



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

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



2016 Annual Report

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Dr. Yang Zijiang (*Chairman*)
Ms. Kwan Shan (appointed on 1 April 2016)
Mr. Ng Chi Lung (resigned on 1 April 2016)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wu Shiming
Mr. Lin Chaofan
Ms. Deng Chunmei

COMPANY SECRETARY

Ms. Kwan Shan

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

AUDITOR

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

PRINCIPAL BANKERS

Chiyu Banking Corporation Ltd.
Bank of Communication 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
Hong Kong

WEBSITE

<http://www.yueshou.hk>

STOCK CODE

1191

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 2016 (the "Reporting Period").

REVIEW OF RESULTS

For the year ended 31 July 2016, the Group's total revenue from its principal business was approximately HK\$9,765,000, representing an increase of 135% compared with last year, of which the revenue was related to money lending business and property development operation.

During the past year, there has been focusing on financial services and property development business and the Board has spent a significant proportion of its time examining and strengthening our business processes as well as corporate governance throughout the Group. Having a solid business workflow is a key to success in each business sector.

On 26 September 2016, the Group had entered two settlement deeds with Wing Fai Liquidator, Wing Shun Liquidator and Zhukuan Wingfai Liquidator, the Board believes the settlements can avoid any further litigation risk, bring to an end to 14 years of litigation and any potential new claims between the parties.

PROSPECTS

In the near future, we expect to make meaningful progress in year 2017 toward our return to a stable growth targets. It will take time for the benefits of the group and seize potential investment opportunity.

We are committed to do everything we can to get back to delivering consistent, reliable, balanced and sustainable growth and value creation for you and our 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
Chairman

Hong Kong, 20 October 2016

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECT

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 2016 (the "Reporting Period").

The Company is principally engaged in the property development and financial services. For the year ended 31 July 2016 (the "Year"), the Group's total revenue is approximately HK\$9,765,000 (2015: HK\$4,161,000). Due to the interest income of HK\$5,497,000 (2015: nil) generated from money lending business during the Year, gross profit increased by 367% to HK\$6,856,000 (2015: HK\$1,467,000).

Loss attributable to the owners of the Company for the Reporting Period was decreased by 14% to approximately HK\$22,542,000 (2015: HK\$26,231,000), Administrative expenses decreased by 25% to approximately HK\$23,758,000 (2015: HK\$31,862,000), it was mainly due to the share-based payment of HK\$6,960,000 paid in 2015.

56% of the entire revenue for the year was generated from the business segments in Hong Kong (2015:0%) and 44% of the entire revenue for the year was generated from the business segments in PRC (2015: 100%).

Financial Services

The Group started its money lending business last year. Revenue in this segment was made from a first advance in September 2015 in the form of a secured one-year term loan of HK\$50 million with interest at 13.2% per annum, with the approval of the Shareholders. The Group recorded an interest income of approximately HK\$5,497,000 from this business (2015: nil). The segment profit of this business is approximately HK\$1,591,000 (2015: segment loss of HK\$509,000) during the Year.

Property Development

Revenue in this segment was derived from property development and leasing of properties. During the Year, the Group recorded the rental, management and related fee income and income from sales of property of approximately HK\$4,268,000 (2015: HK\$4,161,000), representing the increase of approximately 3% compared to the year ended 31 July 2015 (the "Last Corresponding Year"). The fair value of investment properties decreased by approximately HK\$5,124,000 (year ended 31 July 2015: Gain of HK\$8,749,000). The decrease is mainly due to Renminbi depreciation during the Year.

Financial Position

As at 31 July 2016, the net current assets was approximately HK\$140,361,000 (2015: HK\$160,398,000) of which approximately HK\$101,822,000 were cash and cash equivalents (2015: approximately HK\$191,608,000). The Group had no bank borrowing as at 31 July 2016 (2015: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FUND RAISING ACTIVITY

No equity fund raising activity was conducted by the Group in the past 12 months immediately preceding 31 July 2016.

Open Offer

On 24 October 2014, the Company and Kingston Securities Limited entered into an underwriting agreement in relation to the issue of shares by way of an open offer of 1,498,086,665 Offer Shares at the subscription price of HK\$0.10 per offer share on the basis of one offer share for every one share held by the qualifying shareholders on the record date ("Open Offer"). The Open Offer was completed on 3 February 2015. The Group intended to apply the net proceeds from the Open Offer as to (a) approximately HK\$55 million for the money lending business that the Group is tapping into; (b) approximately HK\$75 million for any potential business opportunities in the property development and/or property investment business and/or financial services business (if not utilised, for the money lending business to be developed by the Group); (c) approximately HK\$16 million as working capital of the Group.

The actual use of the net proceeds from the Open Offer up to 31 July 2016 has been utilised in the following manner: (a) approximately HK\$50 million was used for money lending business; (b) to be utilised as intended; (c) used as intended; and (d) the remaining balance yet to be utilised and is placed in licensed banks in Hong Kong.

Placing of new shares under general mandate

Pursuant to a placing agreement dated 19 September 2016 entered into between the Company and Kingston Securities Limited ("Placing Agent"), the Placing Agent agreed to place up to 599,200,000 new shares at placing price HK\$0.25 per share to not less than six placees. The maximum gross proceeds from the placing amounted to approximately HK\$149,800,000 and the maximum net proceeds from the placing amounted to approximately HK\$145,805,000. The aforesaid placing was completed on 6 October 2016 and 599,200,000 placing shares with an aggregate nominal value of HK\$5,992,000 were allotted and issued by the Company to not less than six placees who were independent individuals, corporations and/or institutional investors, who and whose ultimate beneficial owners were third parties independent of and not connected with the Company and its connected persons.

The proceeds are intended to be utilised for the money lending business and financial services business of the Group. Details of the Placing are set out in the Company's announcements dated 19 September 2016 and 6 October 2016.

FUTURE PLANS

Since the Whitewash Subscription Agreement and the Other Subscription Agreement lapsed on 29 February 2016, the development of financial services in internet plus related services would no longer proceed. The Group intends to focus on development of security operations, loan financing operation and property investment business, subject to evaluation from time to time for the macro and micro economic environment as well as the prospects of the property sector to formulate appropriate investment/exit strategies for the benefit of the Company and the Shareholders as a whole.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Services

Loan financing operation

In the current economic environment and outlook, the Group will take a cautious approach in growing its loan book and in its assessment of the quality of any collateral that may be available from potential borrowers.

Security Operation

The Group is working towards establishing a full service Hong Kong securities firm registered under the Securities and Futures Ordinance ("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 to facilitate securities trading and investments to the extent permitted under Hong Kong law. Revenue is expected to be generated in the form of, among others, trading commissions, brokerage and margin financing fees, financial advisory fees, placing or underwriting commission/arrangement fees, fund management fees and derived from investment and trading in securities.

A wholly-owned subsidiary of the Company entered into a sale and purchase agreement during the Year with three independent third parties to buy a company registered under the SFO for type 4 and type 9 regulated activities ("Licensed Target"). Applications for the change of substantial shareholder of the Licensed Target and a responsible officer has been submitted to the Securities and Futures Commission in December 2015, the approval of change of substantial shareholder was obtained in May 2016. The consideration of the acquisition is HK\$4,605,000 in cash. The acquisition of Licensed Target does not constitute a notifiable transaction of the Company under Chapter 14 of the Listing Rules.

Property Development

As at 31 July 2016, the Group owned three property interests in Shunde, Guangdong Province, the PRC, including (i) 35 residential units with a total gross floor area of approximately 3,955 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..

Outlook

Looking ahead, the property development and financial services business are still core businesses for the Company in the future. The Group will continue to pursue opportunities to acquire or invest any potential investment properties and business.

LIQUIDITY, FINANCIAL RESOURCES, CAPITAL STRUCTURE & GEARING RATIO

The operation of the Group was mainly financed by internal resources generated. As at 31 July 2016, there was no secured bank borrowings outstanding (2015: Nil). The loan from a former substantial shareholder of the Company amounted to HK\$49,598,000 (2015: HK\$49,598,000) is still in dispute, details of which are set out in note 27 to the consolidated financial statements.

The Group's liquidity position was well-managed in the Year.

As at 31 July 2016, the current ratio was 2.69 (2015: 2.79), whereas the gearing ratio (defined as a ratio loans from shareholders to net asset) was 17% (2015: 16.7%). The shareholders' equity decreased to HK\$291,503,000 (2015: HK\$314,489,000).

The Group's financial resources are sufficient to support its business operations.

The capital of the Company comprises only ordinary shares.

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL COMMITMENTS

As at 31 July 2016, there is no significant capital commitment.

PLEDGE OF ASSETS

At 31 July 2016 and 31 July 2015, the Group has not pledged any of its assets to the banks to secure credit facilities granted to the Group.

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 2016, the Group was not subject to any significant exposure to foreign exchange rates risk. Hence, no financial instrument for hedging was employed.

DIVIDEND

The Board of Directors does not recommend the payment of any dividend in respect of the financial year ended 31 July 2016.

EMPLOYEES

As at 31 July 2016, the Group had about a total of 35 employees in both Hong Kong and Mainland China (2015: 33). 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 their performance, 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

- (a) A placing agreement dated 19 September 2016 entered into between the Company and Kingston Securities Limited ("Placing Agent"), pursuant to which the Placing Agent agreed to place up to 599,200,000 new shares at placing price HK\$0.25 per share to not less than six placees. Further details are set out in the paragraph headed "Placing of new Shares under general mandate".
- (b) A loan agreement dated 20 September 2016 and a supplemental deed to the loan agreement dated 21 September 2016 entered into among Professional Wealth Creation Limited, a wholly-owned subsidiary of the Company, a company incorporated under the laws of the British Virgin Islands (the "Borrower") and a guarantor in relation to grant a loan of HK\$10 million to the Borrower.
- (c) On 26 September 2016, the Group entered into two settlement deeds with the Wing Fai liquidator, Wai Shun liquidator and Zhukuan Wingfai Liquidator. Further details are set out in note 41(a) to the consolidated financial statements.

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 41 to the consolidated financial statements).

BRIEF BIOGRAPHICAL DETAILS OF DIRECTORS

EXECUTIVE DIRECTORS

Dr. Yang Zijiang (“Dr. Yang”), aged 43, has been an Executive Director since 17 July 2014. He also serves as director of certain wholly owned subsidiaries of the Company. He has 19 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 (Linyi Shi Zijiang Industrial Co., Ltd.) and 山東焦化集團鑄造焦有限公司 (Shandong Jiao Hua Group Foundry Coke Co., Ltd.). Dr. Yang is currently the chairman and general manager of 上海華鎧投資股份有限公司 (Shanghai Hai Kai Investment Holding Co., Ltd.) a company investing in manufacturing business.

Ms. Kwan Shan (“Ms. Kwan”), aged 45, has been an Executive Director and a Company Secretary. She joined the Company in October 2014 and has more than 18 years of experience in the accounting and finance field in listed companies. Ms. Kwan obtained her Master of Corporate Governance from The Hong Kong Polytechnic University in 2016 and holds a Bachelor’s Degree in Accountancy from The Hong Kong Polytechnic University. She is a fellow member of the Association of Chartered Certified Accountants. Ms. Kwan is an independent non-executive director of Far East Holdings International Limited (stock code: 36) and Good Resources Holdings Limited (stock code: 109), whose securities are listed on Main Board of the Stock Exchange.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wu Shiming (“Mr. Wu”), aged 40, 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), 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), and Theme International Holdings Limited (Stock Code: 990). He was an independent non-executive director of Pak Tak International Limited (Stock Code: 2668) from 24 September 2014 to 31 August 2016.

Mr. Lin Chaofan (“Mr. Lin”), aged 26, 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 (“Ms. Deng”), aged 32, 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 9 years of experience in business operations. Ms. Deng was an independent non-executive director of Sunway International Holdings Limited (Stock Code: 58) from 29 May 2015 to 30 June 2016.

CORPORATE GOVERNANCE REPORT

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 2016.

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 2016 except for the following deviation:

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 elected on 1 April 2016 while the Company does not have a formal CEO. The Company is still looking for suitable candidates to fill up the CEO role 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 2016, 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 2016.

CORPORATE GOVERNANCE REPORT

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. Ten meetings were held by the Board during the year ended 31 July 2016. Attendance of the meetings of the Board and those of the committees are set out as follows:

Name of Directors	Notes	Board	Attendance/Number of Meetings				AGM	SGM
			Audit	Nomination	Remuneration			
Executive Directors								
Dr. Yang Zijiang (<i>Chairman</i>)	1	10/10	-	-	-	1/1	1/1	
Ms. Kwan Shan	2	4/10	-	-	-	-	-	
Mr. Ng Chi Lung	3	8/10	-	-	-	1/1	1/1	
Independent Non-executive Directors								
Mr. Wu Shiming		10/10	3/3	2/2	2/2	1/1	1/1	
Mr. Lin Chaofan		10/10	3/3	2/2	2/2	1/1	1/1	
Ms. Deng Chunmei		9/10	3/3	2/2	2/2	1/1	1/1	

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 Directors, three Independent Non-executive Directors and the external auditor of the Company attended the AGM on 15 December 2015, 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. Dr. Yang Zijiang was appointed as Chairman of the Board on 1 April 2016.
2. Ms. Kwan Shan was appointed as Executive Director on 1 April 2016.
3. Mr. Ng Chi Lung was resigned as Executive Director on 1 April 2016.

CORPORATE GOVERNANCE REPORT

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 By-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.

CORPORATE GOVERNANCE REPORT

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	✓	✓	
Ms. Kwan Shan	✓	✓	✓
Mr. Ng Chi Lung	✓	✓	
Independent Non-executive Directors			
Mr. Wu Shiming	✓	✓	✓
Mr. Lin Chaofan	✓	✓	
Ms. Deng Chunmei	✓	✓	

Directors' Insurance

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 ("INEDs") with three 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, all Board members have a supervisory role in ensuring that a solid foundation for good corporate governance is provided to the Group.

CORPORATE GOVERNANCE REPORT

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

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

- Provision of independent judgment at the Board;
- Dealing with issues arising from potential conflicts of interests between the major shareholders (or, as the case may be, Directors, or management and the minority shareholders);
- Serving on audit, nomination 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 Chumei respectively upon their appointment. The Company considers all INEDs 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 currently comprises three INEDs, namely Mr. Wu Shiming, Mr. Lin Chaofan and Ms. Deng Chunmei. The Committee is chaired by 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.

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 and internal auditors; and reviewed the system of internal control and its other duties in accordance with the Audit Committee's terms of reference.

CORPORATE GOVERNANCE REPORT

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 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 two meetings were held 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 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 number 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.

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.

CORPORATE GOVERNANCE REPORT

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 INEDs, namely Mr. Wu Shiming, Mr. Lin Chaofan and Ms. Deng Chunmei. The Committee is chaired by 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 two meeting 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 Executive Director 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 2016 is as follows:

Remuneration Band (in HK\$)	No. of individuals
Nil–HK\$1,000,000	8
HK\$1,000,001 to HK\$1,500,000	1
	<hr/>
	9

Details of the remuneration of each Director for the year ended 31 July 2016 are set out in note 12 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 2016, BDO provided the following audit and non-audit services to the Group:

Nature of Services	Amount HK\$'000
External Audit Services	735
Taxation Services	94
Others	255

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.

CORPORATE GOVERNANCE REPORT

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 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. In preparing the financial statements for the year ended 31 July 2016, 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.

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

SHAREHOLDERS' RIGHT

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

COMMUNICATION WITH SHAREHOLDERS

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

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

CONSTITUTIONAL DOCUMENTS

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

REPORT OF THE DIRECTORS

The Directors present their annual report and the audited consolidated financial statements of Yueshou Environmental Holdings Limited (the “Company”, together with its subsidiaries, the “Group”) for the year ended 31 July 2016.

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 2016 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 activities for the year ended 31 July 2016 is set out in note 6 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The Group’s results for the year ended 31 July 2016 and the statements of financial position of the Group as at 31 July 2016 are set out in the consolidated financial statements on pages 25 to 26.

The Directors do not recommend the payment of any dividend in respect of the year ended 31 July 2016 (2015: Nil).

FIVE YEARS FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five years is set out on page 81.

SHARE CAPITAL

Details of movements in the share capital 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 33 to the consolidated financial statements and in the consolidated statement of changes in equity on pages 27 to 28 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 2016 (2015: 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 (2015: HK\$1,689,752,000) 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 17 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 16 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

Ms. Kwan Shan (appointed on 1 April 2016)

Mr. Ng Chi Lung (resigned on 1 April 2016)

Independent Non-executive Directors

Mr. Wu Shiming

Mr. Lin Chaofan

Ms. Deng Chunmei

In accordance with bye-law 86(2), 87(1) and 87(2) of the Bye-laws of the Company, Dr. Yang Zijiang and Mr. Wu Shiming shall retire from office by rotation and being eligible, will offer themselves for re-election at the forthcoming annual general meeting. Ms. Kwan Shan being newly appointed Director, shall retire from office at the forthcoming annual general meeting and being eligible, offer herself for re-election at the 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
Ms. Kwan Shan	obtained her Master of Corporate Governance from The Hong Kong Polytechnic University in 2016.
Mr. Wu Shiming	resigned as an independent non-executive director of Pak Tak International Limited (Stock Code: 2668) on 31 August 2016.
Ms. Deng Chunmei	resigned as an independent non-executive director of Sunway International Holdings Limited (Stock Code: 58) on 30 June 2016.

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

REPORT OF THE DIRECTORS

BRIEF BIOGRAPHICAL DETAILS OF DIRECTORS

Brief biographical details of the Directors of the Company are set out on page 8 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. 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 two years unless terminated by at least three month's written notice served by either party at any time during the then existing term.

Ms. Kwan Shan has entered into a service agreement with the Company in relation to her appointment as an Executive Director and Company Secretary of the Company. She has no fixed term of service unless terminated by at least three 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.

REPORT OF THE DIRECTORS

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 31 July 2016, 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)	780,771,080	26.06%
Ms. Kwan Shan (Note b)	500,000	0.01%
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 2016, among the 414,000,000 Ordinary Shares ("Shares") are legally and beneficially held by the name of Dr. Yang.

b: Ms. Kwan Shan is an Executive Director.

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

d: Based on the number of 2,996,173,330 Shares of the Company in issue as at 31 July 2016.

Save as disclosed above, as at 31 July 2016, 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.

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Other than as disclosed in note 36 to the consolidated financial statements, no contracts of significance to which the Company, or any of its 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 2016, 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	780,771,080	26.06%
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 was appointed is an Executive Director of the Company. As at 31 July 2016, among the 780,771,080 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 Chi Chung ("Mr. Fong"), respectively.

Note b: As at 31 July 2016, 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 2016, 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 2016.

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 2016.

CONNECTED TRANSACTIONS

For the year ended 31 July 2016, the Company did not have any connected transactions or continuing connected transactions as stipulated in the Listing Rules.

REPORT OF THE DIRECTORS

MAJOR SUPPLIERS AND CUSTOMERS

The amount of revenue attributable to the Group's largest customer represented 56% of the Group's total revenue.

The aggregate amount of revenue attributable to the Group's five largest customers represented 83% of the Group's total revenue.

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 2016.

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 9 to 16 of the annual report.

AUDITOR

The consolidated financial statements of the Group for the year ended 31 July 2016 were audited by BDO Limited ("BDO") whose term of office will expire upon the forthcoming annual general meeting. BDO was re-appointed as the auditors 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 auditors 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 2014 and 2015 were audited by BDO.

On Behalf of the Board

Dr. Yang Zijiang
Chairman

Hong Kong, 20 October 2016

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 25 to 80, which comprise the consolidated statement of financial position as at 31 July 2016, 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 1981, 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.

INDEPENDENT AUDITOR'S REPORT

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 July 2016, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance 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 2016

BDO Limited
香港立信德豪會計師事務所有限公司

BDO Limited, a Hong Kong limited company, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 July 2016

	Notes	2016 HK\$'000	2015 HK\$'000
Revenue	7	9,765	4,161
Cost of sales and services		(2,909)	(2,694)
Gross profit		6,856	1,467
Other revenue and other gain	8	2,101	231
Administrative expenses		(23,758)	(31,862)
Fair value losses on investments held for trading		(682)	–
Fair value (losses)/gains on investment properties	17	(5,124)	8,749
Finance costs	13	(508)	(709)
Loss before income tax	9	(21,115)	(22,124)
Income tax	14	(1,427)	(4,107)
Loss for the year attributable to owners of the Company		(22,542)	(26,231)
Other comprehensive income for the year			
<i>Item that may be reclassified subsequently to profit or loss</i>			
Exchanges differences on translation of foreign operations		(444)	(57)
Total comprehensive income for the year attributable to owners of the Company		(22,986)	(26,288)
Loss per share		HK cents	HK cents
Basic and diluted	15	(0.7)	(restated) (1.1)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 July 2016

	Notes	2016 HK\$'000	2015 HK\$'000
Non-current assets			
Property, plant and equipment	16	1,623	2,505
Investment properties	17	173,346	178,470
Intangible assets	18	4,141	–
Total non-current assets		179,110	180,975
Current assets			
Properties held for sale	20	7,240	7,465
Properties under development	21	31,431	31,431
Loan and other receivables	22	50,101	5,354
Deposits and prepayments	23	6,001	13,255
Investments held for trading	24	27,002	–
Restricted bank balances	21	–	730
Bank balances and cash	25	101,822	191,608
Total current assets		223,597	249,843
Current liabilities			
Trade and other payables	26	30,391	32,331
Accruals		2,904	4,516
Loans from shareholders	27	49,598	52,598
Tax payable		343	–
Total current liabilities		83,236	89,445
Net current assets		140,361	160,398
Total assets less current liabilities		319,471	341,373
Non-current liabilities			
Deferred tax liabilities	28	27,968	26,884
NET ASSETS		291,503	314,489
Capital and reserves attributable to owners of the Company			
Share capital	29	29,962	29,962
Reserves		261,541	284,527
TOTAL EQUITY		291,503	314,489

The financial statements were approved and authorised for issue by the Board of Directors on 20 October 2016.

Dr. Yang Zijiang
Director

Ms. Kwan Shan
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 July 2016

	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 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)
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(c))	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(d))	14,981	131,926	-	-	-	-	-	-	146,907
At 31 July 2015 and 1 August 2015	29,962	1,689,752	11,613	6,852	77,033	1,080,948	-	(2,581,671)	314,489
Loss for the year	-	-	-	-	-	-	-	(22,542)	(22,542)
Other comprehensive income for the year:									
Exchange differences on translation of foreign operations	-	-	-	(444)	-	-	-	-	(444)
Total comprehensive income for the year	-	-	-	(444)	-	-	-	(22,542)	(22,986)
At 31 July 2016	29,962	1,689,752	11,613	6,408	77,033	1,080,948	-	(2,604,213)	291,503

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 July 2016

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 2016

	Notes	2016 HK\$'000	2015 HK\$'000
Cash flows from operating activities			
Loss before income tax		(21,115)	(22,124)
Adjustments for:			
Depreciation of property, plant and equipment	16	1,604	1,933
Amortisation of intangible assets	18	331	–
Fair value losses/(gains) on investment properties	17	5,124	(8,749)
Fair value losses on investments held for trading		682	–
Impairment provision against deposits paid for legal claim	9	7,000	–
Share-based payment	9	–	6,960
Interest income	8	(193)	(231)
Finance costs	13	508	709
Operating loss before movements in working capital		(6,059)	(21,502)
Decrease in properties held for sale		225	–
Increase in loan and other receivables		(44,967)	(4,550)
Decrease in deposits and prepayments		254	55
Decrease in other deposits		–	352
Increase in investments held for trading		(27,684)	–
Decrease in trade and other payables		(1,949)	(155)
Decrease in accruals		(2,120)	(427)
Net cash used in operating activities		(82,300)	(26,227)
Cash flows from investing activities			
Net cash paid to acquire certain intangible assets (through acquisition of a subsidiary)	34	(4,472)	–
Interest received		193	231
Purchase of property, plant and equipment	16	(843)	(61)
Decrease/(increase) in restricted bank balances		730	(730)
Net cash used in investing activities		(4,392)	(560)
Cash flows from financing activities			
Repayment of loans from shareholders	27	(3,000)	–
Proceeds from issue of ordinary shares, net of transaction costs	29(d)	–	146,907
Proceeds from exercise of share options	29(c)	–	21,321
Net cash (used in)/from financing activities		(3,000)	168,228
Net (decrease)/increase in cash and cash equivalents		(89,692)	141,441
Cash and cash equivalents at beginning of year		191,608	50,157
Effect of foreign exchange rate changes		(94)	10
Cash and cash equivalents at end of year, representing bank balances and cash		101,822	191,608

NOTE TO THE FINANCIAL STATEMENTS

31 July 2016

1. GENERAL

Yueshou Environmental Holdings Limited (the “Company”, together with its subsidiaries, the “Group”) was incorporated in Bermuda on 29 June 1994 as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The principal place of business of the Company is Unit 2106, 21st Floor, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Sheung Wan, Hong Kong.

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.

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

(a) Adoption of new or revised HKFRSs – effective 1 August 2015

There were no new or revised HKFRSs adopted during the year.

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

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

HKFRSs (Amendments)	Annual Improvements 2012-2014 Cycle ¹
Amendments to HKAS 1	Disclosure Initiative ¹
Amendments to HKAS 7	Disclosure Initiative ²
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses ²
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ¹
HKFRS 9 (2014)	Financial Instruments ³
HKFRS 15	Revenue from Contracts with Customers ³
HKFRS 16	Leases ⁴

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

⁴ Effective for annual periods beginning on or after 1 January 2019

• 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.

NOTE TO THE FINANCIAL STATEMENTS

31 July 2016

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

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

- **Amendments to HKAS 7 – Disclosure Initiative**

The amendments to HKAS 7 require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

- **Amendments to HKAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses**

The amendments to HKAS 12 clarify how to account for deferred tax assets related to debt instruments measured at fair value.

- **Amendments to HKAS 16 and HKAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation**

The amendments to HKAS 16 prohibit the use of a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 introduce a rebuttable presumption that amortisation based on revenue is not appropriate for intangible assets. This presumption can be rebutted if either the intangible asset is expressed as a measure of revenue or revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

- **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.

NOTE TO THE FINANCIAL STATEMENTS

31 July 2016

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

(b) New or 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.

- **HKFRS 16 – Leases**

HKFRS 16 supersedes HKAS 17 Leases, HK(IFRIC) – Int 4 Determining Whether an Arrangement Contains a Lease, HK(SIC) – Int 15 Operating Lease – Incentives and HK(SIC) – Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

HKFRS 16 eliminates the classification by a lessee of leases as either operating or finance. Instead all leases are treated in a similar way to finance leases in accordance with HKAS 17 Leases. Under HKFRS 16, leases are recorded on the statement of financial position by recognising a liability for the present value of its obligation to make future lease payments with an asset (comprised the amount of lease liability plus certain other amounts) either being disclosed separately in the statement of financial position (within right-of-use assets) or together with property, plant and equipment. The most significant effect of the new requirements will be an increase in recognised lease assets and financial liabilities.

There are some exemptions. HKFRS 16 contains options which do not require a lessee to recognise assets and liabilities for (a) short term leases (i.e. lease of 12 months or less, including the effect of any extension options) and (b) leases of low value assets (for example, a lease of a personal computer).

HKFRS 16 substantially carries forward the lessor's accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. In classifying a sublease, an intermediate lessor shall classify the sublease as a finance lease or an operating lease as follows: (a) if the head lease is a short-term lease that the entity, as a lessee, has accounted for applying paragraph 6 of HKFRS 16, the sublease shall be reclassified as an operating lease; (b) otherwise, the sublease shall be classified by reference to the right-of-use asset arising from the head lease, rather than by reference to the underlying asset.

NOTE TO THE FINANCIAL STATEMENTS

31 July 2016

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

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

- **HKFRS 16 – Leases** (Continued)

HKFRS 16 clarifies that a lessee separates lease components and service components of a contract, and applies the lease accounting requirements only to the lease components.

The Group has already commenced an assessment of the impact of adopting the above standards and amendments to existing standards to the Group. The Group is not yet in a position to state whether these new pronouncements will result in substantial changes to the Group’s accounting policies and 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, has been applied to the Group in its financial year ended on 31 July 2016.

The Directors consider that there is 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 consolidated 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 consolidated financial statements have been prepared under the historical cost basis, except for investment properties, available-for-sale financial assets and investments held-for-trading, which are measured at fair values as explained in the accounting policies set out in note 4(e) and (h) below.

(c) Functional and presentation currency

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

NOTE TO THE FINANCIAL STATEMENTS

31 July 2016

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.

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.

NOTE TO THE FINANCIAL STATEMENTS

31 July 2016

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Intangible assets

Acquired intangible assets

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

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

Licenses of regulated activities issued by Securities and Futures Commission ("SFC") for Type 4 "Advising on Securities" and Type 9 "Asset Management" 3 years

Impairment

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

An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as revaluation decrease.

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

Intangible assets with finite lives are tested for impairment when there is an indication that an asset may be impaired (see the accounting policies in respect of impairment of other assets as set out in note 4(o) below).

(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.

NOTE TO THE FINANCIAL STATEMENTS

31 July 2016

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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 $\frac{1}{3}$ %
Plant and machinery	10%
Leasehold improvements	10 – 50%

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

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

(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.

NOTE TO THE FINANCIAL STATEMENTS

31 July 2016

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(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.

(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.

Financial assets at fair value through profit or loss

These assets include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise.

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.

NOTE TO THE FINANCIAL STATEMENTS

31 July 2016

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.

NOTE TO THE FINANCIAL STATEMENTS

31 July 2016

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.

NOTE TO THE FINANCIAL STATEMENTS

31 July 2016

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.

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.

NOTE TO THE FINANCIAL STATEMENTS

31 July 2016

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(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.

(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.

NOTE TO THE FINANCIAL STATEMENTS

31 July 2016

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Employee benefits *(Continued)*

(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.

(o) Impairment of other assets

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, intangible assets with finite lives 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.

NOTE TO THE FINANCIAL STATEMENTS

31 July 2016

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(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.
- (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).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

NOTE TO THE FINANCIAL STATEMENTS

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4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) Related parties *(Continued)*

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

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

(a) Impairment of loan and other receivables

The aged debt profile of loan and other receivables is reviewed on a regular basis to ensure that the balances of loan and other receivables 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) 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.

NOTE TO THE FINANCIAL STATEMENTS

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

(c) 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.

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 17);
- Available-for-sale financial assets (note 19); and
- Investments held-for-trading (note 24)

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.

NOTE TO THE FINANCIAL STATEMENTS

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6. SEGMENT REPORTING (Continued)

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

(a) Operating segments

	Property development		Financial services		Total	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Reportable segment revenue	4,268	4,161	5,497	–	9,765	4,161
Reportable segment (loss)/profit	(4,317)	7,530	1,591	(509)	(2,726)	7,021
Unallocated corporate income					2,589	184
Unallocated corporate expenses					(20,470)	(28,620)
Fair value (losses)/gains on investment properties	(5,124)	8,749	–	–	(5,124)	8,749
Depreciation of property, plant and equipment	(1,437)	(1,913)	(1)	–	(1,438)	(1,913)
Reportable segment assets	222,957	229,528	58,219	53,018	281,176	282,546
Additions to non-current assets	–	–	4,472	7	4,472	7
Reportable segment liabilities	(29,978)	(31,918)	(343)	(17)	(30,321)	(31,935)

(b) Geographical information

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

	Revenue from external customers		Specified non-current assets	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
The PRC	4,268	4,161	174,207	180,888
Hong Kong	5,497	–	4,903	87
	9,765	4,161	179,110	180,975

(c) Information about major customers

Revenues from two (2015: two) customers of the Group's property development and from one (2015: nil) customer of the Group's financial services segments totally amounted to HK\$7,611,000 (2015: HK\$2,208,000), which represents over 78% (2015: 50%) of the Group's revenues.

NOTE TO THE FINANCIAL STATEMENTS

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6. SEGMENT REPORTING (Continued)

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

	2016 HK\$'000	2015 HK\$'000
Loss before income tax		
Reportable segment (loss)/profit	(2,726)	7,021
Unallocated corporate income	2,589	184
Unallocated corporate expenses*	(20,470)	(28,620)
Finance costs	(508)	(709)
Consolidated loss before income tax	(21,115)	(22,124)

* Unallocated corporate expenses include legal and professional fees of HK\$4,654,000 (2015: HK\$3,993,000), impairment provision against deposits paid for legal claim of HK\$7,000,000 (2015: nil), compensation to a former director of nil (2015: HK\$7,000,000) and share-based payment of nil (2015: HK\$6,960,000).

	2016 HK\$'000	2015 HK\$'000
Assets:		
Reportable segment assets	281,176	282,546
Unallocated corporate assets		
Bank balances and cash	90,568	138,251
Investments held for trading	27,002	–
Other corporate assets	3,961	10,021
	121,531	148,272
Consolidated total assets	402,707	430,818
Liabilities:		
Reportable segment liabilities	30,321	31,935
Unallocated corporate liabilities		
Loans from shareholders	49,598	52,598
Other corporate liabilities	3,317	4,912
	52,915	57,510
Deferred tax liabilities	27,968	26,884
Consolidated total liabilities	111,204	116,329

NOTE TO THE FINANCIAL STATEMENTS

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7. REVENUE

Revenue 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, and loan interest income from money lending business.

	2016 HK\$'000	2015 HK\$'000
Sales of property in the PRC	280	–
Rental income	2,272	2,360
Building management fee income	1,716	1,801
Loan interest income	5,497	–
	9,765	4,161

8. OTHER REVENUE AND OTHER GAIN

	2016 HK\$'000	2015 HK\$'000
Other revenue:		
Interest income	193	231
Sundry income	16	–
	209	231
Other gain:		
Exchange gain, net	1,892	–
	2,101	231

NOTE TO THE FINANCIAL STATEMENTS

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9. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging:

	2016 HK\$'000	2015 HK\$'000
Cost of sales and services recognised as expenses	2,909	2,694
Staff costs (note 10)	7,227	8,536
Depreciation of property, plant and equipment (note (a))	1,604	1,933
Amortisation of intangible assets (included in administrative expenses)	331	–
Operating lease rentals in respect of land and buildings	938	1,683
Auditor's remuneration	735	735
Impairment provision against deposits paid for legal claim (note (b))	7,000	–
Share-based payment (note (c)) (note 30)	–	6,960
Compensation to a former director (note (d))	–	7,000

Notes:

- (a) Cost of sales and services includes HK\$1,438,000 (2015: HK\$1,913,000) relating to depreciation of property, plant and equipment.
- (b) Impairment provision against deposits paid for legal claim of HK\$7,000,000 is included in administrative expenses. Further details of this impairment provision are set out in note 41(a).
- (c) Share-based payment includes nil (2015: HK\$1,526,000) relating to staff costs.
- (d) Under the settlement deed signed by the Company with a former director, Ms. Kelly Cheng and two relevant parties, a compensation of HK\$7,000,000 was paid by the Company to Ms. Kelly Cheng on 12 February 2015, and was charged to profit or loss during the year ended 31 July 2015. Following the settlement, the legal cases between the Company and Ms. Kelly Cheng were either dismissed or withdrawn during the year ended 31 July 2015.

10. STAFF COSTS

	2016 HK\$'000	2015 HK\$'000
Staff costs (including Directors' emoluments) comprise:		
Salaries and other benefits	6,917	6,660
Contributions to defined contribution retirement plans	310	350
Share-based payment	–	1,526
	7,227	8,536

NOTE TO THE FINANCIAL STATEMENTS

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11. DIRECTORS' EMOLUMENTS

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

	Fees HK\$'000	Salaries and other benefits HK\$'000	Contributions to defined contribution plans HK\$'000	Total HK\$'000
2016:				
Executive Directors:				
Dr. Yang Zijiang	–	926	–	926
Ms. Kwan Shan (appointed on 1 April 2016)	–	340	6	346
Mr. Ng Chi Lung (resigned on 1 April 2016)	–	450	12	462
Independent Non-executive Directors:				
Mr. Wu Shiming	100	–	–	100
Mr. Lin Chaofan	100	–	–	100
Ms. Deng Chunmei	100	–	–	100
	300	1,716	18	2,034

	Fees HK\$'000	Salaries and other benefits HK\$'000	Contributions to defined contribution 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

None of the Directors waived or agreed to waive any emolument during the year ended 31 July 2016 and 2015.

NOTE TO THE FINANCIAL STATEMENTS

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12. FIVE HIGHEST PAID INDIVIDUALS

Of the five individuals with highest emoluments in the Group, three (2015: two) were Directors of the Company, whose emoluments are included in the disclosures in note 11 above. The emoluments of the remaining two (2015: three) individuals were as follows:

	2016 HK\$'000	2015 HK\$'000
Salaries and other benefits	863	1,673
Contributions to defined contribution plans	26	23
	889	1,696

Their emoluments were within the following bands:

	2016 Number of individuals	2015 Number of individuals
Nil to HK\$1,000,000	2	3

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

	2016 Number of individuals	2015 Number of individuals
Nil to HK\$1,000,000	8	12
HK\$1,000,001 to HK\$1,500,000	1	1
	9	13

13. FINANCE COSTS

	2016 HK\$'000	2015 HK\$'000
Interest expenses on loans from shareholders	508	709

NOTE TO THE FINANCIAL STATEMENTS

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14. INCOME TAX

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

	2016 HK\$'000	2015 HK\$'000
Current tax		
– current year	343	–
Deferred tax (<i>note 28</i>)		
– current year	1,084	4,107
	1,427	4,107

Hong Kong Profits Tax has been provided at the rate of 16.5% on the estimated assessable profits during the year ended 31 July 2016.

No provision for Hong Kong Profits Tax was made for the year ended 31 July 2015 as the Company and its respective subsidiaries in Hong Kong incurred tax losses for that year.

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

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

	2016 HK\$'000	2015 HK\$'000
Loss before income tax	(21,115)	(22,124)
Tax credit calculated at Hong Kong Profits Tax rate of 16.5% (2015: 16.5%)	(3,484)	(3,650)
Effect of different tax rates of subsidiaries operating in other jurisdictions	762	4,023
Tax effect of expenses not deductible for tax purpose	3,203	1,363
Tax effect of income not taxable for tax purpose	(505)	(1,715)
Tax effect of tax losses not recognised	1,451	3,622
Tax effect of other deductible temporary differences not recognised	–	464
Income tax for the year	1,427	4,107

NOTE TO THE FINANCIAL STATEMENTS

31 July 2016

15. 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:

	2016 HK\$'000	2015 HK\$'000
Loss		
Loss attributable to owners of the Company for the purposes of basic and diluted loss per share:	(22,542)	(26,231)

	2016	2015 (restated)
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	3,167,374,509	2,336,514,298

The denominators used are the same as those detailed above for both basic and diluted loss per share.

Diluted loss per share for the year ended 31 July 2016 is the same as the basic loss per share as there is no instruments with potential dilutive shares issued by the Group during the year ended 31 July 2016.

Diluted loss per share for the year ended 31 July 2015 was 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 ended 31 July 2015 was anti-dilutive.

The weighted average number of ordinary shares for the purposes of basic and diluted loss per share for the years ended 31 July 2015 and 2016 are after the adjustment of the bonus elements in the shares issued under the placing of shares completed subsequent to the end of reporting period but before the date of approval of these financial statements, as set out in note 42(b).

The comparative figures for the basic and diluted loss per share for the year ended 31 July 2015 are restated to take into account of the effect of the bonus elements arising from the placing of shares completed subsequent to the end of reporting period but before the date of approval of these financial statements retrospectively as if they had taken place since the beginning of the comparative period.

NOTE TO THE FINANCIAL STATEMENTS

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16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost				
At 1 August 2014	10,069	918	790	11,777
Exchange adjustments	(75)	–	–	(75)
Additions	–	61	–	61
At 31 July 2015 and 1 August 2015	9,994	979	790	11,763
Exchange adjustments	(593)	–	–	(593)
Additions	–	44	799	843
Write off	(539)	–	–	(539)
At 31 July 2016	8,862	1,023	1,589	11,474
Accumulated depreciation and impairment				
At 1 August 2014	5,726	872	790	7,388
Exchange adjustments	(63)	–	–	(63)
Depreciation	1,913	20	–	1,933
At 31 July 2015 and 1 August 2015	7,576	892	790	9,258
Exchange adjustments	(472)	–	–	(472)
Depreciation	1,437	34	133	1,604
Write off	(539)	–	–	(539)
At 31 July 2016	8,002	926	923	9,851
Net book value				
At 31 July 2016	860	97	666	1,623
At 31 July 2015	2,418	87	–	2,505

NOTE TO THE FINANCIAL STATEMENTS

31 July 2016

17. INVESTMENT PROPERTIES

	2016 HK\$'000	2015 HK\$'000
Fair value:		
Completed investment properties, in the PRC	91,462	99,828
Investment properties under construction, in the PRC	81,884	78,642
	173,346	178,470

The Group's 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 2016 and 2015 were determined by the Directors with reference to the valuation report prepared by Greater China Appraisal 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 2016 is a level 3 (2015: level 3) recurring fair value measurement, which uses significant unobservable inputs in arriving at fair value. During the years ended 31 July 2016 and 2015, in respect of investment properties there were no transfers between level 1 and level 2, or transfers into or out of level 3.

The fair value of investment properties is a level 3 recurring fair value measurement. A reconciliation of the opening and closing fair value balance is provided below.

	2016 HK\$'000	2015 HK\$'000
Fair value:		
At beginning of year (level 3 recurring fair value)	178,470	169,721
Fair value (losses)/gains	(5,124)	8,749
At end of year (level 3 recurring fair value)	173,346	178,470

The fair values of investment properties as at 31 July 2016 and 2015 were determined using direct comparison approach and investment method as appropriate. For investment properties determined by the direct comparison approach, recent market information about prices for comparable properties was used with significant 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.

NOTE TO THE FINANCIAL STATEMENTS

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17. INVESTMENT PROPERTIES (Continued)

Details about the valuation inputs for 2016 and 2015 are as follows:

2016

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: RMB1,600 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 Term yield: 4.5% per annum Reversionary yield: 5.5% per annum	The higher the market rent, the higher the fair value The higher the term yield, the lower the fair value 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 Term yield: 7% per annum Reversionary yield: 8% per annum	The higher the market rent, the higher the fair value The higher the term yield, the lower the fair value 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

NOTE TO THE FINANCIAL STATEMENTS

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17. INVESTMENT PROPERTIES (Continued)

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 Term yield: 4.5% per annum Reversionary yield: 5.5% per annum	The higher the market rent, the higher the fair value The higher the term yield, the lower the fair value 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 Term yield: 7% per annum Reversionary yield: 8% per annum	The higher the market rent, the higher the fair value The higher the term yield, the lower the fair value 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

Property rental income earned during the year was HK\$2,272,000 (2015: HK\$2,360,000) and the related direct operating expenses were approximately HK\$727,000 (2015: HK\$781,000). The property held had committed tenants for 1 to 5 years (2015: 1 to 3 years). At the end of reporting period, the Group contracted with tenants for the following future minimum lease receivables:

	2016 HK\$'000	2015 HK\$'000
Within one year	1,633	1,730
In the second to fifth year inclusive	3,933	654
	5,566	2,384

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18. INTANGIBLE ASSETS

	Licenses HK\$'000
Cost	
At 1 August 2014, 31 July 2015 and 1 August 2015	–
Acquired through acquisition of a subsidiary (note 34)	4,472
At 31 July 2016	4,472
Amortisation	
At 1 August 2014, 31 July 2015 and 1 August 2015	–
Amortisation	(331)
At 31 July 2016	(331)
Net book value	
At 31 July 2016	4,141
At 31 July 2015	–

The intangible assets represent licenses of regulated activities issued by SFC for Type 4 “Advising on Securities” and Type 9 “Asset Management” acquired through acquisition of a subsidiary as explained in note 34.

19. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2016 HK\$'000	2015 HK\$'000
Available-for-sale financial assets	–	–

NOTE TO THE FINANCIAL STATEMENTS

31 July 2016

19. AVAILABLE-FOR-SALE FINANCIAL ASSETS (Continued)

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

* Alverna holds 60% direct equity interest in Shannalyne.

The Group holds an interest in certain tree plantation operations situated in the Caraga region of Mindanao in the Philippines. These interests were acquired some time ago during the year ended 31 July 2011 for approximately HK\$2.02 billion, and are held through two former associates, Shannalyne and Alverna (together the "Associates"). Details of the tree plantation operations were set out in the Company's Very Substantial Acquisition Circular dated 30 June 2010. Up to 6 January 2014, the Group accounted for its interest in these tree plantation operations by way of equity accounting for its interests in the Associates.

However, from the time it acquired its interest in these operations, the Group experienced many problems, including unfavourable changes in local Philippine laws and regulations related to the forestry industry and a severe deterioration in the working relationship with its Philippine partner and majority equity rights holder in this venture, Ms. Juanita Dimla De Guzman ("Ms. De Guzman"). In addition, the Company's relationship with its then Chairman and Executive Director, Mr. Tan Cheow Teck ("Mr. CT Tan"), who held out himself as a forestry expert and a key proponent of these operations, also broke down irrevocably. These cumulative problems resulted in the Group abandoning the tree plantation operations in the Philippines and writing down the remaining carrying value of its investment in the Associates to nil on 6 January 2014. At the same date, the Group reclassified its interests in the Associates as available-for-sale financial assets ("AFS"), as the Company felt it no longer had any significant influence over the Associates. Details of the impairment of the investment in Associates and their reclassification as AFS are set out in the financial statements for the year ended 31 July 2014 and in the Company's announcements dated 19 December 2013, 13 January 2014, 19 February 2014, 10 March 2014 and 17 March 2014.

There have been no positive developments since the investments in the former Associates (now classified as AFS) were fully impaired, and as at 31 July 2016 and 2015, the Directors continue to believe the value of the AFS is nil and that no realistic recovery of any value in the Philippine tree plantation operations is presently likely or probable.

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20. PROPERTIES HELD FOR SALE

	2016 HK\$'000	2015 HK\$'000
Properties held for sale	7,240	7,465

Properties held for sale represent 35 (2015: 36) residential units located in Regal Garden, no. 888 Lunchang Road, Lunjiao Town, Shunde District, Foshan City, Guangdong Province, the PRC.

21. PROPERTIES UNDER DEVELOPMENT

	2016 HK\$'000	2015 HK\$'000
Properties under development	31,431	31,431

As at 31 July 2016, the carrying amount of properties under development of HK\$31,431,000 (2015: 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.

During the years ended 31 July 2014, 2015 and 2016, the Contractor has not issued any further demand letters nor raised any formal proceedings against the Group to claim the outstanding amount.

NOTE TO THE FINANCIAL STATEMENTS

31 July 2016

21. PROPERTIES UNDER DEVELOPMENT *(Continued)*

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 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, the balance in the three bank accounts of Shunde China Rich were approximately RMB586,000 (equivalent to HK\$730,000). These bank balances were accordingly reclassified as "restricted bank balances" in the Group's consolidated statement of financial position at 31 July 2015. During the year ended 31 July 2016, the restrictions over these bank accounts were released by the Higher People's Court of Guangdong Province (廣東省高級人民法院) and the cash held in these accounts may be freely used by the Group.

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 the 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 2016, the fair value of the Properties was estimated to be approximately HK\$46,016,000 (2015: HK\$45,892,000) with reference to a valuation report issued by Greater China Appraisal Limited (2015: Greater China Appraisal 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.

NOTE TO THE FINANCIAL STATEMENTS

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22. LOAN AND OTHER RECEIVABLES

	2016 HK\$'000	2015 HK\$'000
Loan to a borrower, neither past due nor impaired	50,000	–
Other receivables	101	5,354
Loan and other receivables	50,101	5,354

The loan of HK\$50,000,000 was granted to a corporate borrower and is secured by the equity interest of the borrower. It bears interest at 13.2% per annum and was repayable on 29 September 2016. The loan has been settled in full subsequent to the end of reporting period on 7 October 2016.

23. DEPOSITS AND PREPAYMENTS

	2016 HK\$'000	2015 HK\$'000
Deposits paid for legal claim	12,650	12,650
Less: Impairment provision against security deposits for legal claim	(7,000)	–
	5,650	12,650
Deposits paid	339	524
Prepayment	12	81
	6,001	13,255

Included in 'deposits paid for legal claim' is a sum of approximately HK\$12,472,000 held in escrow by two legal firms in favour of the liquidators of Wing Fai Construction Company Limited ("Wing Fai"). These security deposits arose from certain legal actions taken against the Group by the liquidators of Wing Fai, Wai Shun Construction Company Limited ("Wai Shun") and Zhukuan Wing Fai Construction Company Limited ("ZWF") (collectively "the Liquidators"), who refused to recognise the effect of the set-off of inter-company accounts pursuant to a Set Off 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 ZWF on 22 April 2002. Further details of the background to these legal proceedings are set out in note 41(a).

During the year, the Company has been in negotiation with the Liquidators to reach a full and final settlement to all the long outstanding legal proceedings with these parties. Subsequent to the year end, on 26 September 2016, all parties were able to reach full and final settlements, pursuant to which the Company agreed to release HK\$7,000,000 of the security deposits to the Liquidators. The Company has accordingly made an impairment provision of HK\$7,000,000 against the security deposits as at 31 July 2016. Further details of the settlements are set out in note 41(a).

NOTE TO THE FINANCIAL STATEMENTS

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24. INVESTMENTS HELD FOR TRADING

	2016 HK\$'000	2015 HK\$'000
Equity securities listed in Hong Kong at fair value	27,002	–

The equity securities held by the Group represents 3.52% of equity interest in Sunway International Holdings Limited (stock code: 58) as at 31 July 2016. The principal activities of Sunway International Holdings Limited are manufacturing and trading of pre-stressed steel bars, pre-stressed high strength concrete piles, ready-mixed concrete, sand-lime bricks, aerated concrete products and eco-concrete products. The fair value of the listed equity securities was determined with reference to the quoted market prices in an active market. Under the fair value hierarchy described in note 5 (c), these investments are classified as Level 1.

25. BANK BALANCES AND CASH

	2016 HK\$'000	2015 HK\$'000
Bank balances and cash	101,822	191,608

As at 31 July 2016, cash and bank balances of the Group included currencies denominated in RMB amounting to approximately HK\$2,184,000 (2015: HK\$330,000) which is not freely convertible into other currencies.

26. TRADE AND OTHER PAYABLES

At 31 July 2016, included in the Group's trade and other payables of approximately HK\$30,391,000 (2015: HK\$32,331,000) were trade payables of approximately HK\$29,352,000 (2015: HK\$31,310,000), representing the outstanding construction fee in dispute, further details of which are set out in note 21.

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

	2016 HK\$'000	2015 HK\$'000
Over 365 days	29,352	31,310

NOTE TO THE FINANCIAL STATEMENTS

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27. LOANS FROM SHAREHOLDERS

	2016 HK\$'000	2015 HK\$'000
Mr. Sun Yin Chung (i)	–	3,000
Linshan Limited ("Linshan") (ii)	49,598	49,598
	49,598	52,598

- (i) The loan from Mr. Sun Yin Chung was unsecured, bore interest at a fixed rate of 7% per annum and repayable on demand. This loan plus accrued interest was settled in full during the year.
- (ii) The loan from Linshan is unsecured and bears interest at the rate of 1% (2015: 1%) per annum. Linshan is wholly owned by Mr. Shannon Tan Siang-Tau ("Mr. S Tan"), a former Executive Director of the Company and the son of Mr. CT Tan, a former Chairman and Executive Director 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, details of which are set out in note 19. The Group has been highly dissatisfied with the performance, behaviour 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 during the year ended 31 July 2014. On 28 October 2014, a criminal action for misappropriation of certain funds and falsification of documents was filed in the Philippines against Ms. De Guzman, another key member of the management team and the majority equity rights holder of these tree plantation operations. In around May 2016, a warrant for the arrest of Ms. De Guzman was issued by the Regional Trial Court of Makati City. Ms. De Guzman subsequently filed a Motion for Reconsideration to dismiss the complaint raised against her. In June 2016 the Court denied Ms. De Guzman's motion and an arrest warrant was issued against her. Although several attempts have been made to serve the arrest warrant on Ms. De Guzman, none have been successful up to the date these financial statements were approved.

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.

NOTE TO THE FINANCIAL STATEMENTS

31 July 2016

28. DEFERRED TAX LIABILITIES

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

	Revaluation of investment properties HK\$'000
At 1 August 2014	22,777
Charge to profit or loss (<i>note 14</i>)	4,107
At 31 July 2015 and 1 August 2015	26,884
Charge to profit or loss (<i>note 14</i>)	1,084
At 31 July 2016	27,968

At 31 July 2016, the Group has estimated unused tax losses of HK\$139,015,000 (2015: HK\$131,849,000) available for offsetting against future profits, which are subject to the agreement of the relevant tax authorities. Included in the estimated unused tax losses, HK\$133,814,000 (2015: HK\$127,396,000) can be carried forward indefinitely and HK\$5,201,000 (2015: HK\$4,453,000) will expire in one to five years. 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 2014, of HK\$0.2 each	7,500,000,000	1,500,000
Capital reorganisation (<i>note a</i>)	142,500,000,000	–
At 31 July 2015, 1 August 2015 and 31 July 2016, of HK\$0.01 each	150,000,000,000	1,500,000
Convertible preference shares (the "CPS") (<i>note b</i>)		
At 1 August 2014, of HK\$0.2 each	5,000,000,000	1,000,000
Capital reorganisation (<i>note a</i>)	95,000,000,000	–
At 31 July 2015, 1 August 2015 and 31 July 2016, of HK\$0.01 each	100,000,000,000	1,000,000

NOTE TO THE FINANCIAL STATEMENTS

31 July 2016

29. SHARE CAPITAL (Continued)

	Number of shares	Amount HK\$'000
Issued and fully paid:		
Ordinary shares		
At 1 August 2014, of HK\$0.2 each	1,423,286,665	284,657
Issue of ordinary shares upon exercise of share options (note c)	74,800,000	14,960
Capital reduction (note a)	–	(284,636)
Issue of ordinary shares pursuant to an open offer (note d)	1,498,086,665	14,981
	<hr/>	<hr/>
At 31 July 2015, 1 August 2015 and 31 July 2016, of HK\$0.01 each	2,996,173,330	29,962

Note:

- (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.
- (c) 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.
- (d) 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.

NOTE TO THE FINANCIAL STATEMENTS

31 July 2016

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 10% (2015: 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.

There were no share options outstanding at 31 July 2016, and no share options were granted during the year ended.

NOTE TO THE FINANCIAL STATEMENTS

31 July 2016

30. SHARE OPTION SCHEME (Continued)

Details of the share options granted, lapsed and exercised under the New Scheme during the year ended 31 July 2015 were as follows:

	Date of grant	Exercise period	Number of options				Exercise price HK\$
			Outstanding as at 1 August 2014	Granted during the year	Exercised during the year	Outstanding as at 31 July 2015	
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.

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 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.

NOTE TO THE FINANCIAL STATEMENTS

31 July 2016

30. SHARE OPTION SCHEME (Continued)

The variables of the options granted during the year ended 31 July 2015 served as inputs into the model were 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

Note:

- (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.
- (iii) The estimated fair values of HK\$6,960,000 with respect to share options granted were charged to profit or loss during the year ended 31 July 2015.

NOTE TO THE FINANCIAL STATEMENTS

31 July 2016

31. HOLDING COMPANY STATEMENT OF FINANCIAL POSITION

	Notes	2016 HK\$'000	2015 HK\$'000
Non-current assets			
Property, plant and equipment		27	–
Interest in subsidiaries		–	–
Total non-current assets		27	–
Current assets			
Other receivables		–	20
Other deposits		2,931	9,431
Amounts due from subsidiaries		173,242	235,742
Bank balances and cash		47,430	202
Total current assets		223,603	245,395
Current liabilities			
Other payables		313	313
Accruals		1,789	3,872
Loan from a shareholder		–	3,000
Amounts due to subsidiaries		1,967	385
Total current liabilities		4,069	7,570
Net current assets		219,534	237,825
Total assets less current liabilities		219,561	237,825
NET ASSETS		219,561	237,825
Capital and reserves			
Share capital	29	29,962	29,962
Reserves	33	189,599	207,863
TOTAL EQUITY		219,561	237,825

On behalf of the Board of Directors

Dr. Yang Zijiang
Director

Ms. Kwan Shan
Director

NOTE TO THE FINANCIAL STATEMENTS

31 July 2016

32. PARTICULARS OF SUBSIDIARIES

The following list contains only the particulars of the principal subsidiaries as at 31 July 2016 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 to the Group
Sky Horse INC Limited	Hong Kong	HK\$1	100%	–	Investment holding and provision of administrative services to the Group
Professional Wealth Creation Limited	Hong Kong	HK\$1	100%	–	Money lending
Old Peak Capital Limited	Hong Kong	HK\$600,000	–	100%	Advising on securities and asset management

Note:

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

NOTE TO THE FINANCIAL STATEMENTS

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33. 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 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 (note 30)	6,960	–	–	(6,960)	–	–
Issue of ordinary shares upon exercise of share options (note 29(c))	6,361	–	–	–	–	6,361
Issue of ordinary shares pursuant to an open offer, net of transaction cost (note 29(d))	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 and 1 August 2015	1,689,752	1,080,948	77,033	–	(2,639,870)	207,863
Loss for the year	–	–	–	–	(18,264)	(18,264)
At 31 July 2016	1,689,752	1,080,948	77,033	–	(2,658,134)	189,599

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.

NOTE TO THE FINANCIAL STATEMENTS

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34. ACQUISITION OF ASSETS THROUGH ACQUISITION OF A SUBSIDIARY

On 10 May 2016, the Group acquired the entire equity interests of Old Peak Capital Limited ("Old Peak") from the vendors, which are independent third parties, at cash consideration of HK\$4,605,000.

Old Peak is a licensed corporation under the Hong Kong Securities and Futures Ordinance to carry out the regulated activities of advising on securities (Type 4) and asset management (Type 9). Old Peak did not have any operating business and accordingly did not constitute an integrated set of activities and assets, as no significant process was acquired. In the opinion of the Directors of the Company, the acquisition was in substance an acquisition of assets, being the licenses of certain regulated activities (intangible assets) and a small bank balance through acquisition of a subsidiary.

Details of the fair value of assets acquired in respect of the acquisition of Old Peak are as follows:

	HK\$'000
Assets acquired:	
Intangible assets (note 18)	4,472
Bank balance	133
	<hr/>
	4,605
	<hr/>
Consideration satisfied by cash	4,605
	<hr/>
Net cash outflow arising from the acquisition:	
Consideration paid in cash	4,605
Bank balance acquired	(133)
	<hr/>
	4,472
	<hr/>

35. LEASES

Operating lease – lessee

The Group paid minimum lease payments of HK\$938,000 (2015: HK\$1,683,000) 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:

	2016 HK\$'000	2015 HK\$'000
Within one year	912	877
In the second to fifth years inclusive	872	–
	<hr/>	
	1,784	877
	<hr/>	

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.

NOTE TO THE FINANCIAL STATEMENTS

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36. 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:

	2016 HK\$'000	2015 HK\$'000
Interest expenses incurred on loans from shareholders (<i>note 13</i>):		
Linshan Limited (<i>note 27 (ii)</i>)	508	499
Mr. Sun Yin Chung (<i>note 27 (i)</i>)	–	210
	508	709

(b) **Compensation of key management personnel**

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

	2016 HK\$'000	2015 HK\$'000
Short-term benefits	3,196	3,326
Post-employment benefits	44	57
	3,240	3,383

(c) Amounts with related parties are summarised below:

	2016 HK\$'000	2015 HK\$'000
Loans from shareholders	49,598	52,598

Details of the loans from shareholders are set out in note 27.

37. 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.

NOTE TO THE FINANCIAL STATEMENTS

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38. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

	2016 HK\$'000	2015 HK\$'000
Financial assets		
Loans and receivables (including bank balances and cash), at amortised cost	157,924	210,947
Investments held for trading, at fair value	27,002	–
	184,926	210,947
Financial liabilities		
Financial liabilities, at amortised cost	82,893	89,445

39. FINANCIAL RISK MANAGEMENT

The Group's major financial instruments include loan and other receivables, deposits, investments held for trading, 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 (currency risk, interest rate risk and equity 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

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.

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 loss before income tax (due to changes in the fair value of monetary assets and liabilities).

	Decrease/(increase) in loss before income tax	
	2016 HK\$'000	2015 HK\$'000
If the RMB weakens against the HK\$ by 5%	1,383	1,275
If the RMB strengthens against the HK\$ by 5%	(1,383)	(1,275)

NOTE TO THE FINANCIAL STATEMENTS

31 July 2016

39. FINANCIAL RISK MANAGEMENT *(Continued)*

Market risk *(Continued)*

Interest rate risk

The Group has no significant interest-bearing assets and liabilities except for the loan receivable and loans from shareholders, details of which have been disclosed in note 22 and 27 respectively. The interest rates of both of the loan receivable and loans from shareholders are fixed. The Group's income and operating cash flows are substantially independent of changes in market interest rate.

The Group has no significant interest rate risk as at 31 July 2016.

Equity price risk

The Group is exposed to equity price risk arising from its Hong Kong listed equity investments held for trading.

The sensitivity analysis on equity price risk includes the Group's financial instruments, which fair value or future cash flows will fluctuate because of changes in their corresponding or underlying asset's equity price.

If equity price had been 20% higher/lower: net loss for the year ended 31 July 2016 would have been HK\$5,400,000 lower/higher (2015: nil) due to change in the fair value of these investments.

Credit risk

As at 31 July 2016, the Group has concentration of credit risk as the loan and other receivables mainly represented a loan to one borrower amounting to HK\$50,000,000.

In order to manage its 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.

NOTE TO THE FINANCIAL STATEMENTS

31 July 2016

39. 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 and other 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.

	Within 1 year or on demand HK\$'000	More than 1 year but not more than 2 years HK\$'000	More than 2 years but not more than 5 years HK\$'000	More than 5 years HK\$'000	Total contractual undiscounted cash flows HK\$'000	Carrying amount HK\$'000
2016						
Non-derivative financial liabilities						
Trade and other payables	30,391	-	-	-	30,391	30,391
Accruals	2,904	-	-	-	2,904	2,904
Loans from shareholders	49,598	-	-	-	49,598	49,598
	82,893	-	-	-	82,893	82,893
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

NOTE TO THE FINANCIAL STATEMENTS

31 July 2016

39. FINANCIAL RISK MANAGEMENT *(Continued)*

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.

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 held-for-trading, investments which are measured and carried at fair value, and are considered as Level 1 financial instruments.

40. 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.

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

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

NOTE TO THE FINANCIAL STATEMENTS

31 July 2016

41. 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 (“ZWF”) (the “Wing Fai Group”) on 22 April 2002. As a result, the liquidators of these entities (the “Liquidators”) took up legal action against the Company and several of its subsidiaries. Notices of Intention to proceed have been filed by the solicitors for the Liquidators about early 2010 after years of inaction. Certain defendants including the Company made an application to dismiss one of the legal actions for want of prosecution. A hearing 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 liquidators appealed the said Court Order of the High Court dismissing one of its claims against the Company and the appeal was pending in the Court of Appeal up to 31 July 2016. As part of these legal proceedings, the Company was required to place approximately HK\$12,472,000 in security deposits on escrow with its then lawyers for these proceedings in favour of liquidator of Wing Fai Group. Details of these security deposits are set out in note 23.

During the year, the Company has been in negotiation with the Liquidators to reach a full and final settlement to all the long outstanding legal proceedings with these parties. Subsequent to the year end, on 26 September 2016 the Company entered into two settlement deeds with the Liquidators which ended these long-outstanding legal proceedings. The Directors rationalized that by doing so the Group would save huge related legal costs and release part of the security deposits held by the lawyers. After the settlements, there would be a mutual release, discharge and/or waiver from all claims and actions (including any claim for costs and interest), present and future, between the Group and the parties involved in the cases. The parties to the settlement deeds further agreed not to commence or maintain any claim or action, present or future, between any of the Group and the parties involved in the cases.

Under the settlements, the security deposits held in escrow amounting to HK\$12,472,000, would be released to the parties in the following proportions:

- (i) HK\$7,000,000 of the security deposit monies will be released to the Liquidators; and
- (ii) the remaining balance of the monies, amounting to approximately HK\$5,472,000, will be released to the Group.

Finally, following the receipt of the security deposits by the solicitors of the above parties, they would take steps to discontinue the legal proceedings as between the Group and the parties involved in the legal cases. Thereafter, the Group would be free from any liabilities or contingent liabilities related to the Wing Fai, Wai Shun and ZWF cases. Further details of the settlements with the Liquidators are set out in the Company’s announcement dated 26 September 2016.

Based on these settlement discussions and negotiations, the Company has accordingly made an impairment provision against the security deposits held in escrow in the amount of HK\$7,000,000 as at 31 July 2016, and this has been charged to the current year profit and loss under ‘administrative expenses’. Further details are set out in notes 9 and 23 respectively.

NOTE TO THE FINANCIAL STATEMENTS

31 July 2016

41. CONTINGENT LIABILITIES *(Continued)*

- (b) 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\$3,735,599 as at 31 July 2016 (2015: HK\$4,017,536)) and RMB3,961,291 (equivalent to HK\$4,627,184 as at 31 July 2016 (2015: HK\$4,976,411)) to 余盛 and 張明贊 respectively 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 approval 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\$29,352,000 (2015: HK\$31,310,000) included under trade and other payables as set out in note 26. Further details are set out in note 21.

42. SUBSEQUENT EVENTS

- (a) **Settlement deeds in relation to the final settlement of legal proceedings of Wing Fai Group and Wai Shun liquidators**

On 26 September, 2016, the Group entered into two settlement deeds with the Wing Fai Group liquidator and the Wai Shun liquidator. Further details are set out in note 41(a).

- (b) **Placing of new shares**

On 6 October 2016, placing of 599,200,000 new shares (i.e. 16.67% of the enlarged shareholding) at HK\$0.25 per share to six placees through a placing agent was completed. The closing market price of the immediately preceding business day is HK\$0.37 per share, implying there was a 32.43% discount of the placing price to the market price. The net proceeds from the placing, after deducting the placing commission and other expenses in connection with the placing from the gross proceeds, are approximately HK\$145,800,000. The six placees are independent third parties of the Group. The proceeds are intended to be utilised for the money lending business and financial services business of the Group. Details of the placing of shares are set out in the Company's announcements dated 19 September 2016 and 6 October 2016.

- (c) **Grant of new loan**

Subsequent to the end of reporting period, the Group entered into an agreement to grant a guaranteed term loan of HK\$10,000,000 to a BVI private company, which is an independent third party to the Group, for a term of three months from the drawdown date at an interest rate of 10% per annum subject to completion of the conditions specified in the agreement, including completion of a satisfactory due diligence review in relation to the borrower and the guarantor who is the director and ultimate beneficial owner of the borrower. Subsequently, the conditions have been completed and the loan has been drawdown on 22 September 2016. Details of the loan are set out in the Company's announcements dated 20 and 21 September 2016.

43. 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 2016.

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:

	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000	2015 HK\$'000	2016 HK\$'000
Revenue					
– continuing operations	4,285	4,141	3,995	4,161	9,765
– discontinued operations	135,513	33,038	–	–	–
	139,798	37,179	3,995	4,161	9,765
Profit/(loss) before tax					
– continuing operations	(321,004)	(1,031,211)	(17,528)	(22,124)	(21,115)
– discontinued operations	(240,845)	24,926	(760,988)	–	–
	(561,849)	(1,006,285)	(778,516)	(22,124)	(21,115)
Income tax credit/(expense)					
– continuing operations	1,718	(21,194)	(1,173)	(4,107)	(1,427)
– discontinued operations	(2,369)	–	–	–	–
	(651)	(21,194)	(1,173)	(4,107)	(1,427)
Profit/(loss) for the year					
– continuing operations	(319,286)	(1,052,405)	(18,701)	(26,231)	(22,542)
– discontinued operations	(243,214)	24,926	(760,988)	–	–
	(562,500)	(1,027,479)	(779,689)	(26,231)	(22,542)
Attributable to:					
Owners of the Company	(562,500)	(1,027,479)	(779,689)	(26,231)	(22,542)
Non-controlling interests	–	–	–	–	–
	(562,500)	(1,027,479)	(779,689)	(26,231)	(22,542)

ASSETS AND LIABILITIES

	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000	2015 HK\$'000	2016 HK\$'000
Total assets	2,141,372	1,038,690	277,938	430,818	402,707
Total liabilities	(684,362)	(119,045)	(112,349)	(116,329)	(111,204)
	1,457,010	919,645	165,589	314,489	291,503
Attributable to:					
Owners of the Company	1,457,010	919,645	165,589	314,489	291,503
Non-controlling interests	–	–	–	–	–
	1,457,010	919,645	165,589	314,489	291,503

PARTICULARS OF MAJOR PROPERTIES

	Lease Expiry	Approx. gross floor area (Sq.m.)	Type	Effective % held	Stage of completion	Anticipated completion
Properties held for sale						
Regal Garden No. 888 Lunchang Road, Lunjiao Town, Shunde District, Foshan City, Guangdong Province, The PRC	December 2065	4,384	35 Residential units	100%	Completed	N/A
Properties under development						
Regal Garden No. 888 Lunchang Road, Lunjiao Town, Shunde District, Foshan City, Guangdong Province, The PRC	December 2065	18,804	169 Residential units	100%	The registration of the authentic rights (確權) at these units were not yet completed. Details are set out in note 21 to the financial statements	N/A
Investment properties						
Regal Garden No. 888 Lunchang Road, Lunjiao Town, Shunde District, Foshan City, Guangdong Province, The PRC	December 2065	43,843	Property held for further development	100%	Vacant land not yet developed	N/A
	December 2065	19,671	Retail shops	100%	Completed	N/A
	December 2065	6,696	Car park space	100%	Completed	N/A