Annual Report 2015

Yueshou Environmental Holdings Limited

粵首環保控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1191)

Contents

Corporate Information

EXECUTIVE DIRECTORS

Dr. Yang Zijiang
Mr. Ng Chi Lung (appointed on 19 September 2014)
Mr. Leung Wai Shun Wilson
(resigned on 28 October 2014)
Mr. Tse Yuk Kong (resigned on 10 October 2014)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wu Shiming
Mr. Lin Chaofan (appointed on 19 September 2014)
Ms. Deng Chunmei (appointed on 19 September 2014)
Mr. Sai Chun Yu (resigned on 10 October 2014)
Dr. Chiao Li (resigned on 10 October 2014)

COMPANY SECRETARY

Ms. Kwan Shan (appointed on 16 October 2014)
Ms. Tang Lo Nar Luler (resigned on 10 October 2014)

COMMITTEES

AUDIT COMMITTEE

Mr. Wu Shiming (Chairman)
Mr. Lin Chaofan
Ms. Deng Chunmei

NOMINATION COMMITTEE

Mr. Lin Chaofan (Chairman)
Mr. Wu Shiming
Ms. Deng Chunmei

REMUNERATION COMMITTEE

Mr. Wu Shiming (Chairman)
Mr. Lin Chaofan
Ms. Deng Chunmei

WEBSITE

http://www.yueshou.hk

STOCK CODE

1191

AUDITOR

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

PRINCIPAL BANKERS

Chiyu Banking Corporation Limited
Bank of Communications Co., Ltd.

LEGAL ADVISERS

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

On Hong Kong Law
ReedSmith Richards Butler
20th Floor Alexandra House
18 Chater Road, Central
Hong Kong

Angela Ho & Associate
Unit 1405, 14/F., Tower 1
Admiralty Centre
18 Harcourt Road, Hong Kong

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

PRINCIPAL PLACE OF BUSINESS

Units 2106, 21/F.
China Merchants Tower, Shun Tak Centre
168-200 Connaught Road Central, Hong Kong

SHARE REGISTRAR AND TRANSFER OFFICE

Bermuda
MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
Bermuda

Hong Kong
Tricor Secretaries Limited
22/F, Hopewell Centre
183 Queen's Road East, Wanchai
Hong Kong

Letter to Shareholders

Dear Shareholders,

On behalf of the Board of Directors (the "Board"), I am pleased to present the annual results of Yueshou Environmental Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 July 2015 (the "Reporting Period").

REVIEW OF RESULTS

For the year ended 31 July 2015, the Group's total turnover from its principal business was approximately HK$4,161,000, representing an increase of 4.2% compared with last year, of which the entire turnover was related to the property development operation.

BUSINESS OPERATION

Loss attributable to the equity shareholders of the Group for the Reporting Period was decreased by 96.6% to approximately HK$26,231,000 (2014: HK$779,689,000), the decrease was mainly due to deemed disposal of associates in last year, no equity pick up accounting for associates was required and there were no share of loss recorded as the associates were considered abandoned in the previous year and shown as discontinued operations (2014: loss for the year from discontinued operations of HK$760,988,000). Administrative expenses increased by 55.5% to approximately HK$31,862,000 (2014: HK$20,495,000), it was mainly derived from one-off share-based payments of HK$6,960,000 and settlement sum of HK$7,000,000 provided for global settlement with a former director and deputy chairman of the Company, Ms. Kelly Cheng.

Financial Services

The Group has been granted Money Lenders Licence on 18 June 2015 successfully. Turnover has not been generated yet for this segment and no loan was granted up to 31 July 2015.

Property Development

The property investment business has continued to provide stable rental and building management fee income to the Group. Turnover in this sector was derived from leasing of properties and building management fee income, and accounted for 100% of the Group's total turnover (2014:100%).

For the year ended 31 July 2015, there was a gain arising from change in fair value of investment properties located in Shunde, Guangdong Province, the PRC for approximately HK$8,749,000 (2014: HK$2,793,000).

PROSPECTS

Facing to the keen competition and high cost in the property development market, the Group is planning the expansion of the Group's financial services business from its loan financing operations to a broader based suite of services, including both online to offline (O2O) financial services and also development of an Internet Plus services platform that provide online to offline financial and culture /tourism Services in the PRC.

Looking forward, the Group will continue to seize strategic investment opportunities with an aim to further strengthen the asset base and/or to generate stable income to the Group for maximizing return for the shareholders as a whole.

Letter to Shareholders

APPRECIATION

On behalf of the Board, I would like to express my sincere appreciation to our shareholders for the trust and support. I would also like to express my gratitude to our management team and all staff for their dedication and contributions in the execution of the Group's strategies and operations during the past year.

Dr. Yang Zijiang
Director

Hong Kong, 20 October 2015

Management Discussion and Analysis

BUSINESS REVIEW AND SEGMENT INFORMATION

The Board of Yueshou Environmental Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") announces the audited consolidated result of the year ended 31 July 2015 (the "Reporting Period").

The Company is principally engaged the property development and financial services. In the Reporting Period, the Group's total turnover remained stable and increased slightly by 4.2% to approximately HK$4,161,000 (2014: HK$3,995,000). Gross profit increased by 30% to approximately HK$1,467,000 (2014: HK$1,128,000) due to lower maintenance costs for the investment properties this year.

Loss attributable to the equity shareholders of the Group for the Reporting Period was decreased by 96.6% to approximately HK$26,231,000 (2014: HK$779,689,000), the decrease was mainly due to deemed disposal of associates in last year, no equity pick up accounting for associates was required and there were no share of loss recorded as the associates were considered abandoned in the previous year and shown as discontinued operations (2014: loss for the year from discontinued operations of HK$760,988,000). Administrative expenses increased by 55.5% to approximately HK$31,862,000 (2014: HK$20,495,000), it was mainly derived from one-off share-based payments of HK$6,960,000 and settlement sum of HK$7,000,000 provided for global settlement with a former director and deputy chairman of the Company, Ms. Kelly Cheng.

The entire turnover for the year was generated from those business segments in the PRC (2014: 100%).

Financial Services

The Group has been granted Money Lenders Licence on 18 June 2015 successfully. Turnover has not been generated yet for this segment and no loan was granted up to 31 July 2015.

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 (2014: 100%).

For the financial year ended 31 July 2015, there was a gain arising from change in fair value of investment properties located in Shunde, Guangdong Province, the PRC for approximately HK$8,749,000 (2014: HK$2,793,000).

Financial Position

As at 31 July 2015, the net current assets was approximately HK$160,398,000 (2014: HK$14,256,000) of which approximately HK$191,608,000 were cash and cash equivalents (2014: approximately HK$50,157,000). The Group had no bank borrowings as at 31 July 2015 (2014: Nil).

Management Discussion and Analysis

Fund Raising Activity

On 3 February 2015, an open offer of 1,498,086,665 Shares was completed at HK$0.10 per offer share on the basis of one offer share for every Share held. The net proceeds of the open offer, after deducting the underwriting commission, transaction cost and other related expenses payable by the Company, were approximately HK$145.7 million, subsequently used as to approximately HK$6.5 million has been utilized for general working capital and the remaining balance yet to be utilised and is placed in licensed banks in Hong Kong as at 31 July 2015. Details of the open offer were disclosed in the Company's announcements on the Company's website or Hong Kong Stock Exchange's website.

FUTURE PLANS

Due to high cost in property development and unstable global economic environment, other than the existing property development, the Group is planning the expansion of the Group's financial services business from its loan financing operations to a broader based suite of services, including both online to offline (O2O) financial services and also development in an Internet Plus service platform.

Accordingly, the Company has entered into two separate agreements with strategic investors in relation to issuing of total 8,300,000,000 new Shares with the net proceeds of approximately HK$1.2 billion as detailed in the announcement dated 28 July 2015 for the purpose of facilitating the Group to have a good opportunity to raise additional funds to strengthen the financial position, broaden the scope of businesses and the capital base of the Group, and to raise capital for possible future investments of the Group.

Financial Services

Loan financing operations: The Group has been granted its Money Lenders Licence on 18 June 2015. The Group carry out loans review and aim to bring income to this segment as soon as practical.

Securities operations: The Group plans to establish a Hong Kong securities firm registered under the SFO for type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities with an on-line platform for securities trading.

Internet Plus Services

Internet Plus services platform that provide O2O financial and culture/tourism services in the PRC.

Property Development

The Group still focuses on existing property development project on hand, and may seek potential property projects for investment in the future where appropriate. As at 31 July 2015, 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 4,048 sq.m.; (ii) a land parcel with a site area of approximately 3,799 sq.m.; (iii) property comprising 102 commercial units and 151 car/motorbike parking spaces with a total gross floor area of approximately 26,323 sq.m..

LIQUIDITY, FINANCIAL RESOURCES & GEARING RATIO

The operation of the Group was mainly financed by internal resources generated. As at 31 July 2015, there was no secured bank borrowings outstanding (2014: Nil); the loan from a former substantial shareholder of the Company amounted to approximately HK$49,598,000 (2014: HK$49,680,000) is currently in dispute, further details of which are set out in note 27 to the consolidated financial statements.

As at 31 July 2015, the current ratio was 2.79 (2014: 1.16), whereas the gearing ratio (defined as a ratio of loans from shareholders to net assets) was 16.7% (2014: 31.8%). The shareholders' equity increased to approximately HK$314,489,000 (2014: HK$165,589,000).

CAPITAL COMMITMENTS

As at 31 July 2015, the Group did not have any material capital commitments.

FOREIGN CURRENCY EXPOSURE

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in Renminbi and Hong Kong dollars. For the year ended 31 July 2015, the Group was not subject to any significant exposure to foreign exchange rates risk. Hence, no financial instrument for hedging was employed.

DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 July 2015 (2014:nil).

PLEDGE OF ASSETS

At 31 July 2015 and 31 July 2014, the Group has not pledged any of its assets to the banks to secure credit facilities granted to the Group.

At 31 July 2015, the Group has restricted bank balances of HK$730,000 (2014: nil), details of which are set out in note 23 to the consolidated financial statements.

EMPLOYEES

As at the balance sheet date, the Group hired about 33 employees both in Hong Kong, and Mainland China (2014: 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.

MATERIAL ACQUISITIONS AND DISPOSALS

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

MATERIAL CONTRACTS

During the years, the following contracts, have been entered by the Company and are/or may be material:

(a) the underwriting agreement dated 24 October 2014 (as supplemented by supplemental agreements dated 29 October 2014 and 20 November 2014) in relation to 1,498,086,665 offer shares;

(b) a memorandum of understanding (the "MOU") dated 26 February 2015 was entered into between the Company and 中科創金融控股集團有限公司 (China Create Financial Holdings Group Co., Ltd.) ("China Create") in relation to the possible investment by the parties in online financial services and/or wealth management businesses of China Create in the PRC. The MOU between the Company and China Create stated that if and to the extent that any transactions then contemplated involves the issue of equity or equity linked securities to be issued by the Company, the issue price per Share will not be more than HK$0.145, based on which the Subscription Price has been agreed. However, at the time of the signing of the MOU, Mr. Ng Chi Lung (an executive Director) and Mr. Zhang Wei (張偉) (the founder and controlling shareholder of China Create) had not contemplated that negotiations would culminate in any transaction that involves a change of control of the Company. The Company is no longer pursuing the transactions contemplated under the MOU.

(c) the share subscription agreement dated 21 May 2015 (as amended by a supplemental agreement dated 28 May 2015 entered into between the Company, Classic Assets Investments Limited and Mr. Zhang Wei (張偉) who is the ultimate beneficial owner of Clasic Assets Investment Limited in relation to issuing of 5,700,000,000 news Shares;

(d) the share subscription agreement dated 21 May 2015 entered into between the Company, Asia Pacific Resources Development Investment Limited (亞太資源開發投資有限公司), Gold Deal Investments Limited (金貿投資有限公司), and Greatrise Global Limited (偉昇環球有限公司), in relation to issuing of 2,600,000,000 new Shares; and

(e) the Loan Agreement dated 2 July 2015 entered into between Professional Wealth Creation Limited, a wholly-owned subsidy of the Company and Huali Transportation Investment Holding Co., Limited ("**Borrower**") in relation to grant a loan of HK$50 million to the Borrower.

OUTSTANDING COURT CASES

As at the balance sheet date, there are a few outstanding legal cases in the Group (please refer to contingent liabilities in note 39 to the consolidated financial statements). The legal cases in relation to the Company's former chief financial officer, director and deputy chairman, Ms. CHENG Kit Yin Kelly were either dismissed or withdrawn under Settlement Deed on 12 February 2015. The the Board considers that with a view to saving time and costs involved in the legal proceedings, the settlement contemplated under the Settlement Deed is in the interest of the Company and its shareholders as a whole. For details, please refer to the Company announcement dated 13 February 2015.

Brief Biographical Details of Directors

EXECUTIVE DIRECTORS

Dr. Yang Zijiang, aged 42, has been an Executive Director since 17 July 2014. He has 18 years of experiences in manufacturing business and management. Dr. Yang received his Doctorate Degree in Business Administration from City University of Hong Kong in 2015 and holds a Master Degree in Advanced Business Administration of Fudan University (復旦大學) in the People's Republic of China ("PRC"). Since the year of 1996, Dr. Yang had been the General Manager at 臨沂市自江實業有限公司 and 山東焦化集團鑄造焦有限公司. Dr. Yang is currently the Chairman and General Manager of 上海華鎧投資股份有限公司 (a company investing in manufacturing business).

Mr. Ng Chi Lung, aged 27, has been an Executive Director since 19 September 2014. He has 3 years of experiences in founding new business and commercial management. Mr. Ng studied at Macquarie University (Major in Accounting) in Australia after obtained his diploma from the Sydney Institute of Business and Technology in year of 2009. Since February 2012, Mr. Ng founded and managed businesses including the scope of manufacturing and services sector.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wu Shiming, aged 39, has been an Independent Non-Executive Director of the Company since 17 July 2014, he obtained a diploma in foreign economic enterprise financial accounting at Jimei University (集美大學) in the PRC in 1995 and a degree of finance at Xidian University (西安電子科技大學) in the PRC in March 2011, which is an online learning course. Mr. Wu has been the supervisor of Xiamen Bank Company Limited (廈門銀行股份有限公司) since December 2008. He is a qualified intermediate accountant and he was awarded such qualification in December 2001 by the Ministry of Finance and the Ministry of Personnel of the PRC which covered four examination papers, of which two related to accounting practice (intermediate level), one in financial management and one in Economic Law. Mr. Wu has over 15 years of experiences in accounting and financial management. He became the deputy chief executive officer of the major operating subsidiary Leyou Technologies Holdings Limited (樂遊科技控股有限公司) (formely known as Sumpo Food Holdings Limited (森寶食品控股有限公司)) ("Leyou", together with its subsidiaries, "Leyou Group"), a company listed on the Stock Exchange (Stock Code: 1089) in November 2010 overseeing its financial and operational performance (including internal control). Mr. Wu is currently an Executive Director of Leyou in charge of the overall strategic management and the financial management of Leyou Group. Mr. Wu is also currently an Independent Non-executive Director of China Putian Food Holding Limited (Stock Code: 1699), Pak Tak International Limited (Stock Code: 2668) and Theme International Holdings Limited (Stock Code: 990).

Mr. Lin Chaofan, aged 25, has been an Independent Non-Executive Director of the Company since 19 September 2014, he held a Bachelor degree of Computer Science, Tianjin University of Science & Technology, China, and has over one year of experience in project management of new technology project. Since June 2014 up to now, Mr. Lin is secretary to the Chief Operating Officer of 招商局資本有限公司. Since January 2013, Mr. Lin has been co-founder of a project in research and development of mobile health applications, and the project became 中國深圳歐德蒙科技有限公司, a new technology company focuses on mobile health technological innovations.

Ms. Deng Chunmei, aged 31, has been an Independent Non-Executive Director of the Company since 19 September 2014, she graduated from the Xihua University, China in year of 2007 with major in computer science and technology (Bachelor of Engineering). Since July 2007 up to now, Ms. Deng is in charge of the business operations and maintenance of the website of 中國成都大蓉和餐飲有限公司負責公司, a chain restaurant group in China. She has over 8 years of experience in business operations. Ms. Deng was appointed as an Independent Non-executive Director of Sunway International Holdings Limited (Stock Code: 58) on 29 May 2015.

CORPORATE GOVERNANCE PRACTICES

The Board is committed to establish and maintain high standards of corporate governance to enhance shareholders' interest and promote sustainable development. 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 2015.

The corporate governance principles of the Company emphasis an effective Board, sound internal control, appropriate independence policy, transparency and accountability to the shareholders of the Company. The Board will continue to monitor and revise the Company's corporate governance policies in order to ensure that such policies may meet the general rules and standards required by the Listing Rules. The Company had complied with the CG Code throughout the year ended 31 July 2015 except for the following deviations:

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.

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 2015, no Non-executive Directors was appointed and 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.

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 2015.

THE BOARD OF DIRECTORS

Composition of the Board

As at the date of this report, the Board comprises 5 Directors. There are 2 Executive Directors and 3 Independent Non-executive Directors. Detailed biographies outlining each individual Director's range of specialist experience are set out in the section entitled "Brief Biographical Details of Directors" in this Annual Report.

The Board has established three Board committees including the Nomination Committee, Audit Committee and Remuneration Committee. The Board and the Board committees meet regularly every fiscal year and additional meetings would be arranged if and when necessary. Twenty six meetings were held by the Board during the year ended 31 July 2015. Attendance of the meetings of the Board and those of the committees are set out as follows:

		Attendance/Number of Meetings				
Name of Directors	Notes	**Board**	**Audit**	**Nomination**	**Remuneration**	**AGM**
Executive Directors						
Dr. Yang Zijiang		21/26	–	–	–	1/1
Mr. Ng Chi Lung	1	19/26	–	–	–	1/1
Mr. Leung Wai Shun Wilson	2	2/26	–	–	–	–
Mr. Tse Yuk Kong	3	1/26	–	–	–	–
Independent Non-executive Directors						
Mr. Wu Shiming		20/26	3/3	3/3	3/3	1/1
Mr. Lin Chaofan	4	19/26	3/3	3/3	3/3	1/1
Ms. Deng Chunmei	4	19/26	3/3	3/3	3/3	1/1
Dr. Chiao Li	5	1/26	1/3	–	–	–
Mr. Sai Chun Yu	5	2/26	2/3	1/3	–	–

Pursuant to Code E.1.2 of the CG Code, the Chairman of the Board, the Chairman of the Nomination Committee, the Chairman of the Audit Committee and the Chairman of the Remuneration Committee should attend the Annual General Meeting ("AGM").

Two Executive Director, three Independent Non-executive directors and the external auditor of the Company attended the AGM on 3 December 2014, and the Executive Director chaired the AGM to answer questions raised by shareholders due to the absence of the Chairman of the Board.

Notes:

1. Mr. Ng Chi Lung was appointed as Executive Director on 19 September 2014.

2. Mr. Leung Wai Shun Wilson was resigned as Executive Director on 28 October 2014.

3. Mr. Tse Yuk Kong was resigned as Executive Director on 10 October 2014.

4. Mr. Lin Chaofan and Ms. Deng Chunmei were appointed as Independent Non-executive Director on 19 September 2014.

5. Dr. Chiao Li and Mr. Sai Chun Yu were resigned as Independent Non-executive Director on 10 October 2014.

THE BOARD OF DIRECTORS *(Continued)*

Responsibilities of the Board

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

- Formulating the strategy and policy for the operation and development of the businesses of the Group and monitoring the implementation thereof;
- Recommending dividends;
- Reviewing and approving the annual and interim reports;
- Establishing and maintaining good corporate governance standards and practices; and
- Ensuring and monitoring other continuing obligations and compliance of the Company under the Listing Rules.

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

Appointment and Re-election of Directors

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

THE BOARD OF DIRECTORS *(Continued)*

Directors' Continuous Professional Development

All Directors are provided with training, updates and written materials on relevant laws, rules and regulations to ensure that Directors are aware of the latest changes in the commercial and regulatory environment in which the Company conducts its business. The Directors are encouraged to participate in various professional development programmes especially in relation to latest updates on relevant rules, regulations and compliance requirements to develop and refresh their knowledge and skills in order to ensure that the Directors' contribution to the Board remains informed and relevant.

According to the records of training provided by each Director to the Company, training received by all Directors is summarized in the following table:

	Types of Continuous Professional Development Programme		
	Updates on laws, rules and regulations or corporate governance matters	**Updates on directors' roles, function and duties**	**Updates on accounting, financial or other professional skills**
Executive Directors			
Dr. Yang Zijiang	√	√	
Mr. Ng Chi Lung	√	√	
Mr. Leung Wai Shun, Wilson (resigned on 28 October 2014)	√		
Independent Non-executive Directors			
Mr. Wu Shiming	√	√	√
Mr. Lin Chaofan	√	√	
Ms. Deng Chunmei	√	√	

No training records were received from other resigned Director during the year.

Directors' Insurance

Save as disclosed above, the Company has management liability insurance covering the Directors during the year.

NON-EXECUTIVE DIRECTOR AND INDEPENDENT NON-EXECUTIVE DIRECTORS

The Board currently has three Independent Non-executive Directors with one of them possessing appropriate professional qualifications, or accounting or related financial management expertise. Currently, the Independent Non-executive Directors are appointed for specific terms and are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Bye-laws of the Company.

According to the Bye-laws of the Company, every director (including every Non-executive Director) is subject to retirement by rotation at least once every three years. One-third of the directors must retire from office at each annual general meeting and their re-election is subjected to the votes of shareholders.

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

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

- Provision of independent judgment at the Board;
- Dealing with issues arriving from potential conflicts of interests between the major shareholders (or, as the case may be, Directors, or management and the minority shareholders);
- Serving on nomination, audit and remuneration committees; and
- Scrutinizing the performance of the Group as necessary.

Pursuant to Rule 3.13 of the Listing Rules, the Company received annual independence confirmation letters from Mr. Wu Shiming, Mr. Lin Chaofan and Ms. Deng Chunmei respectively upon their appointment. The Company considers all Independent Non-executive Directors to be independent in accordance with the independence guidelines set out in the Listing Rules.

AUDIT COMMITTEE

The Audit Committee was set up with the responsibilities of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee comprises three Independent Non-executive Directors ("INEDs"), namely Mr. Wu Shiming, Mr. Lin Chaofan and Ms. Deng Chunmei. The Committee is chaired by the INED, Mr. Wu Shiming.

The Audit Committee is responsible to evaluate the overall effectiveness of the internal control and risk management frameworks, to review the accounting principles and practices adopted by the Group and other financial reporting matters and ensure the completeness, accuracy and fairness of the financial statements, to monitor compliance with statutory and listing requirements and to oversee the relationship with the external auditor.

AUDIT COMMITTEE *(Continued)*

The Audit Committee reviews the interim and annual reports before submission to the Board. At least one member has an appropriate professional qualification or accounting or related financial management expertise. The Audit Committee focuses not only on the impact of the changes in accounting policies and practices but also on the compliance with accounting standards, the Listing Rules and the legal requirements in the review of the Company's interim and annual reports.

Senior representatives of the external auditor, Executive Directors and senior executives are invited to attend the meetings, if required. Each of the Audit Committee members has unrestricted access to the Group's external auditor and the management.

Summary of Works

Audit Committee held three meetings during the year, The Audit Committee reviewed the annual and interim results of the year and discuss the valuation of the property; made recommendations to the Board on the terms of engagement of the external auditor; and reviewed the system of internal control and its other duties in accordance with the Audit Committee's terms of reference.

NOMINATION COMMITTEE

The Nomination Committee is responsible for nominating potential candidates for directorship, reviewing the nomination of directors and making recommendations to the Board on such appointments. As at the date of this report, the Nomination Committee comprises three INEDs, namely Mr. Lin Chaofan, Mr. Wu Shiming and Ms. Deng Chunmei. The Committee is chaired by the INED, Mr. Lin Chaofan.

The Nomination Committee is scheduled to meet at least once a year for the review of the structure, size and composition (including skills, knowledge and experience) of the Board. In addition, the Nomination Committee also meets as it is required to consider nomination of related matters.

Summary of Works

Nomination Committee held three meetings during the year. The Nomination Committee reviewed the board diversity policy, the structure, size and composition of the Board and made recommendations on any proposed changes to the Board to complement the Company's strategy and also reviewed and made recommendations to the Board on the appointment of the newly appointed Directors in accordance with the Nomination Committee's terms of reference.

Board Diversity Policy

The Nomination Committee adopted a board diversity policy (the "Board Diversity Policy"). A summary of this policy, together with the measurable objectives set for implementing this policy, and the progress made towards achieving those objectives are disclosed as below.

Summary of the Board Diversity Policy

The Company recognized and embraced the benefits of having a diverse Board to the quality of its performance. The Board Diversity Policy aimed to set out the approach to achieve diversity on the Board. In designing the Board's composition, Board diversity has been considered from a numbers of measurable aspects including gender, age, ethnicity, knowledge and length of services. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regards for the benefits of diversity on the Board.

NOMINATION COMMITTEE *(Continued)*

Measurable Objectives

Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of services. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

Implementation and Monitoring

The Nomination Committee reviewed the Board's composition under diversified perspectives, and monitored the implementation of the Board Diversity Policy annually.

As at the date of this report, the Board comprises five directors. Three of them are INEDs, and thereby to promote critical review and control of the management process. The Board is also characterised by significant diversity, whether considered in terms of age, length of services, professional background and skills.

The Nomination Committee has reviewed the Board Diversity Policy to ensure its effectiveness and considered that the Group achieved the Board Diversity Policy.

REMUNERATION COMMITTEE

The Remuneration Committee was set up with the responsibility for providing recommendations to the Board the remuneration policy of all the Directors and the senior management. The Remuneration Committee comprises three Independent Non-executive Directors, namely Mr. Wu Shiming, Mr. Lin Chaofan and Ms. Deng Chunmei. The Committee is chaired by the INED, Mr. Wu Shiming.

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

Summary of Works

During the year, the Remuneration Committee held three meetings and reviewed the remuneration packages of the all the Directors and the senior management and made recommendations to the Board on the remuneration of the newly appointed Directors in accordance with the Remuneration Committee's terms of reference.

Pursuant to code provision B1.5 of the CG Code, the details of the annual remuneration of the members of the senior management by band for the year ended 31 July 2015 is as follows:

Remuneration Band (in HK$)	No. of individuals
Nil – HK$1,000,000	12
HK$1,000,001 to HK$1,500,000	1
	13

Details of the remuneration of each Director for the year ended 31 July 2015 are set out in note 11 to the consolidated financial statements.

AUDITOR'S INDEPENDENCE AND REMUNERATION

The Audit Committee is mandated to monitor the independence of the external auditor to ensure the objectivity in the financial statements. BDO Limited ("BDO") has been re-appointed as the independent auditor of the Company by shareholders at the last annual general meeting. During the year ended 31 July 2015 BDO, provided the following audit and non-audit services to the Group:

Nature of Services	**Amount** HK$
External audit services	735,000
Taxation services	35,100
Others	195,000

COMPANY SECRETARY

The Company Secretary is responsible for facilitating information flows and communicating among Directors as well as with Shareholders and management of the Company. All Directors have access to the advice and services of the Company Secretary. The Company Secretary is also responsible for ensuring that Board procedures are followed. The Company Secretary is an employee of the Company and is appointed by the Board. During the year, the Company Secretary undertook not less than 15 hours of professional training to update her skills and knowledge.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledged their responsibility for preparing the financial statements for each financial period to give a true and fair view of the state of affairs of the Company and of the Group at the end of the financial period, and of the Group's results and cash flows for the financial period. In preparing the financial statements for the year ended 31 July 2015, the Directors have selected suitable accounting policies and applied them consistently, made judgments and estimates that are fair and reasonable and prepared the financial statements on a going concern basis.

INTERNAL CONTROL

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

During the year ended 31 July 2015, the Board conducted a review on the effectiveness of the Group's material internal controls, covering financial, operational, compliance and risk management functions. Based on the review undertaken, the Board is of the view that present internal control system of the Group is considered adequate. However, the Board shall remain open to suggestion for further improvement, including recommendation from the external auditors of any potential areas for improvement noted during the audit process.

SHAREHOLDERS' RIGHT

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

COMMUNICATION WITH SHAREHOLDERS

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

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

CONSTITUTIONAL DOCUMENTS

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

Report of the Directors

The Directors present their annual report and the audited consolidated financial statements of Yueshou Environmental Holdings Limited (the "Company", together with its subsidiaries, the "Group") for the year ended 31 July 2015.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Company's principal subsidiaries are set out in note 32 to the consolidated financial statements.

BUSINESS REVIEW

The business review of the Group for the year ended 31 July 2015 is provided in the Management Discussion and Analysis of this annual report.

SEGMENT INFORMATION

An analysis to the Group's turnover and contribution to results by principal activity for the year ended 31 July 2015 is set out in note 6 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The Group's results for the year ended 31 July 2015 and the statements of financial position of the Company and the Group as at 31 July 2015 are set out in the consolidated financial statements on pages 28 to 31.

The Directors do not recommend the payment of any dividend in respect of the year ended 31 July 2015 (2014: Nil).

FIVE YEARS FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five years is set out on pages 102 to 103.

SHARE CAPITAL

Details of movements in the share capital, including convertible preference shares of the Company during the year are set out in note 29 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 31 to the consolidated financial statements and in the consolidated statement of changes in equity on pages 32 to 33 of the annual report respectively.

DISTRIBUTABLE RESERVES

The Company has no reserves, comprise share premium and accumulated losses, available for distribution to shareholders as at 31 July 2015 (2014: no reserves available for distribution).

Pursuant to the Companies Act 1981 of Bermuda, the Company's share premium account of HK$1,689,752,000 (2014: HK$1,544,505,000) can be distributed in the form of fully paid shares.

Report of the Directors

INVESTMENT PROPERTIES

Details of movements in the investment properties of the Group during the year are set out in note 19 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 18 to the consolidated financial statements.

DIRECTORS

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

Executive Directors

Dr. Yang Zijiang
Mr. Ng Chi Lung (appointed on 19 September 2014)
Mr. Leung Wai Shun Wilson (resigned on 28 October 2014)
Mr. Tse Yuk Kong (resigned on 10 October 2014)

Independent Non-executive Directors

Mr. Wu Shiming
Mr. Lin Chaofan (appointed on 19 September 2014)
Ms. Deng Chunmei (appointed on 19 September 2014)
Mr. Sai Chun Yu (resigned on 10 October 2014)
Dr. Chiao Li (resigned on 10 October 2014)

In accordance with bye-law 87(1) and 87(2) of the Bye-laws of the Company, Mr. Lin Chaofan and Ms. Deng Chunmei will retire from office by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

CHANGES OF DIRECTOR'S INFORMATION UNDER LISTING RULES 13.51(B)1

Pursuant to disclosure requirement under Rule 13.51B(1) of the Listing Rules, the changes in information of Directors are set out below:

Name of Directors	Information of changes
Dr. Yang Zijiang	received degree of Doctor of Business Administration from City University of Hong Kong on 15 July 2015.
Mr. Wu Shiming	appointed as an independent non-executive director of Pak Tak International Limited (Stock Code: 2668) on 24 September 2014.
	appointed as an independent non-executive director of Theme International Holdings Limited (Stock Code: 990) on 31 May 2015.
Ms. Deng Chunmei	appointed as an independent non-executive director of Sunway International Holdings Limited (Stock Code: 58) on 29 May 2015.

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

BRIEF BIOGRAPHICAL DETAILS OF DIRECTORS

Brief biographical details of the Directors of the Company are set out on page 9 of this annual report.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

MANAGEMENT CONTRACTS

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

DIRECTORS' SERVICE CONTRACTS

Dr. Yang Zijiang, Mr. Ng Chi Lung, Mr. Wu Shiming, Mr. Lin Chaofan and Ms. Deng Chunmei have entered into the services agreements with the Company in relation to their appointments as an Executive Director and Independent Non-executive Director as the case may be, for a term of one year unless terminated by at least one month's written notice served by either party at any time during the then existing term.

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

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 31 July 2015, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which (a) were required to be notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, to be notified to the Company and the Stock Exchange, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

Long positions in shares of the Company

Name of Director	Number of Shares held	Percentage of the issued share capital in the Company (Note d)
Dr. Yang Zijiang (Note a)	790,771,080	26.39%
Mr. Ng Chi Lung (Note b)	28,000,000	0.93%
Mr. Lin Chaofan (Note c)	600,000	0.02%

Note a: Dr. Yang Zijiang ("Dr. Yang") is an Executive Director of the Company. As at 31 July 2015, among the 424,000,000 Ordinary Shares ("Shares") are legally and beneficially held by the name of Dr. Yang.

Note b: Mr. Ng Chi Lung is an Executive Director.

Note c: Mr. Lin Chaofan is an Independent Non-executive Director.

Note d: Based on the number of 2,996,173,330 Shares of the Company in issue as at 31 July 2015.

Save as disclosed above, as at 31 July 2015, none of the Directors nor the chief executives of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have taken under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules.

SHARE OPTION SCHEME

Details of the Company's share option scheme is set out in note 30 to the consolidated financial statements.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Other than as disclosed in note 34 to the consolidated financial statements, no contracts of significance to which the Company or any subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

SUBSTANTIAL SHAREHOLDERS

Interests of substantial shareholders

So far as being known to the Directors, as at 31 July 2015, the following shareholders had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or recorded in the register kept by the Company pursuant to Section 336 of the SFO:

Long positions in shares of the Company

Name of Shareholders	**Capacity**	**Number of Shares held**	**Percentage of the issued share capital in the Company** (Note d)
Dr. Yang Zijiang ("Dr. Yang") (Note a)	Beneficial owner	790,771,080	26.39%
Mr. Fong Chi Chung ("Mr. Fong") (Note b)	Beneficial owner	366,771,080	12.24%
Green Logic Investments Limited (Note c)	Beneficial owner	366,771,080	12.24%

Note a: Dr. Yang is an Executive Director of the Company. As at 31 July 2015, among the 790,771,080 Ordinary Shares ("Shares") include 366,771,080 Shares are held under Green Logic Investments Limited which is owned as to 62.40% and 37.60% by Dr. Yang and Mr. Fong, respectively.

Note b: As at 31 July 2015, among the 366,771,080 Shares are legally and beneficially held by the name of Mr. Fong and Dr. Yang via Green Logic Investments Limited. Mr. Fong is a third party independent of the Company and he is not a connected person in accordance with the Listing Rules; see note (a) above.

Note c: As at 31 July 2015, among the 366,771,080 Shares are legally and beneficially held by the name of Green Logic Investments Limited, which is in turn owned by Dr. Yang and Mr. Fong. See notes (a) and (b).

Note d: Based on the number of 2,996,173,330 Shares of the Company in issue as at 31 July 2015.

Note e: Pursuant to a subscription agreement dated 21 May 2015 (as amended by a supplemental agreement dated 28 May 2015) entered into between the Company and Classic Assets Investments Limited ("Classic Assets"), a subscription agreement dated 21 May 2015 entered into between the Company, Asia Pacific Resources Development Investment Limited ("Asia Pacific"), Gold Deal Investments Limited ("Gold Deal") and Greatrise Global Limited ("Greatrise"), subject to the conditions precedent set out in the Subscription Agreement, the Company had agreed to:

i. issue 5,700,000,000 new shares of the Company at the subscription price of HK$0.145 per new share to Classic Assets, which is wholly owned by Mr. Zhang Wei. Classic Assets is deemed to be interested in 190.24% of the share capital;

ii. issue 1,000,000,000 new shares of the Company at the subscription price of HK$0.145 per new share to Asia Pacific, which is wholly owned by Faithsmart Limited. ("Faithsmart"). Mr. Cheng Kin Ming is an ultimate beneficiary owner of Faithsmart, Asia Pacific is deemed to be interested in 33.38% of share capital;

iii. issue 800,000,000 new shares of the Company at the subscription price of HK$0.145 per new share to Gold Deal, which is wholly owned by Mr. Cai Chenyang. Gold Deal is deemed to be interested in 26.70% of share capital;

iv. issue 800,000,000 new shares of the Company at the subscription price of HK$0.145 per new share to Greatrise Global Limited ("Greatrise"), which is wholly owned by Mr. Huang Weidong. Greatrise is deemed to be interested in 26.70% of share capital.

Save as disclosed above, the Company has not been notified of any persons other than substantial shareholders who had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or recorded in the register kept by the Company pursuant to Section 336 of the SFO as at 31 July 2015.

CONNECTED TRANSACTIONS

For the year ended 31 July 2015, the Company did not have any connected transactions or continuing connected transactions as stipulated in the Listing Rules.

MAJOR SUPPLIERS AND CUSTOMERS

The amount of turnover attributable to the Group's largest customer represented 28% of the Group's total turnover.

The aggregate amount of turnover attributable to the Group's five largest customers represented 68% of the Group's total turnover.

In addition, the nature of the activities of the Group is such that the Group has no purchases during the year.

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

PRE-EMPTIVE RIGHTS

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

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

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 July 2015.

SUFFICIENCY OF PUBLIC FLOAT

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

CORPORATE GOVERNANCE

Particulars of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 10 to 18 of the annual report.

AUDITOR

The consolidated financial statements of the Group for the year ended 31 July 2015 were audited by BDO Limited ("BDO") whose term of office will expire upon the forthcoming annual general meeting. BDO was re-appointed as the auditor of the Company by shareholders of the Company at the last annual general meeting and to hold office until the conclusion of the next annual general meeting of the Company. A resolution for the appointment of BDO as the auditor of the Company for the subsequent year is to be proposed at the forthcoming annual general meeting.

The consolidated financial statements of the Group for the years ended 31 July 2013 and 2014 were audited by BDO.

On Behalf of the Board

Dr. Yang Zijiang
Executive Director

Hong Kong, 20 October 2015

Independent Auditor's Report

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

We have audited the consolidated financial statements of Yueshou Environmental Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 28 to 101, which comprise the consolidated and company statements of financial position as at 31 July 2015, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 July 2015, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

BDO Limited
Certified Public Accountants
Jonathan Russell Leong
Practising Certificate no. P03246

Hong Kong, 20 October 2015

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 July 2015

	Notes	2015 HK$'000	2014 HK$'000
Continuing operations			
Turnover	7	**4,161**	3,995
Cost of sales and services		**(2,694)**	(2,867)
Gross profit		**1,467**	1,128
Other revenue and other gain	8	**231**	25
Administrative expenses		**(31,862)**	(20,495)
Impairment loss on other receivables		**–**	(273)
Fair value gains on investment properties	19	**8,749**	2,793
Finance costs	13	**(709)**	(706)
Loss before income tax	9	**(22,124)**	(17,528)
Income tax	14	**(4,107)**	(1,173)
Loss for the year from continuing operations		**(26,231)**	(18,701)
Discontinued operations			
Loss for the year from discontinued operations	16	**–**	(760,988)
Loss for the year		**(26,231)**	(779,689)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 July 2015

	Notes	2015 HK$'000	2014 HK$'000
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Exchanges differences on translation of foreign operations		**(57)**	(14)
Share of other comprehensive income of associates		**–**	(7,895)
Items reclassified to profit or loss			
Recognition of accumulated exchange reserve in profit or loss arising from deemed disposal of associates		**–**	(39,238)
Other comprehensive income for the year		**(57)**	(47,147)
Loss attributable to owners of the Company		**(26,231)**	(779,689)
Total comprehensive income for the year attributable to owners of the Company		**(26,288)**	(826,836)
Loss per share from continuing and discontinued operations		***HK cents***	*HK cents*
– Basic and diluted	17	**(1.2)**	(63.7)
Loss per share from continuing operations			
– Basic and diluted	17	**(1.2)**	(1.5)
Loss per share from discontinued operations			
– Basic and diluted	17	**–**	(62.2)

Consolidated Statement of Financial Position

as at 31 July 2015

	Notes	2015 HK$'000	2014 HK$'000
Non-current assets			
Property, plant and equipment	18	2,505	4,389
Investment properties	19	178,470	169,721
Total non-current assets		180,975	174,110
Current assets			
Properties held for sale	22	7,465	7,465
Properties under development	23	31,431	31,431
Other receivables		5,354	1,112
Deposits and prepayments	24	13,255	13,663
Restricted bank balances	23	730	–
Bank balances and cash	25	191,608	50,157
Total current assets		249,843	103,828
Current liabilities			
Trade and other payables	26	32,331	32,740
Accruals		4,516	4,152
Loans from shareholders	27	52,598	52,680
Total current liabilities		89,445	89,572
Net current assets		160,398	14,256
Total assets less current liabilities		341,373	188,366
Non-current liabilities			
Deferred tax liabilities	28	26,884	22,777
NET ASSETS		314,489	165,589
Capital and reserves attributable to owners of the Company			
Share capital	29	29,962	284,657
Reserves		284,527	(119,068)
TOTAL EQUITY		314,489	165,589

The financial statements were approved and authorised for issue by the Board of Directors on 20 October 2015.

Dr. Yang Zijiang
Director

Mr. Ng Chi Lung
Director

Statement of Financial Position

as at 31 July 2015

	Notes	2015 HK$'000	2014 HK$'000
Non-current assets			
Investments in subsidiaries	32	–	–
Current assets			
Other receivables		20	1,018
Other deposits	24	9,431	9,803
Amounts due from subsidiaries	32	235,742	86,647
Bank balances and cash	25	202	1,045
Total current assets		245,395	98,513
Current liabilities			
Other payables		313	313
Accruals		3,872	4,088
Loan from a shareholder	27	3,000	3,000
Amounts due to subsidiaries	32	385	385
Total current liabilities		7,570	7,786
Net current assets		237,825	90,727
Total assets less current liabilities		237,825	90,727
NET ASSETS		237,825	90,727
Capital and reserves			
Share capital	29	29,962	284,657
Reserves	31	207,863	(193,930)
TOTAL EQUITY		237,825	90,727

The financial statements were approved and authorised for issue by the Board of Directors on 20 October 2015.

Dr. Yang Zijiang
Director

Mr. Ng Chi Lung
Director

Consolidated Statement of Changes in Equity

for the year ended 31 July 2015

	Share capital HK$'000 (note 29)	Share premium HK$'000 (note (i))	Capital reserve HK$'000	Exchange reserve HK$'000 (note (ii))	Distributable reserve HK$'000 (note (iii))	Contributed surplus HK$'000 (note (iv))	Share-based compensation reserve HK$'000 (note (v))	Accumulated losses HK$'000	Total HK$'000
At 1 August 2013	206,780	1,549,602	11,613	54,056	77,033	796,312	–	(1,775,751)	919,645
Loss for the year	–	–	–	–	–	–	–	(779,689)	(779,689)
Other comprehensive income for the year:									
Exchange differences on translation of foreign operations	–	–	–	(14)	–	–	–	–	(14)
Share of other comprehensive income of associates	–	–	–	(7,895)	–	–	–	–	(7,895)
Recognition of accumulated exchange reserve in profit or loss arising from deemed disposal of associates	–	–	–	(39,238)	–	–	–	–	(39,238)
Other comprehensive income for the year	–	–	–	(47,147)	–	–	–	–	(47,147)
Total comprehensive income for the year	–	–	–	(47,147)	–	–	–	(779,689)	(826,836)
Placing of ordinary shares, net of transaction cost *(note 29(c))*	77,877	(5,097)	–	–	–	–	–	–	72,780
At 31 July 2014 and 1 August 2014	284,657	1,544,505	11,613	6,909	77,033	796,312	–	(2,555,440)	165,589
Loss for the year	–	–	–	–	–	–	–	(26,231)	(26,231)
Other comprehensive income for the year:									
Exchange differences on translation of foreign operations	–	–	–	(57)	–	–	–	–	(57)
Other comprehensive income for the year	–	–	–	(57)	–	–	–	–	(57)
Total comprehensive income for the year	–	–	–	(57)	–	–	–	(26,231)	(26,288)
Share-based payment *(note 30)*	–	–	–	–	–	–	6,960	–	6,960
Transfer from share-based compensation reserve to share premium upon exercise of share options *(note 30)*	–	6,960	–	–	–	–	(6,960)	–	–
Issue of ordinary shares upon exercise of share options *(note 29(d))*	14,960	6,361	–	–	–	–	–	–	21,321
Capital reduction *(note 29(a))*	(284,636)	–	–	–	–	284,636	–	–	–
Issue of ordinary shares pursuant to an open offer, net of transaction cost *(note 29(e))*	14,981	131,926	–	–	–	–	–	–	146,907
At 31 July 2015	**29,962**	**1,689,752**	**11,613**	**6,852**	**77,033**	**1,080,948**	**-**	**(2,581,671)**	**314,489**

Notes:

(i) Share premium

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

(ii) Exchange reserve

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

(iii) Distributable reserve

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

(iv) Contributed surplus

The Company passed a special resolution on 31 December 2014 for a capital reduction and the issued share capital of the Company was reduced from approximately HK$299,617,000 to HK$14,981,000 on 2 January 2015. The capital reduction resulted in reducing the issued share capital of the Company by approximately HK$284,636,000. Such amount was credited to the contributed surplus of the Company.

(v) Share-based compensation reserve

Share-based compensation reserve represents the fair value of the actual or estimated number of unexercised share options granted by the Company to the option holders recognised in accordance with the accounting policy adopted for share-based payments in note 4(n).

Consolidated Statement of Cash Flows

for the year ended 31 July 2015

	Notes	2015 HK$'000	2014 HK$'000
Cash flows from operating activities			
Loss before income tax from continuing operations		**(22,124)**	(17,528)
Loss before income tax from discontinued operations	16	**–**	(760,988)
		(22,124)	(778,516)
Adjustments for:			
Depreciation of property, plant and equipment	18	**1,933**	2,268
Fair value gains on investment properties	19	**(8,749)**	(2,793)
Share-based payment	9, 30	**6,960**	–
Interest income	8	**(231)**	(19)
Finance costs	13	**709**	706
Recognition of accumulated exchange reserve in profit or loss arising from deemed disposal of associates		**–**	(39,238)
Impairment loss on amounts due from associates		**–**	46,802
Impairment loss on other receivables		**–**	273
Share of results of associates		**–**	749,493
Operating loss before movements in working capital		**(21,502)**	(21,024)
Increase in other receivables		**(4,550)**	(879)
Decrease/(increase) in deposits and prepayments		**55**	(214)
Decrease in other deposits		**352**	360
Decrease in trade and other payables		**(155)**	(2,869)
Decrease in accruals		**(427)**	(5,027)
Cash used in operations		**(26,227)**	(29,653)
Interest paid		**–**	(496)
Net cash used in operating activities		**(26,227)**	(30,149)

Consolidated Statement of Cash Flows

for the year ended 31 July 2015

	Notes	2015 HK$'000	2014 HK$'000
Cash flows from investing activities			
Interest received		**231**	19
Purchase of property, plant and equipment		**(61)**	(189)
Increase in restricted bank balances		**(730)**	–
Increase in amounts due from associates		**–**	(624)
Net cash used in investing activities		**(560)**	(794)
Cash flows from financing activities			
Proceeds from issue of ordinary shares, net of transaction costs	29(c), 29(e)	**146,907**	72,780
Proceeds from exercise of share options	29(d)	**21,321**	–
Repayment of loans from shareholders		**–**	(211)
Net cash from financing activities		**168,228**	72,569
Net increase in cash and cash equivalents		**141,441**	41,626
Cash and cash equivalents at beginning of year		**50,157**	8,526
Effect of foreign exchange rate changes		**10**	5
Cash and cash equivalents at end of year, representing bank balances and cash		**191,608**	50,157

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 has been changed from 22/F., Hip Shing Hong Centre, No. 55 Des Voeux Road Central, Hong Kong to Unit 2106, 21st Floor, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Sheung Wan, Hong Kong since 15 October 2014.

The principal activity of the Company is investment holding. Its subsidiaries are principally engaged in property development in the People's Republic of China (the "PRC") and financial services.

During the prior year, the directors considered the tree plantation operations in Philippines as a discontinued operation, further details of which are set out in note 16.

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

(a) Adoption of new/revised HKFRSs – effective 1 August 2014

HKFRSs (Amendments)	Annual Improvements 2010-2012 Cycle
HKFRSs (Amendments)	Annual Improvements 2011-2013 Cycle
Amendments to HKAS 19 (2011)	Defined Benefit Plans: Employee Contributions
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosure for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment Entities
HK (IFRIC) 21	Levies

The adoption of the new/revised HKFRSs has no material impact on the Group's financial statements.

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

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

Amendments to HKAS 1	Disclosure Initative[1]
HKFRS 9 (2014)	Financial Instruments[3]
HKFRS 14	Regulatory Deferral Accounts[3]
HKFRS 15	Revenue from Contracts with Customers[2]

1 Effective for annual periods beginning on or after 1 January 2016
2 Effective for annual periods beginning on or after 1 January 2017
3 Effective for annual periods beginning on or after 1 January 2018

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

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

Amendments to HKAS 1 – Disclosure Initiative

The amendments are designed to encourage entities to use judgement in the application of HKAS 1 when considering the layout and content of their financial statements.

An entity's share of other comprehensive income from equity accounted interests in associates and joint ventures will be split between those items that will and will not be reclassified to profit or loss, and presented in aggregate as a single line item within those two groups.

HKFRS 9 (2014) – Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income ("FVTOCI") if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss ("FVTPL").

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

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

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

HKFRS 15 – Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

HKFRS 15 requires the application of a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to each performance obligation
Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

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

(c) Amended Main Board Listing Rules (as below-mentioned) relating to the presentation and disclosures in financial statements

The amended Rules Governing the Listing of Securities on the Main Board of the Stock Exchange (the "Amended Main Board Listing Rules") in relation to the presentation and disclosures in financial statements, including the amendments with reference to the new Hong Kong Companies Ordinance, Cap. 622, will first apply to the Group in its financial year ending on 31 July 2016.

The directors consider that there will be no impact on the Group's financial position or performance. However the Amended Main Board Listing Rules would have impacts on the presentation and disclosures in the consolidated financial statements.

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 (the "Listing Rules").

(b) Basis of measurement

The financial statements have been prepared under the historical cost basis, except for investment properties and available-for-sale financial assets, which are measured at fair values.

(c) Functional and presentation currency

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

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Business combination and basis of consolidation

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

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

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest; and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

(b) Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Goodwill

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

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

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

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

(d) Property, plant and equipment

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

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

(e) Investment properties

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

(f) Leasing

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

The Group as lessor under operating leases

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

The Group as lessee under operating leases

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

(g) Properties held for sale/properties under development

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Financial instruments

(i) Financial assets

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

Loans and receivables

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

Available-for-sale financial assets

These assets are non-derivative financial assets that are designated as available-for-sale or are not included in other categories of financial assets. Subsequent to initial recognition, these assets are carried at fair value with changes in fair value recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary instruments, which are recognised in profit or loss.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Financial instruments *(Continued)*

(ii) Impairment loss on financial assets

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

– significant financial difficulty of the debtor;

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

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

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

For loans and receivables

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

Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

For Available-for-sale financial assets

Where a decline in the fair value constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognised in profit or loss.

Any impairment losses on available-for-sale debt investments are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

For available-for-sale equity investment, any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

For available-for-sale equity investment that is carried at cost, the amount of impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss is not reversed.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Financial instruments *(Continued)*

(iii) Financial liabilities

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

Financial liabilities at amortised cost

Financial liabilities at amortised cost, including trade and other payables, accruals and loans from shareholders, are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

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

(iv) Effective interest method

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

(v) Equity instruments

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

(vi) Derecognition

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

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

(i) Cash and cash equivalents

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Revenue recognition

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

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

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

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

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

(k) Income tax

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Income tax *(Continued)*

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

(l) Foreign currency

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Employee benefits

(i) Short term employee benefits

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short term employee benefits are recognised in the year when the employees render the related service.

(ii) Defined contribution retirement plan

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

(iii) Termination benefits

Termination benefits are recognised on the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

(n) Share-based payments

Where share options are awarded to employees and others providing similar services, the fair value of the options at the date of grant is recognised in profit or loss over the vesting period with a corresponding increase in the employee share option reserve within equity. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at the end of each reporting period so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also recognised in profit or loss over the remaining vesting period.

Where equity instruments are granted to persons other than employees and others providing similar services, the fair value of goods or services received is recognised in profit or loss unless the goods or services qualify for recognition as assets. A corresponding increase in equity is recognised. For cash-settled share based payments, a liability is recognised at the fair value of the goods or services received.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) Impairment of other assets

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

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

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

(p) Capitalisation of borrowing costs

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

(q) Provisions and contingent liabilities

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

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

(r) Related parties

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

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

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) Related parties *(Continued)*

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

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

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

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

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

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

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

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

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

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

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

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

(s) Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. It also occurs if the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of the statement of profit or loss, which comprises:

– the post-tax profit or loss of the discontinued operation; and
– the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

(a) Impairment of other debtors

The aged debt profile of other debtors is reviewed on a regular basis to ensure that the debtors balances are collectible and follow up actions are promptly carried out if the agreed credit periods have been exceeded. However, from time to time, the Group may experience delays in collection. Where recoverability of debtors balances are called into question, specific provisions for debtors are made based on credit status of the customers, the aged analysis of the debtors balances and past collection history. Any amount considered uncollectible is written off against the provision and the debtor balance. Changes in the collectability of debtors for which provisions are not made could affect the results of operations.

(b) Impairment and depreciation of property, plant and equipment

In accordance with HKAS 16, the Group estimates the useful lives of property, plant and equipment in order to determine the amount of depreciation expenses to be recorded. The useful lives are estimated at the time the asset is acquired based on historical experience, the expected usage, wear and tear of the assets, as well as technical obsolescence arising from changes in the market demands or service output of the assets. The Group also performs annual reviews on whether the assumptions made on useful lives continue to be valid. At the end of reporting period, the Group reviews the carrying amounts of property, plant and equipment to determine whether there is any indication that these assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased. If such indication exists, the recoverable amount of an asset or a cash generating unit is determined based on value-in-use calculations which require the use of assumptions and estimates.

(c) Income taxes and deferred taxation

The Group is subject to income taxes in different jurisdictions. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business.

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

(d) Fair value measurement

A number of assets and liabilities included in the Group's financial statements require measurement at, and/or disclosure of, fair value.

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

(d) Fair value measurement *(Continued)*

The fair value measurement of the Group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the "fair value hierarchy"):

- Level 1: Quoted prices in active markets for identical items (unadjusted);
- Level 2: Observable direct or indirect inputs other than Level 1 inputs;
- Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item.

Transfers of items between levels are recognised in the period they occur.

The Group measures a number of items at fair value:

- Investment properties (note 19); and
- Available-for-sale financial assets (note 21).

For more detailed information in relation to the fair value measurement of the items above, please refer to the applicable notes.

6. SEGMENT REPORTING

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

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

(i) The property development segment involves the development of property, the management and rental of units/shops within a shopping arcade and the sales of residential units in the PRC.

(ii) The financial service segment involves the money lending business in Hong Kong.

(iii) the tree plantation operations segment involved 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 was carried out through certain associate companies. During the previous year ended 31 July 2014, these operations were abandoned and considered a discontinued operation, further details of which are set out in note 16.

6. SEGMENT REPORTING *(Continued)*

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

(a) Operating segments

	Continuing operations						Discontinued operations			
	Property development		Financial service		Total		Tree plantation operations in Philippines		Total	
	2015 HK$'000	2014 HK$'000	2015 HK$'000	2014 HK$'000	2015 HK$'000	2014 HK$'000	2015 HK$'000	2014 HK$'000	2015 HK$'000	2014 HK$'000
Reportable segment revenue	4,161	3,995	-	–	4,161	3,995	–	–	4,161	3,995
Reportable segment profit/(loss)	7,530	863	(509)	–	7,021	863	–	(760,988)	7,021	(760,125)
Unallocated corporate income									184	4
Unallocated corporate expenses									(28,620)	(17,689)
Fair value gains on investment properties	8,749	2,793	-	–	8,749	2,793	–	–	8,749	2,793
Impairment loss on amounts due from associates	-	–	-	–	-	–	–	(46,802)	-	(46,802)
Depreciation of property, plant and equipment	(1,913)	(2,088)	-	–	(1,913)	(2,088)	–	(136)	(1,913)	(2,224)
Reportable segment assets	229,528	218,788	53,018	–	282,546	218,788	–	–	282,546	218,788
Additions to non-current assets	-	180	7	–	7	180	–	–	7	180
Reportable segment liabilities	(31,918)	(32,327)	(17)	–	(31,935)	(32,327)	–	–	(31,935)	(32,327)

6. SEGMENT REPORTING *(Continued)*

(b) Geographical information

The following table provides an analysis of the Group's revenue from external customers from continuing and discontinued operations and its non-current assets other than available-for-sale financial assets ("specified non-current assets").

	Revenue from external customers		Specified non-current assets	
	2015 HK$'000	2014 HK$'000	**2015 HK$'000**	2014 HK$'000
The PRC	**4,161**	3,995	**180,888**	174,064
Hong Kong	**–**	–	**87**	46
	4,161	3,995	**180,975**	174,110

(c) Information about major customers

Revenues from two (2014: two) customers of the Group's property development segment amounted to HK$2,208,000 (2014: HK$2,107,000), which represents over 50% of the Group's revenues.

6. SEGMENT REPORTING *(Continued)*

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

	2015 HK$'000	2014 HK$'000
Loss before income tax and discontinued operations:		
Reportable segment profit/(loss)	7,021	(760,125)
Segment loss from discontinued operations *(note 16)*	–	760,988
Unallocated corporate income	184	4
Unallocated corporate expenses*	(28,620)	(17,689)
Finance costs	(709)	(706)
Consolidated loss before income tax from continuing operations	(22,124)	(17,528)

* *Unallocated corporate expenses included legal and professional fees of HK$3,993,000 (2014: HK$7,493,000), compensation to a former director of HK$7,000,000 (2014: HK$1,788,000) and share-based payment of HK$6,960,000 (2014: nil).*

	2015 HK$'000	2014 HK$'000
Assets:		
Reportable segment assets	282,546	218,788
Unallocated corporate assets		
Bank balances and cash	138,251	44,522
Other corporate assets	10,021	14,628
	148,272	59,150
Consolidated total assets	430,818	277,938
Liabilities:		
Reportable segment liabilities	31,935	32,327
Unallocated corporate liabilities		
Loans from shareholders	52,598	52,680
Other corporate liabilities	4,912	4,565
	57,510	57,245
Deferred tax liabilities	26,884	22,777
Consolidated total liabilities	116,329	112,349

7. TURNOVER

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

	2015 HK$'000	2014 HK$'000
Continuing operations:		
Rental income	**2,360**	2,255
Building management fee income	**1,801**	1,740
	4,161	3,995

8. OTHER REVENUE AND OTHER GAIN

	2015 HK$'000	2014 HK$'000
Continuing operations:		
Other revenue:		
Interest income	**231**	19
Sundry income	**–**	2
	231	21
Other gain:		
Exchange gain, net	**–**	4
	231	25

9. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging/(crediting):

	2015 HK$'000	2014 HK$'000
Continuing operations:		
Cost of sales and services recognised as expenses	2,694	2,867
Staff costs	8,536	4,942
Depreciation of property, plant and equipment*	1,933	2,131
Operating lease rentals in respect of land and buildings	1,683	709
Auditor's remuneration	735	935
Share-based payment** *(note 30)*	6,960	–
Compensation to a former director *(note 39(c))*	7,000	1,788
Exchange gain, net	–	(4)
Impairment loss on other receivables	–	273
Discontinued operations:		
Staff costs	–	2,259
Depreciation of property, plant and equipment	–	137
Operating lease rentals in respect of land and buildings	–	657

* *Cost of sales and services includes HK$1,913,000 (2014: HK$1,907,000) relating to depreciation of property, plant and equipment.*

** *Share-based payment includes HK$1,526,000 (2014: nil) relating to staff costs.*

10. STAFF COSTS

	2015 HK$'000	2014 HK$'000
Continuing operations:		
Staff costs (including directors' emoluments) comprise:		
Salaries and other benefits	**6,660**	4,636
Contributions to defined contribution retirement plans	**350**	306
Share-based payment	**1,526**	–
	8,536	4,942
Discontinued operations:		
Staff costs (including directors' emoluments) comprise:		
Salaries and other benefits	**–**	2,223
Contributions to defined contribution retirement plans	**–**	36
	–	2,259

11. DIRECTORS' EMOLUMENTS

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

	Fees HK$'000	Salaries and other benefits HK$'000	Contributions to defined contribution retirement plans HK$'000	Share-based payment HK$'000	Total HK$'000
2015:					
Executive directors:					
Dr. Yang Zijiang	360	10	–	–	370
Mr. Ng Chi Lung (appointed on 19 September 2014)	–	611	18	1,303	1,932
Mr. Leung Wai Shun Wilson (resigned on 28 October 2014)	–	232	5	–	237
Mr. Tse Yuk Kong (resigned on 10 October 2014)	–	–	–	–	–
Independent non-executive directors:					
Mr. Wu Shiming	60	20	–	28	108
Mr. Lin Chaofan (appointed on 19 September 2014)	50	–	–	28	78
Ms. Deng Chunmei (appointed on 19 September 2014)	50	–	–	28	78
Mr. Sai Chun Yu (resigned on 10 October 2014)	20	–	–	–	20
Dr. Chiao Li (resigned on 10 October 2014)	20	–	–	–	20
	560	873	23	1,387	2,843

11. DIRECTORS' EMOLUMENTS *(Continued)*

	Fees HK$'000	Salaries and other benefits HK$'000	Contributions to defined contribution retirement plans HK$'000	Total HK$'000
2014:				
Executive directors:				
Mr. Leung Wai Shun Wilson	–	1,004	18	1,022
Mr. Tan Cheow Teck ("Mr. CT Tan") (not re-elected on 6 January 2014)	–	505	–	505
Mr. Shannon Tan Siang-Tau ("Mr. S Tan") (not re-elected on 6 January 2014)	104	–	–	104
Mr. Lau Kwan (resigned on 4 June 2014)	202	–	3	205
Mr. Shen Xia (resigned on 10 July 2014)	226	–	4	230
Ms. Juanita Dimla De Guzman ("Ms. De Guzman") (resigned on 6 January 2014)	–	–	–	–
Mr. Tse Yuk Kong (appointed on 26 June 2014)	–	–	–	–
Dr. Yang Zijiang (appointed on 17 July 2014)	15	–	–	15
Non-executive director:				
Mr. Pang King Sau Nelson (appointed on 7 October 2013 and resigned on 17 July 2014)	76	7	–	83
Independent non-executive directors:				
Mr. Sai Chun Yu	96	16	–	112
Mr. Wen Jian Sheng (resigned on 26 May 2014)	66	–	–	66
Mr. Chan Yee Ping Michael (appointed on 7 October 2013 and resigned on 17 July 2014)	76	6	–	82
Mr. Wu Shiming (appointed on 17 July 2014)	2	–	–	2
Dr. Chiao Li (appointed on 6 September 2014)	87	12	–	99
	950	1,550	25	2,525

None of the directors waived or agreed to waive any emolument during the year ended 31 July 2015 and 2014.

12. FIVE HIGHEST PAID INDIVIDUALS

Of the five individuals with highest emoluments in the Group, two (2014: two) were directors of the Company, whose emoluments are included in the disclosures in note 11 above. The emoluments of the remaining three (2014: three) individuals were as follows:

	2015 HK$'000	2014 HK$'000
Salaries and other benefits	1,673	2,215
Contributions to defined contribution retirement plans	23	47
	1,696	2,262

Their emoluments were within the following bands:

	2015 Number of individuals	2014 Number of individuals
Nil to HK$1,000,000	3	3

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

	2015 Number of individuals	2014 Number of individuals
Nil to HK$1,000,000	12	16
HK$1,000,001 to HK$1,500,000	1	1
	13	17

13. FINANCE COSTS

	2015 HK$'000	2014 HK$'000
Continuing operations:		
Interest expenses on loans from shareholders *(note 27)*	**709**	706

14. INCOME TAX

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

	2015 HK$'000	2014 HK$'000
Continuing operations:		
Deferred tax		
– current year *(note 28)*	**4,107**	1,173

No provision for Hong Kong Profits Tax was made for the years ended 31 July 2015 and 2014 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.

14. INCOME TAX *(Continued)*

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

	2015 HK$'000	2014 HK$'000
Loss before income tax from continuing operations	**(22,124)**	(17,528)
Loss before income tax from discontinued operations	**–**	(760,988)
Loss before income tax (including continuing and discontinued operations)	**(22,124)**	(778,516)
Tax credit calculated at Hong Kong Profits Tax rate of 16.5% (2014: 16.5%)	**(3,650)**	(128,455)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**4,023**	1,011
Tax effect of expenses not deductible for tax purposes	**1,363**	133,399
Tax effect of income not taxable for tax purposes	**(1,715)**	(6,936)
Tax effect of tax losses not recognised	**3,622**	2,095
Tax effect of other deductible temporary differences not recognised	**464**	59
Income tax for the year	**4,107**	1,173
Attributable to:		
Continuing operations	**4,107**	1,173
Discontinued operations *(note 16)*	**–**	–
	4,107	1,173

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

Loss for the year attributable to owners of the Company is approximately HK$26,231,000 (2014: HK$779,689,000) of which HK$28,090,000 (2014: HK$772,172,000) has been dealt with in the financial statements of the Company.

16. DISCONTINUED OPERATIONS

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

	2014 Tree plantation operations in the Philippines HK$'000
Turnover	–
Cost of sales	–
Gross profit	–
Impairment loss on amount due from associates *(note (a))*	(46,802)
Administrative expenses	(3,931)
Share of results of associates *(note (a))*	(749,493)
Loss before income tax	(800,226)
Income tax	–
	(800,226)
Recognition of accumulated exchange reserve in profit or loss arising from deemed disposal of associates *(note (b))*	39,238
Loss for the year from discontinued operations	(760,988)
Operating cash outflows	(6,849)
Investing cash outflows	(624)
Financing cash outflows	–
Total cash outflows	(7,473)

There were no sales, expenses and cash flows arising from the tree plantation operations in the Philippines for the year ended 31 July 2015.

During the year ended 31 July 2011, the Company paid HK$2,022,783,000 to acquire an interest in certain tree plantation operations in the Philippines. These operations were situated in certain designated forest concession areas in the Caraga region of Mindano, Philippines. The total concession area covered by these concession rights amounted to approximately 223,124 hectares. These rights were held by Shannalyne Inc. and indirectly by Alverna Dynamic Developments Inc., both Philippine incorporated entities which subsequently became associates ("Associates") of the Group when the transaction to acquire these operations was completed during the year ended 31 July 2011. Further details of this acquisition are set out in the Company's Very Substantial Acquisition Circular ("VSA Circular") issued on 30 June 2010.

16. DISCONTINUED OPERATIONS *(Continued)*

The Group has struggled to develop the tree plantation operation in the Philippines since this business was acquired for a multitude of reasons including adverse regulatory and legal developments in the Philippines and disagreements with the controlling Philippine shareholder of the Associates. This had culminated in the Group abandoning this business in the previous year and making full impairment of the remaining investment in these operations, details of which are set out below and in note 21(b).

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

After taking into account, the reasons set out in note 16(b), further legal advice on the recommendation by the Philippine Congress to cancel the Associates' CPA agreement (as defined in note 16(a)(i) below), the meaning and effect of Executive Order 23 ("EO23"), Memorandum of Agreement ("MoA") and Memorandum of Agreement with Manobo tribal community ("Manobo MOA") (as further explained in note 16(a)(i), (ii) & (iii) below), the directors were of the view all of the plantation assets held by the Associates were fully impaired. Plantation assets makeup virtually all of the Associates' total assets and full impairment of these assets had reduced the financial position of the Associates to a net liability/capital deficiency position at 6 January 2014. Accordingly, the directors considered 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 had been fully impaired in the previous year.

(i) Recommendation by Philippine Congress to cancel the Associate's 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, Integrated Forest Management 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.

16. DISCONTINUED OPERATIONS *(Continued)*

(a) Share of results of Associates up to 6 January 2014 *(Continued)*

(i) Recommendation by Philippine Congress to cancel the Associate's CPA agreement (Continued)

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.

16. DISCONTINUED OPERATIONS *(Continued)*

(a) Share of results of Associates up to 6 January 2014 *(Continued)*

(ii) Updated legal advice on meaning and effect of EO23 and MoA

Given the uncertainty over the effect EO23 and the MoA had on the Associate's operations as explained in note 16(a)(iii), the Company obtained two further legal advices in this area in the previous 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 2013, none of which came to this conclusion.

In 2013 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 in 2014 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 were of the view that full impairment was 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.

16. DISCONTINUED OPERATIONS *(Continued)*

(a) Share of results of Associates up to 6 January 2014 *(Continued)*

(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 was covered by three agreements. Two of those agreements are covered by the discussion on the CPA in note 16(a)(i) & (ii) above. The third agreement, the 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 considered the viability of continuing its tree plantation operations based on the reduced area under Manobo MOA only, and concluded it was 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 16(b) and the general difficulties facing tree plantation operators in the Philippines, 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 was simply not big enough to sustain sufficient economies of scale to run a tree plantation operation on a commercial basis.

16. DISCONTINUED OPERATIONS *(Continued)*

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

In addition to the significant matters referred to in note 16(a)(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 Manobo 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 Associates, 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 Associates 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; and

- 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 were of the view the tree plantation business held by the Associates were not viable in the present circumstances. Accordingly the directors considered the fair value of its interest in the (former) associates, which were reclassified as AFS in the previous year, to be nil. Although the carrying value of the interest in associates was already written down to nil (as explained in note 16(a) above & note 21), 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 was recognised in profit or loss as part of the loss from discontinued operations in the year ended 31 July 2014.

17. LOSS PER SHARE

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

From continuing and discontinued operations

	2015 HK$'000	2014 HK$'000
Loss		
Loss attributable to owners of the Company for the purposes of basic and diluted loss per share:		
From continuing operations	(26,231)	(18,701)
From discontinued operations	–	(760,988)
	(26,231)	(779,689)

	2015	2014
Number of shares		
Weighted average number of ordinary shares and convertible preference shares for the purposes of basic and diluted loss per share	2,210,222,317	1,224,659,491

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

Diluted loss per share for the year ended 31 July 2015 is the same as the basic loss per share as the effect of the assumed conversion of the Company's outstanding share options during the year is anti-dilutive.

During the year ended 31 July 2014, there were no instruments 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.

18. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost				
At 1 August 2013	10,060	909	877	11,846
Exchange adjustments	9	–	–	9
Additions	–	9	180	189
Written off	–	–	(267)	(267)
At 31 July 2014 and 1 August 2014	10,069	918	790	11,777
Exchange adjustments	(75)	–	–	(75)
Additions	–	61	–	61
At 31 July 2015	9,994	979	790	11,763
Accumulated depreciation and impairment				
At 1 August 2013	3,658	850	877	5,385
Exchange adjustments	2	–	–	2
Depreciation	2,066	22	180	2,268
Written off	–	–	(267)	(267)
At 31 July 2014 and 1 August 2014	5,726	872	790	7,388
Exchange adjustments	(63)	–	–	(63)
Depreciation	1,913	20	–	1,933
At 31 July 2015	7,576	892	790	9,258
Net book value				
At 31 July 2015	**2,418**	**87**	**–**	**2,505**
At 31 July 2014	4,343	46	–	4,389

19. INVESTMENT PROPERTIES

Group

	2015 HK$'000	2014 HK$'000
Fair value:		
Completed investment properties, in the PRC	99,828	96,105
Investment properties under construction, in the PRC	78,642	73,616
	178,470	169,721

Group

	2015 HK$'000	2014 HK$'000
Fair value:		
At beginning of year	169,721	166,928
Fair value gains	8,749	2,793
At end of year	178,470	169,721

The Group's investment properties are either held to earn rental income or for capital appreciation purpose, are measured using fair value model and are classified and accounted for as investment properties.

The fair value of the Group's investment properties at 31 July 2015 were determined by the directors with reference to the valuation report prepared by Greater China Appraisal Limited (2014: Peak Vision Appraisals Limited), an independent qualified professional valuer, on an open market, existing use basis.

The fair value measurement of the Group's investment properties have been categorised into the three-level fair value hierarchy as defined in HKFRS 13 Fair Value Measurement. The fair value of the investment properties as at 31 July 2015 is a level 3 (2014: level 3) recurring fair value measurement, which uses significant unobservable inputs in arriving at fair value. During the years ended 31 July 2015 and 2014, there were no transfers between level 1 and level 2, or transfers into or out of level 3.

The fair values of investment properties as at 31 July 2015 were determined using direct comparison approach and investment method as appropriate. Fair values as at 31 July 2014 were determined using direct comparison approach, investment method and residual site method as appropriate. For investment properties determined by the direct comparison approach, recent market information about prices for comparable properties was used with adjustments for any differences in the characteristics of the Group's properties. For investment properties determined using the investment method, account was taken of the current passing rent and the reversionary income potential of the investment properties where applicable. For investment properties determined by residual site method, the fair value was estimated by determining the market value of completed development of the land less the costs of development and after allowing for the profit margin of the developer.

19. INVESTMENT PROPERTIES *(Continued)*

Details about the valuation inputs for 2015 and 2014 are as follows:

2015

Property	Location	Level	Valuation technique	Unobservable inputs	Relationship of unobservable inputs to fair value
Property held for further development	The PRC	3	Direct comparison method	Market selling price: RMB1,439 per square meter	The higher the market selling price, the higher the fair value
Retail shops – level 1	The PRC	3	Investment method	Market rent per month: RMB34 to RMB48 per square meter	The higher the market rent, the higher the fair value
				Term yield: 4.5% per annum	The higher the term yield, the lower the fair value
				Reversionary yield: 5.5% per annum	The higher the reversionary yield, the lower the fair value
Retail shops – level 2	The PRC	3	Investment method	Market rent per month: RMB12 per square meter	The higher the market rent, the higher the fair value
				Term yield: 7% per annum	The higher the term yield, the lower the fair value
				Reversionary yield: 8% per annum	The higher the reversionary yield, the lower the fair value
Car park space	The PRC	3	Direct comparison approach	Estimated market price per car park space: RMB100,000	The higher the market price, the higher the fair value

19. INVESTMENT PROPERTIES *(Continued)*

2014

Property	Location	Level	Valuation technique	Unobservable inputs	Relationship of unobservable inputs to fair value
Property held for further development	The PRC	3	Residual site method	Estimated gross development value: RMB5,176 per square meter	The higher the estimated gross development value, the higher the fair value
				Estimated outstanding construction cost: RMB2,303 per square meter	The higher the estimated outstanding construction cost, the lower the fair value
				Developer's profit ratio: 25%	The higher the developer's profit ratio, the lower the fair value
				Period to completion: 1.75 years	The longer the period to completion, the lower the fair value
				Discount Rate: 10%	The higher the discount rate, the lower the fair value
Retail shops – level 1	The PRC	3	Investment method	Market rent per month: RMB34 to RMB45 per square meter	The higher the market rent, the higher the fair value
				Term yield: 5.25% per annum	The higher the term yield, the lower the fair value
				Reversionary yield: 5.50% per annum	The higher the reversionary yield, the lower the fair value

19. INVESTMENT PROPERTIES *(Continued)*

Property	Location	Level	Valuation technique	Unobservable inputs	Relationship of unobservable inputs to fair value
Retail shops – level 2	The PRC	3	Investment method	Market rent per month: RMB12 per square meter	The higher the market rent, the higher the fair value
				Term yield: 8.50% per annum	The higher the term yield, the lower the fair value
				Reversionary yield: 9.00% per annum	The higher the reversionary yield, the lower the fair value
Car park space	The PRC	3	Direct comparison approach	Estimated market price per car park space: RMB100,000	The higher the market price, the higher the fair value

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

	2015 HK$'000	2014 HK$'000
Land and buildings in the PRC:		
– Long-term lease	**178,470**	169,721

Property rental income earned during the year was HK$2,360,000 (2014: HK$2,255,000) and the related direct operating expenses were approximately HK$781,000 (2014: HK$960,000). The property held had committed tenants for 1 to 3 years (2014: 1 to 2 years). At the end of reporting period, the Group contracted with tenants for the following future minimum lease receivables:

	2015 HK$'000	2014 HK$'000
Within one year	**1,730**	2,266
In the second to fifth year inclusive	**654**	1,896
	2,384	4,162

20. GOODWILL

Group

	2015 HK$'000	2014 HK$'000
Cost		
At beginning and end of year	**842,618**	842,618
Accumulated impairment losses		
At beginning and end of year	**842,618**	842,618
Carrying amount:		
At end of year	**–**	–

The goodwill was generated from the acquisition of the Philippine tree plantation business during the year ended 31 July 2011 and has been fully impaired since 31 July 2013. Further details of this business are set out in note 16 and 21.

21. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Group

	HK$'000
Balance at 1 August 2013	–
Reclassified from interests in associates (see note (b) below)	–
Balance at 31 July 2014 and 2015	–

(a) Details of the available-for-sale financial assets are set out in the table below:

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.*

21. AVAILABLE-FOR-SALE FINANCIAL ASSETS *(Continued)*

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

As explained in note 16, the Company holds an interest in certain tree forest plantation operations situated in the Caraga region of Mindano in the Philippines. These interests were acquired some time ago during the year ended 31 July 2011, and are held through two associates, Shannalyne and also indirectly through Alverna (together the "Associates"). Details of the acquisition of these operations were set out in the VSA Circular. Up to 6 January 2014, the Company accounted for its interest in these tree plantation operations by way of equity accounting for is interests in the Associates.

As notified to shareholders in the Company's announcement dated 13 January 2014, the Company's Chairman and executive director, Mr. CT Tan and his son and fellow executive director, Mr. S Tan 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. 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 and Shannalyne, further details of which are set out in the VSA Circular.

The Company had stopped all funding to the Associates as of November 2013 since the potential cancellation of the Co-Production Agreement (the "CPA") first became known to the Company, details of which are set out in note 16. 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 Guzman) deteriorated. Since then, the Company has been unable to obtain any information, documents or financial accounts from the Associates and has lost contact altogether with the Associates' management team based in Manila. The Company 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 were of the view that the Company had no significant influence over the Associates as it had been unable to participate in the financial and operating policy decisions of the Associates. The directors also considered this position was unlikely to change in the near future. Accordingly, as of 6 January 2014 the Company had ceased equity accounting for its interests in the Associates as required under HKAS 28 'Investment in Associates', and reclassified its interest as AFS. After taking into account of the latest developments as noted above, at the date the investment in associates was reclassified as AFS on 6 January 2014, its carrying value (and fair value) was considered to be nil as further explained in note 16(a).

In the current year, the Company's subsidiary, Alyshan Inc, filed a criminal action on 28 October 2014 in the Philippines against Ms. De Guzman, the Company's former executive director, for misappropriation of funds and falsification of documents of the Company's former Philippine associates. This action stemmed from the Group's deep dissatisfaction of the performance, behavior and misrepresentations of the management team of the Group's former Philippine associates, which ran the Group's former tree plantation operations in the Philippines. Ms. De Guzman was a key member of that management team and the controlling Philippine shareholder of the former Associates which held this business. Up to the date of approval of these financial statements, there has been no development in the case.

22. PROPERTIES HELD FOR SALE

Group

	2015 HK$'000	2014 HK$'000
Properties held for sale	**7,465**	7,465

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

23. PROPERTIES UNDER DEVELOPMENT

Group

	2015 HK$'000	2014 HK$'000
Properties under development	**31,431**	31,431

As at 31 July 2015, the carrying amount of properties under development of HK$31,431,000 (2014: HK$31,431,000) represented the deemed cost of 169 identified units of properties ("Properties") which had been specifically set aside for the settlement of an outstanding construction fee payable in accordance with 清付工程款項協議書 dated 15 August 2005 ("Settlement Agreement") in prior years.

The deemed cost of the Properties of HK$31,431,000 represents the RMB20,439,000 (equivalent to HK$25,653,000) which has been stipulated in the Settlement Agreement and the Pledge Agreement (as defined below) and further subsequent construction costs of RMB4,603,000 (equivalent to HK$5,778,000).

In addition to the Settlement Agreement, the Group has entered into another agreement 抵押還款協議書 dated 27 April 2006 ("Pledge Agreement") with 廣州市第四建築工程有限公司 (the "Contractor") to pledge the Properties as security. Under the two said Agreements, the Group and the Contractor mutually agreed to use the designated Properties to settle the outstanding balance. In conjunction with this settlement arrangement, both parties also mutually agreed the outstanding balance were to be settled without recourse, which in case the sales proceeds of the Properties exceeded the outstanding balance, the Group could not claim the extra proceeds received by the Contractor. Similarly, if the sales proceeds were insufficient to settle the amount owed to the Contractor, the Contractor agreed to waive the residual unpaid portion. In light of this particular clause, management considered that the significant risks and rewards of ownership of the Properties had been transferred to the Contractor when the two Agreements were signed. As a result, these properties under development and the corresponding liability were offset against each other and not separately recognised in the financial statements in prior years before the year ended 31 July 2013.

During the year ended 31 July 2013, the Group received a demand letter from the Contractor to claim the said outstanding balance, plus interest and an exact amount of RMB15,000,000 (equivalent to HK$18,827,000) without any basis. Apart from the amount due to the Contractor of RMB25,042,000 (equivalent to HK$31,431,000) which has been recognised by the Group as explained above, the Group saw no merit of the other claims by the Contractor.

23. PROPERTIES UNDER DEVELOPMENT *(Continued)*

During the years ended 31 July 2014 and 2015, the Contractor has not issued any further demand letters nor raised any formal proceedings against the Group to claim the outstanding amount.

During the year ended 31 July 2014, two individuals, 余盛 and 張明贊, raised litigations in the PRC against the Group (being the property developer), the Contractor (being the primary outsourcer), and another two companies (being the subcontractors of the primary outsourcer and being the direct outsourcers of the two individuals) to claim certain outstanding construction fees in relation to the Group's property development project. The PRC court ruled on this matter in December 2013 and concluded that the Contractor was liable to settle the principal amount of RMB3,198,013 (equivalent to HK$4,017,536) and RMB3,961,291 (equivalent to HK$4,976,411) plus overdue interest to 余盛 and 張明贊 respectively. The PRC court also concluded that the Group has a joint liability to settle the said principal amounts to 余盛 and 張明贊 to the extent that the amount is within the outstanding amount payable by the Group to the Contractor. All parties appealed against this judgement. However, the appeal was dismissed by the People's Intermediate Court in January 2015. Following the result of the appeal, the Contractor made a further appeal to the Higher People's Court of Guangdong Province (廣東省高級人民法院) against the judgement of the appeal, but the result of the further appeal is still outstanding at the date of approval of these financial statements. As at the date of approval of these financial statements, no settlement to the Constructor has been made.

In July 2015, the Higher People's Court of Guangdong Province (廣東省高級人民法院) granted leave to the contractor for a retrial and suspended execution of orders previously made against the Contractor and Shunde China Rich Properties Limited ("Shunde China Rich"), a wholly-owned PRC subsidiary of the Group, by which dealings in respect of the Properties and credit standing in three bank accounts of Shunde China Rich has been frozen pending settlement of the litigations with 余盛 and 張明贊. As at 31 July 2015, those three bank accounts of Shunde China Rich held approximately RMB586,000 (equivalent to HK$730,000). These bank balances have accordingly been reclassified as "restricted bank balances" in the Group's consolidated statement of financial position at 31 July 2015.

In view of the dispute and the uncertainty in enforcing the settlement arrangement under both Agreements, management considers it is appropriate to separately recognise the Properties and the corresponding liabilities since 31 July 2013 as the previous offset arrangement may no longer be achievable.

As at the reporting date, registration of the authentic rights (確權) of these Properties were not yet completed as the Contractor has failed to provide the Group with certain necessary supporting documents to complete the registration process and obtain the authentic rights (確權). Without the authentic rights, these properties cannot be sold or transferred with proper/legal title in the PRC. Accordingly these Properties were classified as properties under development.

As at 31 July 2015, the fair value of the Properties was estimated to be approximately HK$45,892,000 (2014: HK$47,568,000) with reference to a valuation report issued by Greater China Appraisal Limited (2014: Peak Vision Appraisals Limited), an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the properties being valued.

24. DEPOSITS AND PREPAYMENTS

	Group		Company	
	2015	2014	**2015**	2014
	HK$'000	HK$'000	**HK$'000**	HK$'000
Deposit paid for legal claim	**12,650**	13,002	**9,431**	9,803
Deposits paid	**524**	560	**–**	–
Prepayment	**81**	101	**–**	–
	13,255	13,663	**9,431**	9,803

Included in the Group's deposits paid for legal claim is a sum of approximately HK$12,613,000 (2014: HK$12,613,000) relating to an interest bearing client's account kept by two Hong Kong law firms as security in favour of the joint and several provisional liquidators ("Provisional Liquidators") of Wing Fai Construction Company Limited ("Wing Fai") or any subsequently appointed liquidators of Wing Fai. The deposit is for any judgement that may be obtained by the Provisional Liquidators and subsequent liquidators of Wing Fai of any action commenced within twelve months from 14 July 2002 and thereafter until the determination of the legal proceedings with the Company and/or any of the wholly owned subsidiaries of the Company in existence as at 14 July 2002. Further details of this case are set out in note 39(a).

25. BANK BALANCES AND CASH

	Group		Company	
	2015	2014	**2015**	2014
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**191,608**	50,157	**202**	1,045

As at 31 July 2015, cash and bank balances of the Group included currencies denominated in RMB amounting to approximately HK$330,000 (2014: HK$5,567,000) which is not freely convertible into other currencies.

26. TRADE AND OTHER PAYABLES

At 31 July 2015, included in the Group's trade and other payables of approximately HK$32,331,000 (2014: HK$32,740,000) were trade payables of approximately HK$31,310,000 (2014: HK$31,559,000), of which HK$31,310,000 (2014: HK$31,431,000) represented the outstanding construction fee in dispute as explained in note 23.

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

Group

	2015	2014
	HK$'000	HK$'000
Over 365 days	**31,310**	31,559

27. LOANS FROM SHAREHOLDERS

	Group		Company	
	2015	2014	**2015**	2014
	HK$'000	HK$'000	**HK$'000**	HK$'000
Mr. Sun Yin Chung	**3,000**	3,000	**3,000**	3,000
Linshan Limited ("Linshan")	**49,598**	49,680	**–**	–
	52,598	52,680	**3,000**	3,000

The loan from Mr. Sun Yin Chung is unsecured, bears interest at a fixed rate of 7% (2014: 7%) per annum and repayable on demand. At 31 July 2015, accrued interest of HK$1,677,000 (2014: HK$1,467,000) in respect of the loan from Mr. Sun Yin Chung is included in accruals.

The loan from Linshan is unsecured, bears interest rate of 1% (2014: 1%) per annum. Linshan is wholly owned by Mr. S Tan, a former executive director of the Company and the son of Mr. CT Tan, a former executive director and Chairman of the Company. The loan was due for repayment on 31 December 2014, and in January 2015, the Group received a demand letter from Linshan for the settlement of the outstanding loan and accrued interest thereon.

Mr. S Tan and Mr. CT Tan were both key members of the management team of the Group's former tree plantation operations in the Philippines. The Group has been highly dissatisfied with the performance, behavior and misrepresentations of this management team, as the tree plantation operations were a total failure and has since been fully written off and abandoned by the Group as explained in notes 16 & 21. On 28 October 2014, a criminal action for misappropriation of funds and falsification of documents was filed in the Philippines against Ms. De Guzman, another key member of the management team as set out in note 21(b). The Group is contemplating similar measures/actions against Mr. S Tan and Mr. CT Tan, and until that situation has been resolved, the Group has no intention of settling the loan and interest due to Linshan. At 31 July 2015, accrued interest of HK$582,000 (2014: nil) in respect of the loan from Linshan is included in accruals.

In aggregate, the Group incurred interest charges on loans from shareholders for the year of HK$709,000 (2014: HK$706,000), details of which are set out in note 34(a).

28. DEFERRED TAX LIABILITIES

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

Group	Revaluation of investment properties HK$'000
At 1 August 2013	21,604
Charge to profit or loss *(note 14)*	1,173
At 31 July 2014 and 1 August 2014	22,777
Charge to profit or loss *(note 14)*	4,107
At 31 July 2015	26,884

At 31 July 2015, the Group has estimated unused tax losses of HK$131,849,000 (2014: HK$110,521,000) available for offsetting against future profits, which are subject to the agreement of the relevant tax authority. No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future profit streams.

29. SHARE CAPITAL

	Number of shares	Amount HK$'000
Authorised:		
Ordinary shares		
At 1 August 2013, 31 July 2014 and 1 August 2014, of HK$0.2 each	7,500,000,000	1,500,000
Capital reorganisation *(note a)*	142,500,000,000	–
At 31 July 2015, of HK$0.01 each	150,000,000,000	1,500,000
Convertible preference shares (the "CPS") (note b)		
At 1 August 2013, 31 July 2014 and 1 August 2014, of HK$0.2 each	5,000,000,000	1,000,000
Capital reorganisation *(note a)*	95,000,000,000	–
At 31 July 2015, of HK$0.01 each	100,000,000,000	1,000,000

29. SHARE CAPITAL *(Continued)*

	Number of shares	Amount HK$'000
Issued and fully paid:		
Ordinary shares		
At 1 August 2013, of HK$0.2 each	880,614,460	176,123
Conversion from the CPS *(note b)*	153,286,665	30,657
Placing of ordinary shares *(note c)*	389,385,540	77,877
At 31 July 2014 and 1 August 2014, of HK$0.2 each	1,423,286,665	284,657
Issue of ordinary shares upon exercise of share options *(note d)*	74,800,000	14,960
Capital reduction *(note a)*	–	(284,636)
Issue of ordinary shares pursuant to an open offer *(note e)*	1,498,086,665	14,981
At 31 July 2015, of HK$0.01 each	2,996,173,330	29,962
The CPS		
At 1 August 2013, of HK$0.2 each	153,286,665	30,657
Conversion to ordinary shares *(note b)*	(153,286,665)	(30,657)
At 31 July 2014 and 1 August 2014, of HK$0.2 each, and at 31 July 2015, of HK$0.01 each	–	–

Notes:

(a) Pursuant to the Capital Reorganisation effected on 2 January 2015, each of the authorised but unissued ordinary share of HK$0.20 each was subdivided into 20 ordinary shares of HK$0.01 each; each of the authorised but unissued CPS of HK$0.20 each was sub-divided into 20 CPS of HK$0.01 each; and the nominal value of the issued shares of HK$0.20 each was reduced to HK$0.01 each by cancelling the paid-up capital to the extent of HK$0.19 on each of the issued share.

The capital reduction of approximately HK$284,636,000 involved a reduction of the nominal value of the then issued shares from HK$0.20 to HK$0.01 each by cancelling the paid-up capital to the extent of HK$0.19 on each of the then issued shares. The credit arising from the capital reduction was transferred to the contributed surplus account of the Company such that the Company may apply the same in any manner permitted by the laws of Bermuda and the Bye-Laws including but not limited to setting off against the accumulated losses of the Company.

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

29. SHARE CAPITAL *(Continued)*

Notes: *(Continued)*

(c) On 13 September 2013, 169,385,540 shares of HK$0.2 were placed at price of HK$0.2 per placing share. The net proceeds of approximately HK$29,664,000 are intended to be applied by the Group as the working capital for its ordinary business and operations.

On 30 May 2014, 220,000,000 shares of HK$0.2 were placed at price of HK$0.2 per placing share. The net proceeds of approximately HK$43,116,000 are intended to be applied by the Group as the working capital for its ordinary business and operations.

The related share issue expense of HK$5,097,000 for these two share placements was charged directly against the Company's share premium during the year ended 31 July 2014.

(d) On 19 November 2014, 74,800,000 share options were exercised at an exercise price of HK$0.285 per share which resulted in 74,800,000 new ordinary shares of HK$0.2 each issued by the Company, raising net proceeds of HK$21,321,000.

(e) On 3 February 2015, 1,498,086,665 new ordinary shares were issued in connection with the open offer of 1,498,086,665 offer shares at the subscription price of HK$0.1 per offer share on the basis of one offer share for every one share of the Company held on the record date of 9 January 2015. The details of the open offer are set out in the Company's prospectus dated 12 January 2015.

The net proceeds of the open offer are HK$146,907,000. The transaction cost of HK$2,902,000 for the open offer was charged directly against the Company's share premium during the year ended 31 July 2015.

30. SHARE OPTION SCHEME

On 28 July 2010, the Company passed an ordinary resolution regarding the termination of the old share option scheme and adopted a new share option scheme (the "New Scheme") for the primary purpose of providing incentive to the eligible employees and directors of the Company. Under the terms of the New Scheme, the board of directors of the Company may, at their discretion, grant options to the participants who fall within the definition prescribed in the New Scheme including the employees and executive directors of the Company or its subsidiaries to subscribe for shares in the Company at a price equal to the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet for trade in one or more board lots of the shares on the offer date; (ii) the average closing price of the shares as stated the Stock Exchange's daily quotations sheets for the five business days immediately preceding to the offer date; and (iii) the nominal value of the shares. The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital and with a value in excess of HK$5,000,000 must be approved in advance by the Company's shareholders. Options granted under the New Scheme will entitle the holder to subscribe for shares from the date of grant up to ten years from the date of grant. A nominal consideration of HK$1 is payable on acceptance of the grant of an option.

30. SHARE OPTION SCHEME *(Continued)*

Details of the share options granted, lapsed and exercised under the Share Option Scheme during the years ended 31 July 2015 and 2014 are as follows:

	Date of grant	Exercise period	Number of options: Outstanding as at 1 August 2013, 31 July 2014 and 1 August 2014	Granted during the year	Exercised during the year	Outstanding as at 31 July 2015	Exercise price HK$
Executive director							
Ng Chi Lung	28/10/2014	28/10/2014 – 27/10/2024	–	14,000,000	(14,000,000)	–	0.285
Independent non-executive directors							
Wu Shiming	28/10/2014	28/10/2014 – 27/10/2024	–	300,000	(300,000)	–	0.285
Lin Chaofan	28/10/2014	28/10/2014 – 27/10/2024	–	300,000	(300,000)	–	0.285
Deng Chunmei	28/10/2014	28/10/2014 – 27/10/2024	–	300,000	(300,000)	–	0.285
Directors			–	14,900,000	(14,900,000)	–	
Staff	28/10/2014	28/10/2014 – 27/10/2024	–	1,500,000	(1,500,000)	–	0.285
			–	16,400,000	(16,400,000)	–	
Consultants	28/10/2014	28/10/2014 – 27/10/2024	–	58,400,000	(58,400,000)	–	0.285
Grand-total			–	74,800,000	(74,800,000)	–	

The weighted average share price at the exercise date of options exercised during the year ended 31 July 2015 was HK$0.27.

30. SHARE OPTION SCHEME *(Continued)*

On 28 October 2014, 74,800,000 share options were granted to certain directors, staff and other parties who provide services to the Group. The fair value of these share options at the date of grant were estimated to be HK$6,960,000 and was charged to profit or loss of the Group for the year ended 31 July 2015. Details of how the fair value was determined are set out below.

The closing price of share immediately before the date of grant of the options on 28 October 2014 was HK$0.285.

The options granted during the year ended 31 July 2015 vested at the date of grant.

The estimate of the fair value of the service received is measured based on the Binomial Options Pricing Model.

The variables of the options granted during the year ended 31 July 2015 served as inputs into the model are listed as follows.

Grant date/Date of valuation	28 October 2014
Option type	American
Stock price as at grant date (HK$/share)	0.285
Option exercise price (HK$)	0.285
Exercise period	28 October 2014 to 27 October 2024
Maturity (Years)	10
Risk-free interest rate *(note i)*	1.8%
Annualised volatility *(note ii)*	85%
Indicated option value (HK$/option)	0.093
Number of shares to be issued if options are exercised	74,800,000
Fair value of options granted (HK$)	6,960,000

Notes:

(i) Risk-free rate: The applicable risk-free rate was referenced to the yields of Hong Kong Monetary authority exchange fund notes quoted around the valuation date.

(ii) Volatility: The conventional measure for systemic risk, or price volatility, is the standard deviation, which is a measure of price dispersion or variation. This variable is just the square root of the average of the square of the difference between share price and mean price over time.

31. RESERVES OF THE COMPANY

	Share premium HK$'000 (note i)	Contributed surplus HK$'000 (note ii)	Distributable reserve HK$'000 (note iii)	Share-based compensation reserve HK$'000 (note iv)	Accumulated losses HK$'000	Total HK$'000
At 1 August 2013	1,549,602	796,312	77,033	–	(1,839,608)	583,339
Share issue expenses related to placement of shares *(note 29(c))*	(5,097)	–	–	–	–	(5,097)
Loss for the year	–	–	–	–	(772,172)	(772,172)
At 31 July 2014 and 1 August 2014	1,544,505	796,312	77,033	–	(2,611,780)	(193,930)
Share-based payment *(note 30)*	–	–	–	6,960	–	6,960
Transfer from share-based compensation reserve to share premium upon exercise of share options	6,960	–	–	(6,960)	–	–
Issue of ordinary shares upon exercise of share options *(note 29(d))*	6,361	–	–	–	–	6,361
Issue of ordinary shares pursuant to an open offer, net of transaction cost *(note 29(e))*	131,926	–	–	–	–	131,926
Capital reduction *(note 29(a))*	–	284,636				284,636
Loss for the year	–	–	–	–	(28,090)	(28,090)
At 31 July 2015	**1,689,752**	**1,080,948**	**77,033**	**–**	**(2,639,870)**	**207,863**

31. RESERVES OF THE COMPANY *(Continued)*

Notes:

(i) Share premium

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

(ii) Contributed surplus

The Company passed a special resolution on 31 December 2014 for a capital reduction and the issued share capital of the Company was reduced from approximately HK$299,617,000 to HK$14,981,000 on 2 January 2015. The capital reduction resulted in reducing the issued share capital of the Company by approximately HK$284,636,000. Such amount was credited to the contributed surplus of the Company.

(iii) Distributable reserve

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

(iv) Share-based compensation reserve

Share-based compensation reserve represents the fair value of the actual or estimated number of unexercised share options granted by the Company to the option holders recognised in accordance with the accounting policy adopted for share-based payments in note 4(n). Further details of share-based payment are set out in note 30.

32. INTERESTS IN SUBSIDIARIES

	Company	
	2015	2014
	HK$'000	HK$'000
Unlisted shares, at cost	**1,720,000**	1,720,000
Less: Impairment loss	**(1,720,000)**	(1,720,000)
	–	–
Amounts due from subsidiaries	**278,199**	122,935
Less: Allowance for impairment loss	**(42,457)**	(36,288)
	235,742	86,647
Amounts due to subsidiaries	**(385)**	(385)

The amounts due from/(to) subsidiaries are unsecured, interest-free and repayable on demand. The increase in allowance for impairment loss of HK$6,169,000 in the current year arises mainly because the wholly-owned subsidiaries, Green Oasis Limited and Sky Horse Inc. Limited, suffered significant loss during the year and were in a net liability position as at 31 July 2015. Included in the impairment loss of HK$6,169,000 charged to profit or loss in the current year, HK$3,949,000 and HK$2,220,000 were made for the amounts due from Green Oasis Limited and Sky Horse Inc. Limited respectively during the year.

32. INTERESTS IN SUBSIDIARIES *(Continued)*

The following list contains only the particulars of the principal subsidiaries as at 31 July 2015 which principally affect the results, assets or liabilities of the Group as the directors are of the opinion that a full list of all the subsidiaries would be of excessive length.

Name of subsidiary	Place of incorporation or registration/ operations	Issued and fully paid ordinary share capital/ registered capital	Percentage of ownership interests/ voting rights/ profit share		Principal activities
			Directly	Indirectly	
Benefit Holdings International Limited	British Virgin Islands ("BVI")	US$200	–	100%	Investment holding
China Rich Properties Limited ("China Rich")	Hong Kong	HK$10,000,000	–	100%	Property development
Shunde China Rich Properties Limited ("Shunde China Rich")	The PRC	US$11,200,000	–	100%	Property development
Asiaone Forest Products Holdings Limited	BVI	US$1,836	–	100%	Investment holding
Green Oasis Limited	Hong Kong	HK$1	–	100%	Provision of administrative services
Sky Horse Inc Limited	Hong Kong	HK$1	100%	–	Financial services
Professional Wealth Creation Limited	Hong Kong	HK$1	100%	–	Financial services

Note:

(a) None of the subsidiaries had issued any debt securities at the end of reporting period.

33. LEASES

Operating lease – lessee

The Group paid minimum lease payments of HK$1,683,000 (2014: HK$1,366,000) under operating leases in respect of rented premises.

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

Group

	2015 HK$'000	2014 HK$'000
Within one year	877	1,648
In the second to fifth years inclusive	–	808
	877	2,456

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

34. RELATED PARTY TRANSACTIONS

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

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

	2015 HK$'000	2014 HK$'000
Interest paid on loans from shareholders *(note 27)*:		
Mr. Sun Yin Chung	210	210
Linshan	499	496
	709	706

34. RELATED PARTY TRANSACTIONS *(Continued)*

(b) Compensation of key management personnel

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

	2015 HK$'000	2014 HK$'000
Short-term benefits	3,326	4,425
Post-employment benefits	57	60
	3,383	4,485

(c) Amounts with related parties are summarised below:

	2015 HK$'000	2014 HK$'000
Loans from shareholders *(note 27)*	52,598	52,680

35. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

Group

	2015 HK$'000	2014 HK$'000
Financial assets		
Loans and receivables (including bank balances and cash), at amortised cost	210,947	64,932
Financial liabilities		
Financial liabilities, at amortised cost	89,445	89,572

36. SIGNIFICANT NON-CASH TRANSACTION

On 2 January 2015, the capital reduction of approximately HK$284,636,000 involved a reduction of the nominal value of the then issued shares from HK$0.20 to HK$0.01 each by cancelling the paid-up capital to the extent of HK$0.19 on each of the then issued shares. The credit arising from the capital reduction was transferred to the contributed surplus account of the Company such that the Company may apply the same in any manner permitted by the laws of Bermuda and the Bye-Laws including but not limited to setting off against the accumulated losses of the Company. Further details are set out in note 29(a).

37. FINANCIAL RISK MANAGEMENT

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

Market risk

Interest rate risk

The Group has no significant interest-bearing assets and liabilities except for loans from shareholders, details of which have been disclosed in note 27. The Group's income and operating cash flows are substantially independent of changes in market interest rate.

The Group and the Company has no significant interest rate risk as at 31 July 2015.

Credit risk

In order to manage its the credit risk, management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

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

37. FINANCIAL RISK MANAGEMENT *(Continued)*

Liquidity risk

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

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

Group

	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total contractual undiscounted cash flows	Carrying amount
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2015						
Non-derivative financial liabilities						
Trade and other payables	**32,331**	**–**	**–**	**–**	**32,331**	**32,331**
Accruals	**4,516**	**–**	**–**	**–**	**4,516**	**4,516**
Loans from shareholders	**52,598**	**–**	**–**	**–**	**52,598**	**52,598**
	89,445	**–**	**–**	**–**	**89,445**	**89,445**
2014						
Non-derivative financial liabilities						
Trade and other payables	32,740	–	–	–	32,740	32,740
Accruals	4,152	–	–	–	4,152	4,152
Loans from shareholders	52,680	–	–	–	52,680	52,680
	89,572	–	–	–	89,572	89,572

37. FINANCIAL RISK MANAGEMENT *(Continued)*

Liquidity risk *(Continued)*

Company

	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000	Total contractual undiscounted cash flows HK$'000	Carrying amount HK$'000
2015						
Non-derivative financial liabilities						
Other payables	**313**	**–**	**–**	**–**	**313**	**313**
Accruals	**3,872**	**–**	**–**	**–**	**3,872**	**3,872**
Loan from a shareholder	**3,000**	**–**	**–**	**–**	**3,000**	**3,000**
Amounts due to subsidiaries	**385**	**–**	**–**	**–**	**385**	**385**
	7,570	**–**	**–**	**–**	**7,570**	**7,570**
2014						
Non-derivative financial liabilities						
Other payables	313	–	–	–	313	313
Accruals	4,088	–	–	–	4,088	4,088
Loan from a shareholder	3,000	–	–	–	3,000	3,000
Amounts due to subsidiaries	385	–	–	–	385	385
	7,786	–	–	–	7,786	7,786

Currency risk

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

37. FINANCIAL RISK MANAGEMENT *(Continued)*

Currency risk *(Continued)*

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

Group	Increase/ (decrease) in exchange rate %	Increase/ (decrease) in profit before income tax HK$'000
2015		
If RMB weakens against HK$	**5%**	**1,275**
2014		
If RMB weakens against HK$	5%	1,334

Fair value

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

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

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

37. FINANCIAL RISK MANAGEMENT *(Continued)*

Fair value measurements recognised in the consolidated statement of financial position

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Group has available-for-sale financial assets, which are measured and carried at fair value, and are considered as Level 3 (2014: Level 3) financial instruments.

As explained in note 21, the Group's AFS comprise the Group's interest in its former Associates, which were engaged in tree plantation operations in the Philippines. On 6 January 2014, the Associates were considered fully impaired and when reclassified as AFS on the same day were transferred at nil value. The directors have no reason to believe the fair value of AFS at 31 July 2014 and 2015 has changed. Details of how the Group determined these financial instruments were fully impaired on 6 January 2014 is set out in note 16, and accordingly no further analysis has been disclosed.

38. CAPITAL RISK MANAGEMENT

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

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

38. CAPITAL RISK MANAGEMENT *(Continued)*

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

39. CONTINGENT LIABILITIES

(a) The liquidators of Wing Fai Construction Company Limited ("Wing Fai") and Wai Shun Construction Company Limited ("Wai Shun") refused to recognise the effect of set off of inter-company accounts pursuant to a Set Off Agreement (the "Agreement") dated 23 November 2001 and the extinguishment of intragroup indebtedness and incidental transactions and arrangements upon the Group's sale of its interest in Wing Fai, Wai Shun and Zhukuan Wing Fai Construction Company Limited (the "Wing Fai Subsidiaries") on 22 April 2002. As a result, the liquidators have taken up legal action against the Company and several of its subsidiaries. Notices of Intention to proceed have been filed by the solicitors for the liquidators in about early 2010 after years of inaction. Certain defendants including the Company made an application to dismiss one of the legal actions for want of prosecution. A hearing was held on 19 October 2010 to hear such application and the High Court of the Hong Kong Special Administrative Region (the "High Court") allowed the application and dismissed one of the legal actions against the Company for want of prosecution. The liquidator has appealed the said Court Order of the High Court dismissing one of its claims against the Company and the appeal is pending in the Court of Appeal.

At 31 July 2015, the Company's legal advisor is of the opinion that the Group had a good defence on all the claims on the remaining legal action which, on the balance of probabilities, are likely to be resolved in favour of the Group and thus there would not be any material contingent liability except that part of the legal costs incurred by the Group may not be recoverable. Up to the date of approval of these financial statements, there has been no further development.

In the opinion of the directors, the Group has valid grounds to defend the actions and as such, no provision has been made in the consolidated financial statements of the Group for its exposure to the above actions. In connection with these legal actions, the Group has placed deposits for legal claims of approximately HK$12,613,000 (2014: HK$12,613,000) in escrow with certain lawyers since 2002. These deposits are included under "deposits and prepayments" (note 24) in the consolidated statement of financial position. The directors consider these deposits are fully recoverable.

39. CONTINGENT LIABILITIES *(Continued)*

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

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

Benefit took legal action against Mr. Eric Chim for the sum of HK$40,000,000 plus HK$3,100,000 balance purchase price and obtained a judgment against Sino Glister and Mr. Eric Chim in July 2004. The judgment was later set aside on the basis that he was not served with the original proceedings. On 28 December 2004, a defence was filed by Mr. Eric Chim. Mr. Eric Chim was examined in his capacity as a director of Sino Glister in relation to its assets in May 2005. Up to the date of approval of these financial statements, no further action has taken place.

The directors consider that no recoveries are likely to be made in respect of the claim or the Company's legal costs in view of Mr. Eric Chim's lack of funds. Accordingly, the directors decided not to take further action on Mr. Eric Chim in 2014.

(c) As disclosed in the Company's announcement dated 11 December 2012, the Company's former director, Ms. Kelly Cheng ("Ms. Cheng"), presented and claimed against the Company to pay, reimburse or indemnify Ms. Cheng under an alleged service agreement dated 1 March 1999 and an alleged deed of indemnity dated 1 March 2000 (together the "Deed of Indemnity") purportedly made between the Company and Ms. Cheng. Her claim was for restitution, repayment or recovery of money she had incurred for legal costs and disbursements to her or her solicitors under the alleged Deed of Indemnity.

The directors believed the Company wrongfully recorded an amount of HK$16,438,748.42 as due to Ms. Cheng in its accounts as at 31 July 2005. This amount was represented by Ms. Cheng to be valid legal expenses incurred by her under the Deed of Indemnity when at the relevant time she was the deputy chairman, executive director and chief financial officer of the Company. In addition, the directors consider the former Company Secretary and Financial Controller of the Company, Mr. Wan Hon Keung wrongly recorded another HK$1,304,347.05 due to Ms. Cheng as at 31 July 2011 without proper verification.

On 8 August 2013, Ms. Cheng sent the Company a letter and continued to try to lodge further claims for reimbursement of alleged legal expenses incurred by her from the Company under the Deed of Indemnity for another sum of HK$20,948,543.97. However, the Company did not record this amount in its financial statements as the directors were of the view the whole claim had no basis.

39. CONTINGENT LIABILITIES *(Continued)*

(c) *(Continued)*

As part of these legal disputes, Ms. Cheng on several occasions also filed petitions with the High Court to wind up the Company for failing to reimburse her for various legal costs she says she incurred, under the Deed of Indemnity. On each occasion the Company vigorously defended its position.

During the year ended 31 July 2014, the Hong Kong Court of First Instance ordered that a payment of HK$1,788,000 should be made by the Company to Ms. Cheng. This amount was charged to the Group's profit and loss in 2014 under administrative expenses.

In light of the large amount of time and resources devoted to dealing with these litigation disputes over the Deed of Indemnity with Ms. Cheng, the directors resolved to try to settle all these matters once and for all through a negotiated settlement. As a result, on 12 February 2015, the Company, Ms. Cheng, Ms. Carmen Cheng and Asia Land Offshore Limited (the "Parties") entered into a settlement deed ("Settlement Deed") to bring an end to all these disputes. The terms of the Settlement Deed include, among other things, that:

(i) without any admission of liability, the Company should pay Ms. Cheng HK$7,000,000 within 7 business days of the Effective Date (as defined in the Settlement Deed);

(ii) the Parties shall take all steps necessary to dismiss or withdraw (as the case may be) the HCCW 142/2013, HCCW 26/2015, HCA 2284/2012 and HCA 2503/2013 and any legal proceedings between the Parties only with no order as to costs (notwithstanding any previous orders) by way of consent summons;

(iii) Ms. Cheng shall be debarred from making any further claim under the service agreement and deed of indemnity made between her and the Company in about 1999 and 2000 respectively; and

(iv) the Parties, including procuring their respective affiliates, mutually discharge and release each other from all claims and actions (with exception of a claim or enforcement of the Settlement Deed).

The directors consider the time and costs saved in discontinuing these legal proceedings and bringing all such matters to an end as contemplated under the Settlement Deed is in the best interest of the Company and its shareholders as a whole. Under the Settlement Deed, compensation of HK$7,000,000 was paid by the Company to Ms. Cheng on 12 February 2015, and has been charged to profit or loss in the current year. The above mentioned legal cases were accordingly either dismissed or withdrawn during the year.

39. CONTINGENT LIABILITIES *(Continued)*

(d) A PRC Court (廣東省佛山市順德區人民法院) ruled in December 2013 that a wholly-owned PRC subsidiary of the Group (Shunde China Rich Properties Limited) was jointly liable with its former PRC Contractor to pay RMB3,198,013 (equivalent to HK$4,017,536) and RMB3,961,291 (equivalent to HK$4,976,411) to 余盛 and 張明贊 in respect of certain long outstanding construction fees. The Group appealed this decision. However, the appeal was dismissed by the People's Intermediate Court in January 2015. Following the result of the appeal, the Contractor made a further appeal to the Higher People's Court of Guangdong Province (廣東省高級人民法院) against the judgement of the appeal, but the result of the further appeal is still outstanding at the date of these financial statements. No provision for these amounts has been made as the directors consider they are fully covered by the provision for amounts due to its former PRC contractor of HK$31,310,000 included under trade and other payables. Further details are set out in note 23.

40. SUBSEQUENT EVENT

The loan agreement entered into between the Group as a lender and Huali Transportation Investment Holding Co., Limited as a borrower in relation to the advance of loan of HK$50 million has been approved by the Company's shareholders in the special general meeting held on 29 September 2015. Further background details of this transaction are set out in the Company's circular to shareholders dated 11 September 2015.

41. AUTHORISATION FOR ISSUE OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 20 October 2015.

FINANCIAL SUMMARY

RESULTS

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

	2011 HK$'000	2012 HK$'000	2013 HK$'000	2014 HK$'000	**2015** **HK$'000**
Revenue					
– continuing operations	17,887	4,285	4,141	3,995	**4,161**
– discontinued operations	109,715	135,513	33,038	–	**–**
	127,602	139,798	37,179	3,995	**4,161**
Profit/(loss) before income tax					
– continuing operations	(106,134)	(321,004)	(1,031,211)	(17,528)	**(22,124)**
– discontinued operations	(92,873)	(240,845)	24,926	(760,988)	**–**
	(199,007)	(561,849)	(1,006,285)	(778,516)	**(22,124)**
Income tax credit/(expense)					
– continuing operations	1,668	1,718	(21,194)	(1,173)	**(4,107)**
– discontinued operations	440	(2,369)	–	–	**–**
	2,108	(651)	(21,194)	(1,173)	**(4,107)**
Profit/(loss) for the year					
– continuing operations	(104,466)	(319,286)	(1,052,405)	(18,701)	**(26,231)**
– discontinued operations	(92,433)	(243,214)	24,926	(760,988)	**–**
	(196,899)	(562,500)	(1,027,479)	(779,689)	**(26,231)**
Attributable to:					
Owners of the Company	(196,899)	(562,500)	(1,027,479)	(779,689)	**(26,231)**
Non-controlling interests	–	–	–	–	**–**
	(196,899)	(562,500)	(1,027,479)	(779,689)	**(26,231)**

FINANCIAL SUMMARY

ASSETS AND LIABILITIES

	2011 HK$'000	2012 HK$'000	2013 HK$'000	2014 HK$'000	**2015** **HK$'000**
Total assets	2,659,262	2,141,372	1,038,690	277,938	**430,818**
Total liabilities	(651,349)	(684,362)	(119,045)	(112,349)	**(116,329)**
	2,007,913	1,457,010	919,645	165,589	**314,489**
Attributable to:					
Owners of the Company	2,007,913	1,457,010	919,645	165,589	**314,489**
Non-controlling interests	–	–	–	–	**–**
	2,007,913	1,457,010	919,645	165,589	**314,489**

Particulars of Major Properties

	Lease Expiry	Approx. gross floor area (Sq.m.)	Type	Effective % held	Stage of completion	Anticipated completion
Investment properties						
Regal Garden No. 888 Lunchang Road, Lunjiao Town, Shunde District, Foshan City, Guangdong Province, The PRC	December 2065	75,839	Residential and commercial	100%	Out of the planned six blocks of the residential project, four blocks have been completed and of which three were issued Occupancy permits by the PRC Authority	N/A
Regal Garden No. 888 Lunchang Road, Lunjiao Town, Shunde District, Foshan, Guangdong Province, The PRC	December 2065	18,551	Commercial	100%	Completed	N/A