]

[1] *Effective for annual periods beginning on or after 1 January 2014*
[2] *Effective for annual periods beginning on or after 1 January 2017*
[3] *Effective for annual periods beginning on or after 1 January 2018*

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.

Amendments to HKAS 36 – Recoverable Amount Disclosure for Non-Financial Assets

The amendments limit the requirements to disclose the recoverable amount of an asset or cash generating unit (CGU) to those periods in which an impairment loss has been recognised or reversed, and expand the disclosures where the recoverable amount of impaired assets or CGUs has been determined based on fair value less costs of disposal. The amendments are effective for annual periods commencing on or after 1 January 2014.

HKFRS 9 (2014) – Financial Instruments

HKFRS 9 "Financial instruments" (2014) adds to the existing HKFRS 9. HKFRS 9 (2014) introduces new impairment requirements for all financial assets that are not measured at fair value through profit or loss and amendments to the previously finalised classification and measurement requirements.

A new "expected loss" impairment model in HKFRS 9 (2014) replaces the "incurred loss" model in HKAS 39 Financial Instruments: Recognition and Measurement. For financial assets at amortised cost or fair value through other comprehensive income, an entity will now always recognise (at a minimum) 12 months of expected losses in profit or loss. For trade receivables, there is a practical expedient to calculate expected credit losses using a provision matrix based on historical loss patterns or customer bases.

HKFRS 9 (2014) also introduces additional application guidance to clarify the requirements for contractual cash flows of a financial asset to give rise to payments that are Solely Payments of Principal and Interest (SPPI), one of the two criteria that need to be met for an asset to be measured at amortised cost, which may result in additional financial assets being measured at amortised cost.

A third measurement category has also been added for debt instruments - fair value through other comprehensive income which applies to debt instruments that meet the SPPI contractual cash flow characteristic test.

HKFRS 15 – Revenue from Contracts with Customers

HKFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach: (i) identify the contract(s) with customer; (ii) identify separate performance obligations in a contract; (iii) determine the transaction price; (iv) allocate transaction price to performance obligations; and (v) recognise revenue when performance obligation is satisfied. The core principle is that a company should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an 'earnings processes' to an 'asset-liability' approach based on transfer of control.

HKFRS 15 provides specific guidance on capitalisation of contract cost and licence arrangements. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

HKFRS 15 replaces the previous revenue standards: HKAS 18 "Revenue" and HKAS 11 "Construction Contracts", and the related Interpretations on revenue recognition: HK(IFRIC) 13 "Customer Loyalty Programmes", HK(IFRIC) 15 "Agreements for the Construction of Real Estate", HK(IFRIC) 18 "Transfers of Assets from Customers" and SIC-31 "Revenue – Barter Transactions Involving Advertising Services".

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 issued by the Hong Kong Institute of Certified Public Accountants (hereinafter collectively referred to as the "HKFRSs") 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. 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.

(ii) the tree 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 tree plantation business in the Philippines is carried out through an associate, further details of which are set out in Note 11. For the year ended 31 July 2014, these operations were considered a discontinued operation, further details of which are set out in Note 8.

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

(a) Operating segments

	Continuing operations		Discontinued operations							
	Property development		Tree plantation operations in Philippines		Environmental protection and forestry and logging operations in the PRC		Total		Total	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Reportable segment revenue	**3,995**	4,141	**–**	–	**–**	33,038	**–**	33,038	**3,995**	37,179
Reportable segment profit/(loss)	**863**	29,684	**(760,988)**	(187,736)	**–**	(3,988)	**(760,988)**	(191,724)	**(760,125)**	(162,040)
Unallocated corporate income									**4**	7,627
Unallocated corporate expense									**(17,689)**	(6,413)
Fair value gains on investment properties	**2,793**	32,804	**–**	–	**–**	–	**–**	–	**2,793**	32,804
Impairment loss on goodwill	**–**	–	**–**	(842,618)	**–**	–	**–**	(842,618)	**–**	(842,618)
Impairment loss on amounts due from associates	**–**	–	**(46,802)**	–	**–**	–	**(46,802)**	–	**(46,802)**	–
(Impairment loss)/reversal of impairment loss on other receivables	**–**	414	**–**	(19)	**–**	–	**–**	(19)	**–**	395
Impairment loss on loan receivables	**–**	–	**–**	(11,963)	**–**	–	**–**	(11,963)	**–**	(11,963)
Amortisation of intangible assets	**–**	–	**–**	–	**–**	(1,690)	**–**	(1,690)	**–**	(1,690)
Depreciation of property, plant and equipment	**(2,088)**	(1,868)	**(136)**	(271)	**–**	(11)	**(136)**	(282)	**(2,224)**	(2,150)
Reportable segment assets	**218,788**	217,797	**–**	804,821	**–**	–	**–**	804,821	**218,788**	1,022,618
Additions to non-current assets	**180**	178	**–**	6	**–**	584	**–**	590	**180**	768
Reportable segment liabilities	**(32,327)**	(32,207)	**–**	(52,852)	**–**	–	**–**	(52,852)	**(32,327)**	(85,059)

(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	
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
The People's Republic of China (the "PRC")	**3,995**	37,179	**174,064**	173,170
Hong Kong	**–**	–	**46**	219
Philippines	**–**	–	**–**	757,388
	3,995	37,179	**174,110**	930,777

(c) Information about a major customer

No single customer exceeded 10% of the Group's turnover arising from both property development or tree plantation operations during the current or prior year.

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

	2014	2013
	HK$'000	*HK$'000*
		(Represented)
Loss before income tax and discontinued operations:		
Reportable segment loss	**(760,125)**	(162,040)
Segment loss from discontinued operations	**760,988**	191,724
Unallocated corporate income	**4**	7,627
Unallocated corporate expenses*	**(17,689)**	(6,413)
Finance costs	**(706)**	(31,755)
Consolidated loss before income tax from continuing operations	**(17,528)**	(857)

* *Legal and professional fees of HK$7,493,000 (2013: HK$2,526,000) are included in unallocated corporate expenses.*

	2014	2013
	HK$'000	*HK$'000*
		(Represented)
Assets:		
Reportable segment assets	**218,788**	1,022,618
Unallocated corporate assets		
Bank balance and cash	**44,522**	2,707
Other corporate assets	**14,628**	13,365
	59,150	16,072
Consolidated total assets	**277,938**	1,038,690
Liabilities:		
Reportable segment liabilities	**32,237**	85,059
Unallocated corporate liabilities		
Loan from shareholders	**52,608**	3,000
Other corporate liabilities	**4,637**	9,382
	57,245	12,382
Deferred tax liabilities	**22,777**	21,604
Consolidated total liabilities	**112,349**	119,045

5. 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.

	2014	2013
	HK$'000	*HK$'000*
Continuing operations:		
Sales of properties in the PRC	**–**	378
Rental income	**2,255**	2,092
Management income	**1,740**	1,671
	3,995	4,141
Discontinued operations:		
Sales of chemical agents and petroleum chemical products	**–**	33,038

6. OTHER REVENUE AND OTHER GAIN

	2014	2013
	HK$'000	*HK$'000*
Continuing operations:		
Other revenue:		
Interest income	**19**	1
Sundry income	**2**	7,643
	21	7,644
Other gain:		
Exchange gain, net	**4**	–
	25	7,644
Discontinued operations:		
Sundry income	**–**	149

7. INCOME TAX

The amount of income tax in the consolidated statement of profit or loss and other comprehensive income represents:

	2014	2013
	HK$'000	*HK$'000*
Continuing operations:		
Deferred tax		
– current year	**1,173**	10,624
– under provision in prior years	**–**	10,570
Income tax	**1,173**	21,194

No provision for Hong Kong Profits Tax was made for the years ended 31 July 2014 and 2013 as the Company and its respective subsidiaries in Hong Kong incurred tax losses for both years.

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

8. DISCONTINUED OPERATIONS

i. Tree plantations operation in the Philippines

As explained in note 11 (b) & (c), the Company has written down its interest in associates to nil during the year and reclassified this investment as an Available-for-sale financial asset ("AFS") due to the breakdown in relationship with the associates' management team and some adverse rulings/consequences arising from actions taken by the Philippine Congress and Philippine regulators. In addition, as set out in note 11(d), the Directors have considered what additional issues and consideration need to be taken/allowed for in order to make the tree plantation operation economically viable.

Based on this assessment, the Directors consider this business has no future economic value and has ceased devoting any further time and resources to it. The fair value of the AFS at the date it was reclassified and as at 31 July 2014 was considered to be nil. As mentioned in note 11(b), the Company has lost all contact with the associates and in March 2014 discovered that the associates' office was empty and all its staff, documents and books and records could not be located. The team in Hong Kong which was dedicated to look after this project has been since reassigned to other projects.

Accordingly the Directors consider this business to have been 'abandoned' as defined under HKFRS 5 'Non-current Assets held for Sale and Discontinued Operations', and have treated the results of the Philippine tree plantation operations as a discontinued operation for the year ended 31 July 2014. The comparative figures for the previous year have been represented accordingly.

ii. Environmental protection and forestry and logging operations in the PRC

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 tree plantation operations. The disposal was completed on 15 January 2013, the date on which the control of Bestco Group was passed to the acquirer. There were no transactions or losses related to these operations in the current year.

The sales, results and cash flows of the discontinued operations were as follows:

	2014	2013		
	Tree plantation operations in the philippines	Tree plantation operations in the philippines	Environmental protection and forestry and logging operations in the PRC	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	**–**	–	33,038	33,038
Cost of sales	**–**	–	(31,104)	(31,104)
Gross profit	**–**	–	1,934	1,934
Other revenue	**–**	–	149	149
Amortisation of intangible assets	**–**	–	(1,690)	(1,690)
Impairment loss on loan receivables	**–**	(11,963)	–	(11,963)
Impairment loss on other receivables	**–**	(19)	–	(19)
Impairment loss on goodwill	**–**	(842,618)	–	(842,618)
Impairment loss on amount due from associates	**(46,802)**	–	–	–
Administrative expenses	**(3,931)**	(8,955)	(4,381)	(13,336)
Share of results of associates	**(749,493)**	(166,799)	–	(166,799)
Loss before income tax	**(800,226)**	(1,030,354)	(3,988)	(1,034,342)
Income tax	**–**	–	–	–
	(800,226)	(1,030,354)	(3,988)	(1,034,342)
Gain on disposal of subsidiaries	**–**	–	28,914	28,914
Recognition of accumulated exchange reserve in profit or loss arising from deemed disposal of associates	**39,238**	–	–	–
(Loss)/profit for the year from discontinued operations	**(760,988)**	(1,030,354)	24,926	(1,005,428)

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.

9. DIVIDENDS

The directors do not recommend the payment of any dividend in respect of the year ended 31 July 2014 (2013: Nil).

10. 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

	2014	2013
	HK$'000	*HK$'000*
		(Represented)
Loss		
Loss attributable to owners of the Company for the purposes of basic and diluted loss per share:		
From continuing operations	**(18,701)**	(22,051)
From discontinued operations	**(760,988)**	(1,005,428)
	(779,689)	(1,027,479)

	2014	2013
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	**1,224,659,491**	928,157,686

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

Diluted loss per share for the year ended 31 July 2013 was the same as the basic loss per share as the effects of the Company's outstanding convertible notes during the year ended 31 July 2013 were anti-dilutive.

During the year ended 31 July 2014, there is no instrument with potential dilutive shares issued by the Group. Therefore, the basic and diluted loss per share are the same for the year ended 31 July 2014.

11. INTERESTS IN ASSOCIATES

Group

	6/1/2014	31/7/2013
	HK$'000	*HK$'000*
Unlisted shares, at cost	**1,154,359**	1,154,359
Share of post-acquisition loss	**(1,193,597)**	(444,104)
Share of changes in other comprehensive income	**39,238**	47,133
	–	757,388
Reclassified to available-for-sale financial assets *(Note 11 (b) & (d))*	**–**	–
	–	757,388
Amounts due from associates	**46,802**	46,178
Less: Allowance for impairment loss	**(46,802)**	–
	–	46,178

The amounts due from Associates are unsecured, interest-free and were for the purpose of deposits for future subscriptions for share capital. At 6 January 2014, the amounts due from associates were considered not recoverable and were fully impaired in the current year for the reasons set out below in Notes 11 (b) & (c).

Details of the associates before their de-recognition at 6 January 2014 and for the prior year are set out in the table below. Background details of the associates' main business of tree plantation business in the Philippines, key management and their organisational structure are set out in the Very Substantial Acquisition Circular ("VSA Circular") issued on 30 June 2010.

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" or "Associate")	Corporation	Philippines	Tree plantation operations in Philippines	40%
2010 Duran Inc.	Corporation	Philippines	Tree plantation operations in Philippines	40%
Morton 2011 Inc.	Corporation	Philippines	Dormant	40%

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

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

	2014	2013
	HK$'000	*HK$'000*
Current assets		364
Non-current assets		1,737,687
Total assets		1,738,051
Current liabilities		56,587
Non-current liabilities		498,157
Total liabilities		554,744
Included in the above amounts are:		
Plantation assets *(Note (a))*		1,737,380
Forestry concession rights *(Note (e))*		–
Cash and cash equivalent		229,840
Deferred tax liabilities		498,157
Total revenue for the period to 6 January 2014/year	**–**	–
Total loss for the period to 6 January 2014/year	**(1,226,375)**	(261,072)
Other comprehensive income for the period to 6 January 2014/year	**(12,280)**	(32,103)
Included in the above amounts are:		
Depreciation and amortisation	**3**	650
Interest income	**–**	–
Interest expense	**–**	–
Income tax expense/(income)	**–**	–
Group's share of loss of associates for the period to 6 January 2014/year *(Notes (b) and (c))*	**(749,493)**	(166,799)
Group's share of other comprehensive income of associates period to 6 January 2014/year	**(7,895)**	(20,497)

(a) Determination of fair value of plantation assets at 31 July 2013

(i) Valuation basis

Plantation assets comprise forest crop covered by the forest concession areas held by Shannalyne Inc. (or "Associate"), 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 at 31 July 2013 was 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 in 2010. BMI Appraisals has over 6 years experience in valuing similar assets or companies engaged in similar activities as those of the Associate worldwide.

For the purposes of determining the fair value of plantation assets at 31 July 2013, the Associate used 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 2013, in view of the non-availability of market value for trees in the Philippines, the Associate and BMI Appraisals had 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% for plantation assets for 2013 and applied to post-tax cash flows to provide a current market value of the plantation assets.

Other critical aspects of the valuation exercise, as well as key changes in assumptions and metrics adopted in 2013 are set out below.

(ii) Movement in plantation assets for the 2013

	HK$'000
At 1 August 2012	2,155,084
Additions	726
Loss arising from changes in fair values less costs to sell	(418,844)
Exchange adjustment	414
At 31 July 2013	1,737,380

The additions represent the value of tree saplings planted during 2013.

The loss in fair value less costs to sell for 2013 represents the aggregate of the difference between the value of the existing plantation assets as of the beginning and end of the year. As far as the Company is aware, the Associate did not legally harvest any forest crop during 2013 (nor up to the date of this announcement).

(iii) Impact of Executive Order 23 ("EO23") and Memorandum of Agreement ("MoA") for the year ended 31 July 2013

On 1 February 2011, the Philippine President 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 the Philippine Department of Environmental & Natural Resources ("DENR") to ask for some concessions and/or waivers from EO23, as the potential impact of EO23 could significantly reduce the value of the Group's Philippine tree 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 tree plantation operations but with two major limitations (i) the Associate may only receive up to 60% of the cleared materials in areas which are delineated for the establishment of tree plantation and (ii) tree plantation can be established only on forests land classified as open land and degraded forest land. Several board members of the Group were 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 then 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 was also a consultant to the Associate, as he is an expert in tree plantation operations and has many years of experience in this field in the Philippines.

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 decided to take a conservative view and assume that EO23 and MoA were effective for the purposes of the valuation of the Associate's plantation assets and forest concession rights for the year ended 31 July 2013. In the meantime the Board had taken steps to look further into this issue and sought a direct meeting with DENR to clarify this matter, although ultimately no such meeting was arranged. Further details of this matter were set out in the Company's announcement dated 18 October 2013.

(iv) Change in business model in 2013 from that used in 2012

Owing to the potential restrictions on the development of its tree plantation business noted in Note 11(a)(iii) above, and the resulting potential significant adverse effect on its business, management 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 tree plantation business as discussed in Note 11(a)(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.

Under this new business model, management assumed the processing and harvesting of these logs would 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 an 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 meter.

After the completion of tree plantation establishment on open land and degraded forest land, management had intended 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 explained in Note 11(a)(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 was 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.

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%.

(vii) On-site inspection and other issues experienced during valuation exercise for 2013

As mentioned in the Company's announcement of 19 September 2013, during the week of 9 September 2013, the Company had arranged for BMI Appraisals to conduct the 2013 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 for 2013 could not be completed and only very limited data was obtained. For the purposes of the 2013 valuation exercise, BMI Appraisals were therefore forced to use data they previously obtained in their first full valuation in June 2010 as part of the VSA Circular exercise.

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

No further onsite inspection visits for valuation purposes have been arranged by the Associate since the last aborted attempt in September 2013.

In addition to the above, the Associate is exposed to a number of risks related to its tree 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.

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) Loss of significant influence over associates resulting in cessation of equity accounting and reclassification of interest as an Available-For-Sale Financial Asset as of 6 January 2014

As notified to shareholders in the Company's announcement dated 13th January 2014, the Company's Chairman and executive director, Mr. CT Tan and his son and fellow executive director, Mr. Shannon Tan Siang-Tau were not re-elected as directors to the Board at the Company's AGM held on 6 January 2014. In addition, another executive director of the Board, Ms Juanita De Guzman resigned with effect from the same date to pursue other personal business. Ms De Guzman is a Philippine national and is the controlling shareholder of Alverna, further details of which are set out in the VSA Circular.

The Company had stopped all funding to the Associate as of November 2013 since the potential cancellation of the CPA first became known to the Company. After the non re-election of Mr. CT Tan and his son and the resignation of Ms De Guzman from the Board in early January 2014, the relationship with the Associate management team (which included Mr. CT Tan and Ms. De Guzmen) deteriorated. Since then the Company has been unable to obtain any information, documents or financial accounts from the associates and lost contact altogether with the associates' management team based in Manila. The Company has tried to convene a board meeting of the associates on a number of occasions but with no success. In March 2014 the Company sent its Philippines lawyers in Manila to find out what was happening but found the associates' office was empty and none of its staff, documents, books and records could be located.

In light of the above, the Directors are of the view that the Company has no significant influence over the associates as it has been unable to participate in the financial and operating policy decisions of the associates. The Directors also consider this position is unlikely to change in the near future. Accordingly, as of 6 January 2014 the Company has ceased equity accounting for its interests in the associates as required under HKAS 28 'Investment in Associates', and has reclassified its interest as an available-for-sale financial asset ("AFS"). After taking into account of the latest development, at the date the investment in associates was reclassified as an AFS, its carrying value (and fair value) was considered to be nil as further explained below in Note 11(d). No information regarding the (former) associates' assets and liabilities at 31 July 2014 has been provided above, as it had been reclassified as an AFS as of 6 January 2014.

(c) Share of results of Associates up to 6 January 2014

After taking into account the reasons set out in Note 11(d), further legal advice on the recommendation by the Philippine Congress to cancel the Associates' CPA agreement, the meaning and effect of EO23, MoA and Memorandum of Agreement with Manobo tribal community ("Manobo MOA") (as further explained in Note 11(c)(i), (ii) & (iii) below), the Directors are of the view all of the plantation assets held by the Associates are fully impaired. Plantation assets makeup virtually all of the Associates' total assets and full impairment of these assets has reduced the financial position of the Associates to a net liability/capital deficiency position. Accordingly, the Directors consider The Company's share of Associates' loss for the period to 6 January 2014 to be HK$749,493,000, resulting in the carrying value of the Company's interest in Associates at 6 January 2014 to be reduced to nil. As part of this assessment, the amounts due from Associates of HK$46,802,000 at 6 January 2014 were also considered unrecoverable and have been fully impaired in the current year.

(i) Recommendation by Philippine Congress to cancel the Associates' CPA agreement

As further detailed in the VSA Circular, one of the associates, Shannalyne Inc (or "Associate") signed three agreements entitling it to carry out tree plantation business within a defined forest concession area in the Caraga region of Mindanao in the Philippines. The three agreements were the Co-Production Agreement, IFMA and Manobo MOA. In March 2005 the Co-Production Agreement and IFMA were amalgamated under one agreement, which hereafter is referred to as the CPA agreement. The total forest concession area covered by these agreements is approximately 223,124 hectares, of which approximately 125,381 hectares can be used for tree plantation business. The CPA agreement covers 86% of this total area.

On 10 December 2013, the Philippine Congress ("Congress") recommended the cancellation of the Associate's CPA agreement based on various government reports which concluded there was poor performance in plantation establishment, that clearance work was carried out without the necessary permits, and violation of various laws and regulations set down by the Philippine Department of Environmental & Natural Resources ("DENR"). Further details of this development and background information of the above agreements are set out in the Company's announcements of 19 December 2013 and 19 February 2014 and the VSA Circular.

Based on legal advice obtained by the Company, Congress has made its recommendation based on due process as evidenced by two government agency reports showing poor performance and non-compliance by the Associate of various laws and contracts signed with DENR. The reports also indicated the Associate was given ample opportunity to rectify these matters and/or to rebut the allegations made in the said reports. Although Congress has the power to enact laws, it is the Philippine President who has the power to execute laws enacted by Congress.

Up to the present date, as per the latest legal opinion, the cancellation has not been executed but there is no concrete evidence to suppose the Philippine President will not carry out/ execute the recommendations made by Congress. As such, the legal advice obtained by the Company is that it would be correct to assume the CPA will be cancelled in the near future.

As regards compensation, the legal advice obtained by the Company is that the Associate cannot claim any form of damages or compensation from the Philippine government. The Company's latest legal opinion arrived at this conclusion based on the numerous violations of the terms and conditions of the CPA by the Associate cited in the reports by the Philippine regulators and the failure to rectify these violations and/or rebut these allegations. In fact Congress also recommended the government proceed to file charges against the Associate where possible/appropriate, although to date the Directors are not aware such charges have been filed.

(ii) *Updated legal advice on meaning and effect of Executive Order 23 ("EO23") and Memorandum of Agreement ("MoA")*

Given the uncertainty over the effect EO23 and the MoA had on the Associate's operations as explained in Note 11(a)(iii), the Company obtained two further legal advices in this area in the current year.

Based on the latest legal advice, to the extent the Associate has to clear indigenous forest land and standing trees incidental to establishing a tree plantation, this is governed by the MoA. Under the MoA, the Associate may provide services to the DENR "to undertake the handling, hauling and transport of all logs cut incidental to site preparation in pursuance to the plantation establishment subject to actual and reasonable reimbursement of the cost incurred". According to the Company's latest legal opinion in September 2014, the reimbursement the Associate may claim is "only up to 60%" and relates to the actual and reasonable cost to clear the land to establish the site for plantation business. In his opinion this means the Associate cannot earn any 'profit' from clearing any standing trees and that the 60% figure only sets an upper limit on how much in cost it can claim.

Based on this legal interpretation, the Associate's plantation assets (standing trees) covered by CPA may have negligible value, as previously it was assumed 60% of any profit derived from clearing the plantation sites of its standing trees would accrue to the Associate. The Directors note that the Company received a number of legal opinions on this matter in the previous year, none of which came to this conclusion.

In the previous year it was noted that DENR issued a further memorandum dated 3 June 2013 (the "Memorandum") after EO23 and MoA were issued. The Group's former Chairman, Mr. CT Tan was of the view the Memorandum would override EO23 (and therefore MoA). The latest legal advice obtained by the Company is that the Memorandum far from negating the effects of the MoA, actually complements it insofar as it allows the cutting of trees in natural and residual forest which is incidental to the preparation of sites for tree plantation operations.

Overall, after taking into account the recommendation by Congress to cancel the CPA and the latest legal interpretation on the meaning of how the Associate may share/recover its costs from trees cleared to establish sites for tree plantation business under the MoA, the Directors are of the view that full impairment is necessary for plantation assets derived from the CPA agreement. As noted above, the CPA agreement covers approximately 86% of the total forest concession area held by the Associate.

(iii) Effect of EO23, MoA and recommendation by Congress to cancel CPA on Manobo MOA

As mentioned above, the Associate's forest concession area in Philippines is covered by three agreements. Two of those agreements are covered by the discussion on the CPA in Note 11(c)(i) & (ii) above. This leaves Manobo MOA. Manobo MOA covers an area of around 51,000 hectares, of which the area available for tree plantation operations is approximately 17,200 hectares or about 14% of the Associate's total forest concession plantation area.

In the Philippines, its various indigenous people, including the Manobo tribal community, are afforded much greater protection and rights due to their past history of exploitation and poor social economic situation. Typically the indigenous people have greater rights to self-government and empowerment and the right to develop lands and natural resources. Their property rights within their ancestral domains are also heavily protected under Philippine law. These rights are enshrined under "The Indigenous Peoples Rights Act of 1997" ("IPRA Law").

Based on the latest legal advice obtained by the Company, under IPRA Law neither EO23 nor the MoA has an effect on Manobo MOA. This is because the rights of the indigenous people and their right to self determination are respected (which includes the right to develop their own land and resources on that land), and these rights would take precedence over EO23 and MoA. The Philippine Congress recommendation to cancel the CPA would also have no effect on Manobo MOA.

It should be noted however that unlike the CPA, under Manobo MOA 30% of the stumpage value generated from standing trees has to be shared with the Manobo tribe and thereafter 5% stumpage value has to be shared with them from the harvesting of plantation trees.

The Directors have considered the viability of continuing its tree plantation operations based on the reduced area under Manobo MOA only, and have come to the conclusion it is not economically viable. A total plantation area of only 17,200 hectares means with a seven year growth cycle for commercial trees, a very small annual harvestable area of only around 2,500 hectares per annum as compared to the original estimated annual harvestable area of around 18,000 hectares per annum. After taking into account of Note 11(d) and latest development of Philippines investment, high level estimates of the value of the tree plantation business based on Manobo MOA area only (including the value of standing trees) was negative or that is to say loss-making. The reduced area is simply not big enough to sustain sufficient economies of scale to run a tree plantation operation on a commercial basis.

(d) Gain on deemed disposal of Interest in associates on reclassification to Available-for-sale financial asset ("AFS")

In addition to the significant matters referred to in Note 11(c)(i), (ii) & (iii) above which include the recommendation by Congress to cancel the Associate's CPA agreement, the inability to profit from the clearing of standing trees under the MoA (for CPA area) and the uneconomic size of area under Manabo MOA to develop a tree plantation business, the Directors have also considered other matters which need to be resolved in order for the Philippine tree plantation business to be economically viable:

- Significant lobbying effort required to persuade Congress and/or Philippine President to not cancel CPA and/or renegotiate a new "CPA" agreement with DENR to enable tree plantation operations to resume, which is likely to take some time and money to achieve, with no guarantee of success;

- Reestablish significant influence over the associate, which will entail either taking legal action or rebuilding a working relationship with Ms De Guzman and/or Mr. CT Tan and/or reorganising the Associate to affect a change in its controlling shareholder to another Philippine national that the Company can work with;

- If an alternative local Philippine partner option is chosen, the person needs to be someone who is familiar with the industry, is someone who they can trust and has the necessary connections to facilitate the smooth operations of the tree plantation business. The Directors believe that may take some time to achieve;

- Recover all the associates' books and records, hire appropriate staff and reestablish an office in Philippines to run the tree plantation business;

- A recognition that the risk underlying the Philippine tree plantation business is generally higher than originally thought and that raising additional funds from new investors and/or current shareholders for this business will not be easy

Given all of the above issues, the Directors are of the view the tree plantation business held by the associates is not viable in the present circumstances. Accordingly the Directors consider the fair value of its interest in the (former) associates, now reclassified as AFS to be nil. Although the carrying value of the interest in associates was already written down to nil (as explained in Note 11(b) & (c) above), there was a gain on the deemed disposal of associates (as a result of their reclassification to AFS) arising from the reversal of the accumulated credit balance on Exchange Reserves related to the associates of HK$39,238,000. This gain has been recognised in profit or loss in the current year.

(e) ***Forest concession rights***

	Forest concession rights
	HK$'000
Cost:	
At 1 August 2012	31,938
Exchange adjustment	(944)
At 31 July 2013	30,994
Accumulated amortisation and impairment:	
At 1 August 2012	20,388
Charge for the year	318
Impairment loss recognised for 2013	11,410
Exchange adjustments	(1,122)
At 31 July 2013	30,994
Carrying amount:	
At 31 July 2013	–

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 agreements comprising (in abridged form) the (i) the IFMAs (ii) the Co-Production Agreement and (iii) Manobo MOA. Further details of these agreements and concession rights are set out in the VSA Circular.

12. TRADE AND OTHER PAYABLES

At 31 July 2014, included in the Group's trade and other payables of HK$32,740,000 (2013: HK$35,581,000) were trade payables of HK$31,559,000 (2013: 31,843,000), of which HK$31,431,000 (2013: HK$31,431,000) represented the outstanding construction fee in dispute.

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

	2014	2013
	HK$'000	*HK$'000*
Over 365 days	**31,559**	31,843

13. TRADE RECEIVABLES

The Group has no trade receivables as at 31 July 2014 and 31 July 2013.

With respect to the extract of the independent auditor's report set out below, references to note 22, 22(a)(iii), 22(a)(iv), 22(a)(v), 22(a)(vii) and 22(b) in the Auditor's Basis for Disclaimer Opinion paragraphs below refer to note references in the Company's annual report for the year ended 31 July 2014. The equivalent of these notes can be found in this Announcement under note 11, 11(a)(iii), 11(a)(iv), 11(a)(v), 11(a)(vii) and 11(b) respectively.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

Basis for disclaimer of opinion on the group's performance and cash flows

1. Limitation of scope – Limitation of audit work on carrying value of interests in associates at 31 July 2013 with a consequential effect on Group's performance for the year ended 31 July 2014

As explained in note 22, during the year on 6 January 2014 the Directors concluded that full impairment was necessary against plantation assets held by its associates who were responsible for its Philippine tree plantation business and consequentially the carrying value of its interest in associates was written down to nil. The Group has accordingly reflected a share of loss of associates of HK$749,493,000 for the year ended 31 July 2014.

However, for the year ended 31 July 2013, we were unable to satisfy ourselves whether the carrying value of interest in associates were fairly stated for the reasons set out in (i), (ii) & (iii) below and we disclaimed our opinion on the consolidated financial statements for the year ended 31 July 2013. These limitations remained as of 6 January 2014 and our uncertainty as to whether the Group's interest in associates as reported last year at 31 July 2013 was fairly stated remained unresolved. Any adjustment to the Group's interest in associates at 31 July 2013 would have a consequential impact on the Group's share of the associates' results for the year ended 31 July 2014.

We were unable to determine whether any adjustments were necessary to be made to the Group's share of results of associates for the year ended 31 July 2013 which might have had a significant effect on the Group's loss for the year ended 31 July 2014.

i) As explained 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 for the purpose of tree plantation business. The carrying value of the Group's interest in associates at 31 July 2013 was HK$757,388,000 and represented over 82% of the Group's net assets at that date. In respect of the Associate's total assets, its plantation assets made up virtually 100% of its total assets. Plantation assets are stated at fair value less costs to sell.

As further detailed in note 22(a)(iii), the Philippine President issued Executive Order 23 ("EO23") on 1 February 2011, which set out 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. As EO23 had a potentially significant impact on the Associate's tree plantation business, management of the Associate met with DENR (government regulator in Philippines of natural resource matters) to negotiate some concessions/waivers from EO23. Arising from these discussions the Associate and DENR signed a Memorandum of Agreement ("MoA") on 17 November 2011. Under the MoA, the Associate would receive not more than 60% of the volume of logs cut from areas delineated for tree plantation business, with the proviso that tree plantation business may only be carried out in "degraded forest areas" and open land. In late 2013, the Company became aware of a further memorandum ("Memorandum") from DENR dated 3 June 2013. Under this Memorandum, the Company's then Chairman, Mr. CT Tan 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.

The Directors obtained legal opinions from a number of lawyers based in the Philippines on EO23, MoA and Memorandum, but received conflicting legal opinions and views. To finalise the 31 July 2013 annual report, the Board opted to take a conservative approach and assumed EO23 and MOA were effective for the purposes of the valuation of the Associate's plantation assets and forest concession rights as at 31 July 2013 and assumed the Memorandum had no effect on EO23 and MoA. The Board had resolved to seek a meeting with DENR to clarify this matter. Pending this clarification with DENR, there were no alternative audit procedures we could have performed that would have enabled us to determine whether EO23 and MoA were in force and applicable to the Associate at 31 July 2013. This could have had a significant effect on the valuation of the Associate's plantation assets as at 31 July 2013 and 2012 and would have had a consequential effect on the Group's share of Associate's results for the year ended 31 July 2013. We were unable to quantify this effect.

As explained above, under the MoA, the tree plantation business could only be carried out in "degraded forest areas" and open land. However the regulations do not define what is meant by "degraded forest area". As set out in note 22(a)(v), management have concluded the area available for tree plantation operations of approximately 125,000 hectares referred to in the Company's Very Substantial Acquisition Circular dated 30 June 2010 ("VSA Circular") and the area under the Comprehensive Development Management Plans ("CDMP") previously agreed with DENR in fact comprises degraded forest and open areas envisaged under the MoA. However, this is by no means certain as the MoA was signed some years after the forest concession area agreements were concluded with the Associate. Pending clarification from DENR on this term, we were unable to determine if the correct areas have been used in the determination of the fair value of the Associate's plantation assets at 31 July 2013.

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 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 was no transparent active market in Philippines due to the cessation of forestry businesses in general and 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 was no active market in Philippines for this service, management were unable to secure any actual contract or fee quotation by an independent subcontractor. They had estimated this subcontractor charge with reference to a Bhutan research report, which management estimate was issued around 2000.

The selling price and subcontractor charges were key drivers under the sawn timber business model. The source of certain data used by management for their estimation was in parts quite old and are likely out of date and none of the source data was specific to the Philippines. We were not able to obtain other satisfactory evidence to satisfy ourselves whether these estimates were fair and reasonable. If the Associate was unable to achieve the estimated selling prices and/or the estimated subcontractor charges, it would have had a significant negative effect on the valuation of the Associate's plantation assets at 31 July 2013. In addition, no adjustment was made for the additional profit arising from the processing of raw timber logs into sawn timber. We were 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 certain parts of their valuation exercise during a site visit in September 2013 as part of the 2013 Annual Report audit exercise. This was due to an escalation in the conflict at that time between militant factions in Mindanao and Philippine government forces. In addition, BMI Appraisals 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 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 were 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 was based. As an updated satellite image on or after the 31 July 2013 could not be provided to us, we were accordingly unable to satisfy ourselves the trees in the forest areas covered by the Associate's concession rights existed at 31 July 2013.

In view of the matters raised (i) (ii) and (iii) above, when we completed the audit last year we were unable to rely on the valuation report prepared by BMI Appraisals Limited for the year ended 31 July 2013 and accordingly could not determine whether the Associate's plantation assets were fairly stated and therefore whether the Group's interests in associates were fairly stated at 31 July 2013. There were no other satisfactory alternative audit procedures we could perform. These matters caused us to disclaim our audit opinion on the consolidated financial statements for the year ended 31 July 2013.

2. Disagreement over incorrect equity accounting for interest in associates

In addition to the limitation on information and documentation we required to determine the fair value of the associates' plantation assets (and consequentially the carrying value of interests in associates) as explained in section (1) above, last year we also disagreed with the way the Group had equity accounted for its share of associates' performance and interest in its associates as explained below. The Group consistently applied their basis to equity account for the associates up to 6 January 2014 (the point of time when the Group lost significant influence over these associates). Therefore, we also disagree with the way the Group determined its share of the associates' results for period to 6 January 2014.

The Group's tree 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 whose main business is tree 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. Details of the acquisition, organisational structure and background of the tree plantation operations were set out in 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 since their acquisition up to 6 January 2014 when the associates were reclassified as AFS as explained in note 22(b).

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 during the year ended 31 July 2013. We noted that in prior years the Group had assessed goodwill impairment based on the value-in-use of the tree plantation operations. 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.

	As reported *HK$'000*	Adjustments required *HK$'000*	As corrected *HK$'000*
Consolidated statement of profit or loss and other comprehensive income for the year ended 31 July 2014			
Share of results of associates	(749,493)	(476,882)	(1,226,375)
Recognition of accumulated exchange reserve in profit or loss arising from deemed disposal of associates	39,238	22,196	61,434
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

	As reported *HK$'000*	Adjustments required *HK$'000*	As corrected *HK$'000*
Consolidated statement of profit or loss and other 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)
Consolidated statement of financial position as at 1 August 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

Disclaimer of opinion on the group's performance and cash flows

Because of the significance of the matters described in the Basis for Disclaimer of Opinion on the Group's performance and cash flows paragraphs, we have not been able to obtain sufficient appropriate evidence to provide a basis for an audit opinion on the Group's performance and cash flows for the year ended 31 July 2014. Accordingly we do not express an opinion on the Group's performance and cash flows for the year ended 31 July 2014.

Opinion on the financial position

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 July 2014 in accordance with Hong Kong Financial Reporting Standards.

In all other respects, in our opinion the consolidated financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Other matters

Had we not disclaimed our opinion on the Group's performance and cash flows, 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 (2) of the Basis for Disclaimer of Opinion on the Group's performance and cash flows paragraphs above.

MANAGEMENT DISCUSSION AND ANALYSIS

Business review and segment information

In the past financial year ended 31 July 2014, the Group's total turnover remained stable and decreased slightly by 3.5% to approximately HK$3,995,000 (2013: HK$4,141,000). Gross profit decreased by 17.67% to HK$1,128,000 (2013: HK$1,370,000) due to higher maintenance costs for the investment properties this year.

Due to the significant impairment in the fair value of the Philippine associates's plantation assets, the Group recorded a share of loss of HK$749,493,000 in the interests in associates during the year. The Group's investments in the associates were subsequently reclassified to available-for-sale financial assets due to the loss of significant influence over these investments in the Philippines from accounting perspectives. After the non-reelection of the former Chairman and resignation of another director of the Company overseeing the forestry plantation operations in the Philippines, the forestry business has come to a halt during the year. In view of the significant uncertainty in the Philippine tree plantation business, the Group has written off its interest during the year and does not intend to invest any further time and resources in this business. The Philippine tree plantation operation have accordingly treated as a discontinued operation in the current year results. Further details are explained in Note 8 and 11 in this announcement. The loss attributable to the equity shareholders of the Group was HK$779,689,000 (2013: HK$1,027,479,000).

The entire turnover for the year was generated from those business segments in the PRC (2013: 100%).

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 (2013: 100%).

For the financial year ended 31 July 2014, there was a gain arising from change in fair value of investment properties located in Shunde, Guangdong Province, the PRC for about HK$2,793,000 (2013: HK$32,804,000).

Forestry Plantation Operation

As at the date of this announcement, the Group has certain corporate interests in tree plantation business including shares in some Philippine corporations, Shannalyne Inc. ("Shannalyne"), which was granted the development and management rights of certain pieces of public forestry lands in the Philippines under the Co-Production Agreement ("CPA") entered into between Shannalyne and the Department of Environmental and Natural Resources ("DENR") and a Memorandum of Agreement with Manobo tribae community.

As disclosed in the Company's announcement dated 19 December 2013, Shannalyne was invited by the Special Committee on Reforestation of the Philippine Congress to attend a Congressional meeting. During the meeting, the Special Committee on Reforestation recommended the cancellation of the CPA held by Shannalyne. No reliable information regarding the cancellation was received by the Group immediately after the aforesaid meeting.

The Committee Daily Bulletin published by the Committee Affairs Department of the House of Representatives in the Philippines subsequently revealed that DENR assured the cancellation of the CPA before the year ends and will take necessary legal action against Shannalyne for breach of contract, if warranted. The same bulletin also indicated that the stewards of the CPA, Finland and New Zealand governments, conveyed their respective concurrence with the cancellation of the CPA. However, the Group did not receive any notification from Shannalyne that an order of cancellation has been issued by DENR as at the date of this announcement.

Since the release of the announcement dated 19 December 2013, the Company has made numerous attempts to follow up this matter with the management of Shannalyne and the former Chairman of the Group. However, up to the date of this report, the Shannalyne management neither responded nor provided the Group with the latest status of Shannalyne when the Group reached out to them.

Following the potential cancellation of the CPA, the Company has reviewed the Memorandum of Agreement between Shannalyne and the Philippines indigenous people in Manobo ("Manobo MoA"). Although legally speaking the Manobo MoA can stand alone and execute without CPA, owing to the uncertainty brought by the CPA status and the deteriorating reputation of Shannalyne, the Company considered it very challenging, if not unfeasible, to implement the previous business plan. Thus, the Company has written off the residual value of the Philippine investment and intends to invest no further time and resources in the associate's tree plantation business.

For the preparation of the annual results of the Group the management assessed the status of the Philippine investments from a year-round perspective. From accounting perspective, the Group's Philippine investments was considered to be fully impaired since the loss of significant influence of the associates, ie. the non-reelection or resignation of some directors on 6 January 2014, after taking into account of the considerations explained in note 11(d) in this Announcement.

Status of the Philippine investments

Two former executive directors of the Company, namely Mr. Tan Cheow Teck (former Chairman of the Group) and Mr. Shannon Tan Siang-Tau, were not re-elected as directors in the annual general meeting held on 6 January 2014. Ms. Juanita Dimla De Guzman also resigned as a director of the Company immediately afterwards. Leaving of these directors brought out an implication on whether or not the Group can still be able to exert significant influence over Shannalyne and other investees in Philippines. Although the Group continues to hold more than 20 percent voting rights in Alverna and Shannalyne, the directors of the Company considered the definition of significant influence in HKAS 28 Investment in Associates cannot be fulfilled and in particular, when the Group has no the power to participate in the financial and operating policy decisions of Shannalyne and other investees. As a result, the Group's Philippine investments in the associates were subsequently reclassified to available-for-sale financial assets ("AFS financial assets") during the year. At the same time, after considering the breakdown in relationship with the management of the Philippine associate, the adverse recommendation and rulings by the Philippine Congress and regulators and the uneconomic/small size tree plantation area remaining and available to the Associate for its business, the directors considered the Philippine tree plantation business was not economically viable and have decided to exit this business. Accordingly the tree plantation business was treated as a discontinued operation for the purposes of the current year's result. Further details are set out in note 8.

Subsequent to the abovementioned reclassification and up to the date of this report, the Group still has not received any update from the Shannalyne management notwithstanding the Group's repeated requests for the provision of latest information.

In view of the significant uncertainty and the potential difficulty in recovering the value of the Philippine investment, the Group fully wrote off the Philippine investment to nil amount.

Liquidity, financial resources & gearing ratio

The operation of the Group was mainly financed by internal resources generated. As at 31 July 2014, there was no secured bank borrowings outstanding (2013: Nil); the loan from a former substantial shareholder of the Company amounted to HK$49,860,000 (2013: HK$49,891,000) is currently in dispute.

As at 31 July 2014, the current ratio was 1.16 (2013: 1.3), whereas the gearing ratio (defined as a ratio of convertible notes, promissory notes and loans from shareholders to net asset) was 31.8% (2013: 5.8%). The shareholders' equity decreased to HK$165,589,000 (2013: HK$919,645,000).

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 2014, 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 2014 and 31 July 2013, the Group has not pledged any of its assets to the banks to secure credit facilities granted to the Group.

Future plans

Forestry Operations

Notwithstanding the Directors decision to exit the Philippine tree plantation business for the reasons explained above, the Group will continue trying to recover its investments and will take necessary actions, including but not limited to legal proceedings against the relevant directors and officers in Shannalyne, to seek compensation for the mismanagement of Shannalyne.

Property Development

In view of the Group's exit from the forestry plantation business, the Group intends to focus on its property development project on hand, and may seek potential property projects for investment in the future where appropriate. As at 31 July 2014, 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 acquisitions and disposals

The Group had no material acquisition or disposal during the year.

Employees

As at the balance sheet date, the Group hired about 40 employees both in Hong Kong, and Mainland China (2013: 40). 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.

Outstanding court cases

As at the balance sheet date, the Company still has a few outstanding legal cases of which most 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 has been sentenced for 11 charges of conspiracy to defraud various banks in Hong Kong. The Company's legal counsels have reviewed the admitted facts of the above criminal case of Ms. Cheng and noted the potential loss of the Company arising therefrom. The Company has taken legal action trying to recover its loss accordingly but as of the time of this annual report, the case has not yet been settled.

Deed of Indemnity

As disclosed in last year annual report, 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 and its applicability and validity according to the Company's Bye-laws. During the year, the Company has been pursuing evidence and witnesses to support its case. As of the time of this annual report, the case has not yet been settled.

Winding-up Petition

As disclosed in the Company's announcement dated 21 July 2014, the winding up petition filed by Ms. Cheng had been dismissed.

Other legal cases

During the year, the Company's subsidiary has taken legal action against Ecofor Pte Ltd (in compulsory liquidation) to wind it up for recovery of an outstanding loan of approximately HK$16,428,000 due to the Group which has been fully written off during the year ended 31 July 2013.

Purchase, sale or redemption of the company's listed securities

Neither the Company, nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 July 2014.

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 2014.

Code provision A.4.1

Under the code provision A.4.1 of the CG Code, Non-executive Directors should be appointed for a specific term and subject to re-election. As at 31 July 2014, all the Independent Non-executive Directors of the Company have been appointed for specific terms and 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. 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.

Code provision A.2

Code provision A.2.1 of the CG Code stipulates that the roles of Chairman and Chief Executive Officer ("CEO") should be separated and should not be performed by the same person.

The Company's Chairman was not re-elected on 6 January 2014 while the Company does not have a formal CEO all along. The Company is still looking for suitable candidates to fill up the two roles and will make proper announcements accordingly.

Model Code for Securities Transactions by Directors

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 that they have complied with the required standard set out in the Model Code throughout the year ended 31 July 2014.

The financial statements have been reviewed by the Audit Committee of the Company. 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.

By order of the Board
Yueshou Environmental Holdings Limited
LEUNG Wai Shun Wilson
Director

Hong Kong, 10 October 2014

As at the date of this announcement, the Board comprises Mr. Leung Wai Shun Wilson, Mr. Tse Yuk Kong, Mr. Yang Zijiang and Mr. Ng Chi Lung as Executive Directors and Mr. Sai Chun Yu, Dr. Chiao Li, Mr. Wu Shiming, Mr. Lin Chaofan and Ms. Deng Chunmei as Independent Non-executive Directors.