YUESHOU

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

(Incorporated in Bermuda with limited liability)

(Stock Code: 1191)

Interim Report 2007-08

* For Identification Purposes Only

CONTENTS

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Fok Po Tin *(Chairman)*
Mr. Chim Kim Lun, Ricky
Mr. Yu Hong
Mr. Li Bin

Independent Non-executive Directors

Mr. Sun Tak Keung
Mr. Kwong Ping Man
Mr. Cheng Kwok Hing, Andy

COMPANY SECRETARY AND QUALIFIED ACCOUNTANT

Ms. Li Oi Lai, Alice

AUDITORS

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

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Citic Ka Wah Bank
Chong Hing Bank Limited

WEBSITE

www.aplushk.com/clients/1191yueshou/index.html

STOCK CODE

1191

LEGAL ADVISERS

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REGISTERED OFFICE

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2 Church Street
Hamilton HM11
Bermuda

PRINCIPAL PLACE OF BUSINESS

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Admiralty Centre,
18 Harcourt Road, Hong Kong

SHARE REGISTRARS AND TRANSFER OFFICE

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Butterfield Fund Services
(Bermuda) Limited
Rosebank Centre
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Pembroke HM08
Bermuda

Hong Kong
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26/F, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 31 January 2008

	Note	Six months ended 31 January 2008 (Unaudited) HK$'000	2007 (Unaudited) HK$'000
Turnover	2	**104,083**	16,065
Cost of sales		**(59,071)**	(9,189)
Gross profit		**45,012**	6,876
Other revenue		**9,790**	1,613
Administrative expenses		**(17,420)**	(12,103)
Impairment loss in respect of golf resort		**–**	(9,453)
Gain on disposal of property, plant and equipment		**–**	9,358
Gain on disposal of subsidiaries		**–**	955
Profit/(Loss) from operations	3	**37,382**	(2,754)
Share of results of an associate		**(83)**	–
Loss arising from change in fair value of derivative financial instrument	10	**(38,706)**	–
Loss on deemed disposal of associate		**–**	(15,189)
Finance costs		**(13,955)**	(779)
Loss before taxation		**(15,362)**	(18,722)
Taxation	4	**(6,433)**	–
Loss for the period		**(21,795)**	(18,722)
Attributable to:			
– Equity holders of the Company		**(26,001)**	(18,773)
– Minority interests		**4,206**	51
		(21,795)	(18,722)
Loss per share	6		
– Basic		**HK(2.0) cents**	HK(2.8) cents
– Diluted		**HK(0.5) cents**	HK(2.8) cents

CONDENSED CONSOLIDATED BALANCE SHEET

As at 31 January 2008

	Note	31 January 2008 (Unaudited) HK$'000	31 July 2007 (Audited) HK$'000
Non-current assets			
Investment properties	*7*	**128,494**	128,494
Property, plant and equipment	*7*	**9,995**	9,942
Properties under development	*7*	**43,000**	43,000
Interests in an associate		**13,654**	13,738
Goodwill	*13*	**590,822**	106,282
Intangible assets		**47,010**	48,758
		832,975	350,214
Current assets			
Properties held for sale		**15,749**	16,399
Financial assets at fair value through profit or loss, other than derivative financial instruments		**1,114**	60,397
Trade and other debtors	*8*	**115,065**	103,962
Deposits and prepayments		**22,456**	73,435
Inventories	*11*	**23,170**	911
Amount due from an associate		**–**	3
Amounts due from customers for contract work		**4,980**	4,980
Other deposits	*9*	**9,169**	9,169
Derivative financial instruments	*10*	**185,467**	221,478
Cash and bank balances		**13,562**	18,867
		390,732	509,601
***Less:* Current liabilities**			
Bank borrowings			
– due within one year, secured	*14*	**35,268**	48,719
Trade and other creditors	*12*	**109,443**	106,848
Accrued charges		**18,175**	9,417
Amounts due to customers for contract work		**12,344**	12,344
Amount due to an associate		**16,347**	16,929
Amount due to a director		**21,111**	–
Taxation payables		**3,916**	4,340
		216,604	198,597

	Note	31 January 2008 (Unaudited) HK$'000	31 July 2007 (Audited) HK$'000
Net current assets		**174,128**	311,004
Total assets less current liabilities		**1,007,103**	661,218
***Less:* Non-current liabilities**			
Bank borrowings			
– due after one year, secured	*14*	**9,166**	23,418
Deferred income		**7,009**	7,268
Convertible notes	*15*	**311,365**	100,425
Deferred taxation		**33,815**	20,174
Interest bearing loan		**3,000**	–
		364,355	151,285
Net assets		**642,748**	509,933
Equity			
Capital and reserves attributable to the Company's equity holders			
Share capital	*16*	**77,600**	50,900
Reserves		**564,262**	446,299
		641,862	497,199
Minority interest		**886**	12,734
		642,748	509,933

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 January 2008 (Unaudited)

	Attributable to equity holder of the Company										
	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000	Exchange reserve HK$'000	Distri-butable reserve HK$'000	Contributed surplus HK$'000	Convertible notes reserve HK$'000	Retained profits HK$'000	Sub-total HK$'000	Minority interests HK$'000	Total HK$'000
(Audited) At 1 August 2007	50,900	84,937	11,613	5,878	77,033	143,218	95,645	27,975	497,199	12,734	509,933
Equity component of convertible notes	–	–	–	–	–	–	125,529	–	125,529	–	125,529
Deferred tax arising from issue of convertible notes	–	–	–	–	–	–	(21,967)	–	(21,967)	–	(21,967)
Conversion of convertible notes	26,700	80,100	–	–	–	–	(39,256)	–	67,544	–	67,544
Exchange difference arising from translation of overseas operations	–	–	–	(442)	–	–	–	–	(442)	–	(442)
(Unaudited) Net profit for the period	–	–	–	–	–	–	–	(26,001)	(26,001)	4,206	(21,795)
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	(16,054)	(16,054)
At 31 January 2008	77,600	165,037	11,613	5,436	77,033	143,218	159,951	1,974	641,862	886	642,748

For the six months ended 31 January 2007 (Unaudited)

	Attributable to equity holder of the Company											
	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000	Exchange reserve HK$'000	Distri-butable reserve HK$'000	Con-tributed surplus HK$'000	Investment revaluation reserve HK$'000	Convertible notes reserve HK$'000	Retained profits HK$'000	Sub-total HK$'000	Minority interests HK$'000	Total HK$'000
(Audited) At 1 August 2006	33,850	31,879	11,613	6,474	77,033	143,218	–	–	42,012	346,079	991	347,070
Surplus arising from revaluating of available for sale investment	–	–	–	–	–	–	2,445	–	–	2,445	–	2,445
Exchange difference arising from translation of overseas operation	–	–	–	1,974	–	–	–	–	–	1,974	–	1,974
(Unaudited) Net loss for the period	–	–	–	–	–	–	–	–	(18,773)	(18,773)	51	(18,722)
At 31 January 2007	33,850	31,879	11,613	8,448	77,033	143,218	2,445	–	23,239	331,725	1,042	332,767

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 31 January 2008

	Six months ended 31 January	
	2008	2007
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Net cash generated from/(used in) operating activities	**79,845**	(9,220)
Net cash (used in)/generated from investing activities	**(103,940)**	29,805
Net cash generated from/(used in) financing activities	**19,232**	(17,448)
(Decrease)/Increase in cash and cash equivalents	**(4,863)**	3,137
Cash and cash equivalents at beginning of period	**18,867**	15,730
Effect of foreign exchange rate changes	**(442)**	–
Cash and cash equivalents at end of period	**13,562**	18,867

1. Basis of preparation and accounting policies

The unaudited condensed consolidated financial statements (the "Interim Financial Statements") have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosure requirements set out in Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The Interim Financial Statements have been prepared on historical cost basis except certain investment properties and financial assets, which are measured at fair values, as appropriate.

The accounting policies used in the Interim Financial Statements are consistent with those followed in the preparation of the annual financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 July 2007.

The HKICPA has issued certain new and revised Hong Kong Financial Reporting Standards ("HKFRSs"), which term collectively includes HKASs and Interpretation, that are first effective or available for early adoption for the current accounting period of the Group. The adoption of the new standards, amendments and interpretations had no material impact on the Group's results and financial position whereas the adoption of Amendment to HKAS 1, Presentation of financial statements: capital disclosures and HKFRS 7, Financial instruments: disclosures require additional disclosures to be made in the annual report. Accordingly, no prior period adjustment is required.

Standards, amendments or interpretations issued but not yet effective

The Group has not early applied the following new standards, amendments or interpretations that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[4]
HKFRS 2 (Amendment)	Share-based Payment[1]
HKFRS 3 (Revised)	Business Combination[4]
HKFRS 8	Operating Segments[1]
HK(IFRIC) – Int 12	Service Concession Arrangements[2]
HK(IFRIC) – Int 13	Customer Loyalty Programmes[3]
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[2]

[1] *Effective for financial period commencing on or after 1 January 2009*

[2] *Effective for financial period commencing on or after 1 January 2008*

[3] *Effective for financial period commencing on or after 1 July 2008*

[4] *Effective for financial period commencing on 1 July 2009*

The interim report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since 2007/08 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information require for full set of financial statements prepared in accordance with HKFRSs.

The Group is still considering the potential impact of these new HKFRSs but is not yet in a position to determine whether the adoption of these new HKFRSs would have a significant impact on its results of operations and financial position.

2. Segment information

(a) Primary reporting format – business segments

During the period ended 31 January 2008, the Group was mainly engaged in (i) property development, (ii) installation services, (iii) sales of chemical agents and petroleum chemical products, (iv) provision of technical services and (v) provision of medical and health services.

Segment information about these businesses for the six months ended 31 January 2008 and 2007 is as follow:

	Six months ended 31 January 2008 (Unaudited)					
	Property development HK$'000	Installation services HK$'000	Sales of chemical agents and petroleum chemical products HK$'000	Provision of technical services HK$'000	Provision of medical and health services HK$'000	Consolidated HK$'000
Revenue from external customers	1,883	11,538	74,402	13,175	3,085	104,083
Segment results	(1,899)	5,254	27,409	9,870	(2,482)	38,152
Unallocated income						9,038
Unallocated corporate expenses						(9,808)
Profit from operations						37,382
Loss arising from change in fair value of derivative financial instruments						(38,706)
Share of results of an associate						(83)
Finance costs						(13,955)
Loss before taxation						(15,362)
Taxation						(6,433)
Loss for the period						(21,795)

	Six months ended 31 January 2007 (Unaudited)			
	Property development HK$'000	Medical and health services HK$'000	Golf resort HK$'000	Consolidated HK$'000
Revenue from external customers	1,783	9,928	4,354	16,065
Segment results	(256)	2,583	(9,774)	(7,447)
Gain on disposal of property, plant and equipment				9,358
Gain on disposal of subsidiaries				955
Unallocated corporate expenses				(5,620)
Loss from operations				(2,754)
Loss on deemed disposal of associate				(15,189)
Finance costs				(779)
Loss before taxation				(18,722)
Taxation				–
Loss for the period				(18,722)

There are no sales or other transactions between the business segments.

(b) Geographical segments

In determining the Group's geographical segments, revenues and results are attributed to the segments based on the location of the customers. More than 90% of the Group's assets are located in the region of Hong Kong and Mainland China. Accordingly, analysis of segment assets based on the geographical segments has not been disclosed.

	Six months ended 31 January 2008 (Unaudited)		
	Hong Kong HK$'000	**China HK$'000**	**Consolidated HK$'000**
Revenue from external customers	**–**	**104,083**	**104,083**
Profit/(Loss) from operations	**(1,481)**	**38,863**	**37,382**

	Six months ended 31 January 2007 (Unaudited)		
	Hong Kong HK$'000	China HK$'000	Consolidated HK$'000
Revenue from external customers	–	16,065	16,065
Profit/(Loss) from operations	3,737	(6,491)	(2,754)

There are no sales or other transactions between the geographical segments.

3. Profit/(Loss) from operations

	Six months ended 31 January	
	2008	2007
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Profit/(Loss) from operations has been arrived at after charging/(crediting) as following items:		
Depreciation of property, plant and equipment	**843**	1,941
Operating leases in respect of land and buildings	**264**	343
Staff costs, including directors' remuneration:		
Retirement benefits scheme contributions	**72**	86
Salaries and other benefits	**2,824**	5,229
and after crediting:		
Interest income	**(91)**	(171)
Rental income, net	**(852)**	(946)

4. Taxation

Tax expenses in the condensed consolidated income statement represents:

	Six months ended 31 January	
	2008	2007
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Hong Kong Profits Tax	**–**	–
PRC Income Tax	**6,433**	–
Deferred tax	**–**	–
	6,433	–

No provision for Hong Kong Profits Tax has been made in the financial statements as the Group and the Company either incurred taxation loss or had no assessable profit for the period (2007: Nil).

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

5. Interim dividend

The directors do not recommend the payment of an interim dividend for the current period (2007: Nil).

6. Loss per share

The calculation of basic and diluted loss per ordinary share is based on:

	Six months ended 31 January 2008 (Unaudited) HK$'000	Six months ended 31 January 2007 (Unaudited) HK$'000
Loss		
Loss for the period attributable to equity holders of the Company	**(26,001)**	(18,773)
Imputed interest on convertible notes	**11,686**	–
Loss for the period attributable to equity holders of the Company before interest on convertible notes	**(14,315)**	(18,773)
Number of shares		
Weighted average number of shares for the purpose of calculating basic loss per share	**1,319,956,043**	676,999,859
Effect of dilution – weighted average number of ordinary shares: convertible notes issued on 30 October 2007	**1,753,142,857**	–
Weighted average number of shares for the purpose of calculating diluted loss per share	**3,073,098,900**	676,999,859

7. Investment properties, property, plant and equipment, properties under development

During the six months ended 31 January 2008, the Group had disposed properties with an aggregate cost of HK$650,000 (2007: HK$24,041,000).

The directors of the Company considered that the carrying amounts of the Group's investment properties, which are carried at revalued amounts, and have estimated that the carrying amounts did not differ significantly from that which would be determined using fair value at 31 January 2008. Consequently, no revaluation surplus or deficit has been recognised in the current period.

8. Trade and other debtors

	31 January 2008 (Unaudited) HK$'000	31 July 2007 (Audited) HK$'000
Trade and other debtors	**121,902**	120,602
Less: Impairment loss on trade and other debtors	**(6,837)**	(16,640)
	115,065	103,962

The following is an aged analysis of trade and other debtors:

	31 January 2008 (Unaudited) HK$'000	31 July 2007 (Audited) HK$'000
0 to 60 days	**93,624**	51,141
61 to 90 days	**300**	14,359
91 days or above	**27,978**	55,102
	121,902	120,602
Less: Impairment loss on trade and other debtors	**(6,837)**	(16,640)
	115,065	103,962

The directors of the Company considered that the carrying amounts of the Group's trade and other debtors at 31 January 2008 were approximate to their fair values.

9. Other deposits

A sum of HK$9,169,000 was deposited into an interest bearing client's account kept by a legal firm as security in favour of the joint and several provisional liquidators ("Provisional Liquidators") of Wing Fai or any subsequently appointed liquidators of Wing Fai, for any judgement that may be obtained by the Provisional Liquidators and subsequent liquidators of Wing Fai of any action commenced within twelve months from 14 July 2002 and thereafter until the determination of the proceedings against the Company and/or any of the wholly owned subsidiaries of the Company in existence as at 14 July 2002.

10. Derivative financial instruments

	Call option contract HK$'000	Put option contract HK$'000	Total HK$'000
At 31 July 2007 and 1 August 2007	136,954	84,524	221,478
Acquisition of subsidiaries	(136,954)	139,649	2,695
Loss arising from change in fair value	–	(38,706)	(38,706)
At 31 January 2008	**–**	**185,467**	**185,467**

Put option contract

In the event that (i) the transfer agreement is not completed on the second anniversary of the completion of the acquisition agreement; or (ii) the annual audited consolidated profits before tax of Guangzhou Yueshou Industry Co., Limited for each of the consecutive two financial years ended 31 December 2008 is less than HK$70,000,000, the Group has the right to put to Give Power Technology Limited all the shareholding interest which the Group may have in Goldfield at a consideration of HK$840,000,000.

The above derivatives are measured at fair value at each balance sheet dates. The fair value as at 31 January 2008 of put option contract was valued by BMI Appraisals Limited, an independent valuer, on a Black-Scholes-Merton Option Pricing Model basis. The expected volatility of put option contract is 69.46% and the risk free rate is 3.594%.

The changes in fair value of derivative financial instruments have been charged to the consolidated income statement during the period.

11. Inventories

	31 January 2008 (Unaudited) HK$'000	31 July 2007 (Audited) HK$'000
Raw material	**80**	246
Finished goods	**23,090**	665
	23,170	911

12. Trade and other creditors

	31 January 2008 (Unaudited) HK$'000	31 July 2007 (Audited) HK$'000
Trade and other creditors	**99,162**	96,667
Amounts due to ex-directors	**10,281**	10,181
	109,443	106,848

The following is an aged analysis of trade and other creditors:

	31 January 2008 (Unaudited) HK$'000	31 July 2007 (Audited) HK$'000
0 to 60 days	**5,798**	74,471
61 to 90 days	**569**	17,611
91 days or above	**92,795**	4,585
	99,162	96,667

The directors of the Company considered that the carrying amounts of the Group's trade and other creditors at 31 January 2008 were approximate to their fair values.

13. Goodwill

	HK$'000
At cost	
At 31 July 2007 and 1 August 2007	106,282
Acquisition of subsidiaries	484,540
At 31 January 2008	590,822
Accumulated impairment	
At 31 July 2007 and 1 August 2007 and 31 January 2008	–
Carrying amount	
At 31 January 2008 (Unaudited)	**590,822**
At 31 July 2007 (Audited)	106,282

14. Bank borrowings, secured

	31 January 2008 (Unaudited) HK$'000	31 July 2007 (Audited) HK$'000
Bank loans	**44,434**	72,137
The maturities of the above bank borrowings are as follows:		
On demand or within one year	**35,268**	48,719
More than one year but not exceeding two years	**9,166**	23,418
	44,434	72,137
Less: Amounts due within one year shown under current liabilities	**(35,268)**	(48,719)
Amount due after one year	**9,166**	23,418

15. Convertible notes

	Liability component of the convertible notes HK$'000	Equity component of the convertible notes HK$'000
At 31 July 2007 and 1 August 2007	100,425	95,645
Issued on 30 October 2007	258,471	125,529
Imputed interest expenses	11,686	–
Deferred tax arising from issue of convertible notes	–	(21,967)
Converted into Company's shares	(59,217)	(39,256)
At 31 January 2008	**311,365**	**159,951**

16. Share capital

	Number of shares	Nominal value HK$'000
Authorised:		
Ordinary shares of HK$0.05 each at beginning and at end of period	16,000,000,000	800,000
Issued and fully paid:		
Ordinary shares of HK$0.05 each at beginning of period	1,017,999,999	50,900
Conversion of convertible notes *(Note 15)*	534,000,000	26,700
Ordinary shares of HK$0.05 each at end of period	**1,551,999,999**	**77,600**

17. Pledge of assets

At 31 January 2008, the Group's bank loans were secured by intangible assets, with an aggregate carrying value of HK$47.01 million.

At 31 July 2007, the Group's bank loans were secured by certain properties, with an aggregate carrying value of HK$36.07 million and intangible assets HK$48.76 million.

18. Acquisition of subsidiaries

At 23 July 2007, a direct wholly owned subsidiary of the Company has exercised the call option to acquire 60% equity interest in Goldfield International Investment Group Limited ("Goldfield") at a total consideration of HK$504,000,000. The acquisition was completed on 30 October 2007. The net assets acquired in the transaction and the goodwill arising are as follows:

	Acquiree's carrying amount before combination HK$'000	**Fair value adjustment** HK$'000	**Fair value** HK$'000
Property, plant and equipment	9,446	–	9,446
Investment properties	4,493	–	4,493
Intangible assets	47,875	–	47,875
Interest in an associate	13,679	–	13,679
Amounts due from customers for contract work	4,979	–	4,979
Trade and other debtors	48,217	–	48,217
Deposits and prepayments	82,816	–	82,816
Cash and bank balances	3,540	–	3,540
Inventory	13,078	–	13,078
Taxation receivables	1,192	–	1,192
Amounts due to customers for contract work	(12,342)	–	(12,342)
Trade and other creditors	(100,439)	–	(100,439)
Accrued charges	(9,892)	–	(9,892)
Bank borrowings, secured	(54,624)	–	(54,624)
Amounts due to related parties	(16,307)	–	(16,307)
Amount due to director	(605)	–	(605)
Deferred income	(7,008)	–	(7,008)
Deferred taxation	(159)	–	(159)
Net assets	27,939	–	27,939
Acquisition of 60% of net assets			16,765
Put option contract			139,649
Goodwill arising on acquisition			484,540
			640,954
Total consideration satisfied by:			
Cash			120,000
Call option contract			136,954
Convertible notes			384,000
			640,954

Note:

(a) The subsidiaries acquired during the period contributed approximately HK$99,115,000 to the Group's turnover and profit after tax of approximately HK$34,564,000.

19. Contingent liabilities

The Group

(a) The liquidators of Wing Fai and Wai Shun Construction Company Limited ("Wai Shun") refused to recognise the effect of set off of inter-company accounts pursuant to a Set Off Agreement (the "Agreement") dated 23 November 2001 and the extinguishment of intra-group indebtedness and incidental transactions and arrangements upon the Group's sale of its interest in Wing Fai, Wai Shun and Zhukuan Wing Fai Construction Company Limited (the "Wing Fai Subsidiaries") on 22 April 2002. As a result, the liquidators brought legal action against the Company and several of its subsidiaries.

In the opinion of the Company's legal advisors, the Group has a good defence on all the claims which, on the balance of probabilities, are likely to be resolved in favour of the Group companies. In the opinion of the Company's legal advisors, there would not be any material contingent liability except that part of the legal costs incurred by the Group may not be recoverable on taxation.

In the opinion of the directors, the Group has valid grounds to defence the actions and as such, no provision is made in the financial statements of the Group for its exposure to the above actions.

(b) Wing Fai has issued proceedings against the Company on 25 October 2004, in respect of a comfort letter issued by the Company to the directors of Wing Fai on 23 November 2001. The liquidators of Wing Fai alleged that this letter evidenced a contract and that in breach of the same, the Company failed to provide funds to Wing Fai so as to allow it to meet its obligations as they fell due.

In the opinion of the Company's legal advisors, the Company has a very good defence and therefore it is unlikely that there would be any contingent liability, except that part of the legal costs incurred which may not be recoverable or in the event that Wing Fai does not have funds to reimburse the Company costs. No developments have taken place up to 31 January 2008 and the date of approval of these financial statements.

In the opinion of the directors, the Group has valid grounds to defence the above action and as such, no provision is made in the financial statements of the Group for its exposure to the above action.

(c) In respect of the sum of HK$40 million due from Wing Fai to Benefit Holdings International Limited ("Benefit"), a subsidiary of the Company, repayment was personally guaranteed by Mr. Eric Chim Kam Fai ("Mr. Eric Chim"). In respect of the payment of purchase price for shares of the Wing Fai Subsidiaries in the sum of approximately HK$5.1 million by Sino Glister International Investments Limited ("Sino Glister"), this sum was also personally guaranteed by Mr. Eric Chim.

Wing Fai defaulted in repayment of approximately HK$40 million due to Benefit and is now in liquidation. Sino Glister defaulted as to approximately $3.1 million of the HK$5.1 million purchase price for the shares of Wing Fai Subsidiaries.

Benefit took legal action against Mr. Eric Chim for the sum of HK$40 million plus HK$3 million balance purchase price and obtained a judgement against Sino Glister and Mr. Eric Chim in July 2004. But the judgment was set aside later on the basis that he had not served with the original proceedings. On 28 December 2004, a defence was filed by Mr. Eric Chim. Mr. Eric Chim was examined in his capacity as a director of Sino Glister in relation to its assets in May 2005. Up to 31 January 2008 and the date of approval of these financial statements, no further action has taken place.

In the opinion of the legal advisors of the Company, the action against Mr. Eric Chim is likely to win but no recoveries are likely to be made in respect of the claim or legal costs in view of Mr. Eric Chim's lack of funds.

In the opinion of the directors, it is uncertain to what extent the sums will be recoverable from either Mr. Eric Chim or Sino Glister. As such, no asset is recognised in the Group's financial statements.

20. Commitments

Operating lease commitment

While the Company had no outstanding operating lease commitments at the balance sheet date, its subsidiaries were committed to make the following future minimum lease payments in respect of office premises rented under non-cancellable operating leases which fall due as follows:

	31 January 2008 (Unaudited) HK$'000	31 July 2007 (Audited) HK$'000
Within one year	**841**	–
In the second to fifth years inclusive	**662**	–
	1,503	–

Capital commitment

	31 January 2008 (Unaudited) HK$'000	31 July 2007 (Audited) HK$'000
Authorised and contracted for in respect of acquisition of property, plant and equipment	**8,937**	7,644
Authorised and contracted for capital contributions payable to an associate	**76,213**	76,213
Commitments for acquisition of a company	**–**	464,000
	85,150	547,857

21. Subsequent events

As at the announcement dated 16 April 2008, an indirect wholly owned subsidiary of the Company entered an acquisition agreement to acquire plants and machineries, for the purpose of expanding desulphurisation capacity, at a total consideration of RMB29.57 million.

22. Approval of interim financial report

The interim financial statements were approved and authorised for issue by the Board of Directors on 24 April 2008.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 31 January 2008 (six months ended 31 January 2007: Nil)

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Segment Information

For the six months ended 31 January 2008, turnover of the Group amounted to HK$104.1 million (31 January 2007: HK$16.1 million). Net loss for the period amounted to approximately HK$21.8 million as compared with the net loss of HK$18.7 million for the six months ended 31 January 2007. Profit from operations for the period amounted to approximately HK$37.4 million as compared with the loss from operations HK$2.8 million for the six months ended 31 January 2007. The sharp increase of profit from operations was mainly attributable to performance from the environmental protection business. The entire turnover for the period was generated from the business segments in the PRC (31 January 2007: 100%).

Environmental protection business

Upon the completion of an acquisition of the remaining 60% equity interests in Goldfield International Investment Group Limited in October 2007, the Group has become 100% beneficially interested in the environmental protection business. During the period under review, environmental protection business divided into three segments, namely installation services, sales of chemical agents and petroleum chemical products and provision of technical services.

Turnover for the installation services was recorded approximately HK$11.5 million (31 January 2007: Nil), which accounted for approximately 11.1% of the Group's total turnover (31 January 2007: Nil).

Turnover for sales of chemical agents and petroleum chemical products was recorded approximately HK$74.4 million (31 January 2007: Nil), which accounted for approximately 71.5% of the Group's total turnover (31 January 2007: Nil).

Turnover for provision of technical services was recorded approximately HK$13.2 million (31 January 2007: Nil), which accounted for approximately 12.6% of the Group's total turnover (31 January 2007: Nil).

Property development

The turnover amounted to approximately HK$1.9 million from property development, representing approximately 1.8% of the Group's total turnover (31 January 2007: 11.1%).

Medical and health services

The medical and health services of the Group were carried out through a subsidiary of the Company, which is a PRC joint venture company. The original term of 12 years under a contract made between the parties to the joint venture company expired in mid-September 2007. In view that the Chinese party had no intention to renew the contract, the Group ceased its business of medical and health services upon the expiry of the contract in mid-September 2007. The revenue amounted to approximately HK$3.1 million (31 January 2007: HK$9.9 million), which accounted for approximately 3% of the Group's total turnover (31 January 2007: 61.8%).

Liquidity, Financial Resources and Gearing

The operation of the Group was mainly financed by internal resources generated and banking facilities such as bank loans, finance leases and overdrafts. As at 31 January 2008, the current ratio was 1.8 as compared with 2.6 as at 31 July 2007. The gearing ratio (defined as a ratio of total bank borrowings to net asset) was 6.9% as at 31 January 2008 as compared with 14.1% as at 31 July 2007. The equity attributable to equity holders of the Company as at 31 January 2008 increased by 29.1% to approximately HK$641.9 million as compared to approximately HK$497.2 million as at 31 July 2007.

As at 31 January 2008, the total secured bank borrowings amounted to approximately HK$44.4 million, representing an decrease of approximately HK$27.7 million as compared with the amount of HK$72.1 million as at 31 July 2007. 79.4% of the secured bank borrowings will be repayable within one year. Interest expenses were levied on the bank's best lending rate.

Future Plans

While continuing to consolidate the development of its main business, the Group will also accelerate its pace in the business development of sulphur fixing agents production and rosin deep-processing production project to achieve better economic results. The key development plan of the Group includes the followings:–

1. Increase the production capacity of environmental-friendly sulphur fixing agents production lines

In order to ensure an on-going supply of sulphur fixing agents required for the new environmental-friendly fixing project, the Group will speed up the plant and production facility expansion of environmental-friendly sulphur fixing agents. The expansion will include the construction of a production line with annual capacity of 400,000 tonnes of AG-2 Series environmental-friendly sulphur fixing agents. This will meet the demand for sulphur fixing agents of the newly constructed environmental-friendly fixing project or environmental-friendly fixing project under construction.

2. *Introducing new techniques in developing sulphur fixing agents production and perform technical re-engineering process to existing sulphur fixing agents production facility*

The Group plans to carry out technical innovative measures and facility re-engineering process on existing environmental-friendly sulphur fixing agents production lines. We will introduce new techniques in developing sulphur fixing agents production and will utilize industrial waste to extract additives for producing sulphur fixing agents. We will facilitate corporate hygienic production, enhance resource utilization rate, reduce or avoid producing pollutants, support the integrated use of resources and economic circulation, with the purpose of improving the overall production ability of the Company.

3. *Increase our resources investment for rosin deep-processing production project*

Since the second half year of 2007, we have carried out in-depth economic research and study and market analysis on rosin business and are able to master the global market direction and industry development trend of that business. The Group will increase our resources investment and can wholly master the key techniques of industrial production of rosin deep-processing product series. We will increase the rosin utilization proportion in rosin deep-processing production as well as its product application. We will increase the added-value of our product, formulate a comprehensive integrated industry chain and to strengthen the core competitiveness of the rosin business of the Group.

Foreign Currency Exposure

Borrowings and sales and purchases of the Group are generally transacted in Hong Kong Dollar and Renminbi. The Group was not subject to any significant exposure to foreign exchange rate risk. Hence, no financial instrument for hedging was employed.

Capital Structure

During the six months ended 31 January 2008, convertible notes with an aggregate principal amount of HK$106,800,000 were converted into ordinary shares of the Company at a conversion price of HK$0.2 per share, resulting in the issue of 534,000,000 ordinary shares of HK$0.05 each in the Company. Accordingly, the issued share capital of the Company has been increased to 1,551,999,999 ordinary shares as at 31 January 2008 and the principal amount of the remaining convertible bonds has been reduced to HK$492,000,000.

Material Acquisitions and Disposals

On 23 July 2007, the Group entered into an acquisition agreement with Give Power Technology Limited to acquire the remaining 60% equity interest in Goldfield International Investment Group Limited at a total consideration of HK$504,000,000. The acquisition was completed on 30 October 2007. Give Power Technology Limited is wholly owned by Mr. Yu Hong who has become as Executive Director of the Company since 8 November 2007.

During the six months ended 31 January 2008, there was no material disposal of subsidiaries or associates.

Pledge of Assets

At 31 January 2008, the Group's bank loans were secured by intangible assets, with an aggregate carrying value of HK$47.01 million.

At 31 July 2007, the Group's bank loans were secured by certain properties, with an aggregate carrying value of HK$36.07 million and intangible assets HK$48.76 million.

Contingent Liabilities

The Group

(a) The liquidators of Wing Fai and Wai Shun Construction Company Limited ("Wai Shun") refused to recognise the effect of set off of inter-company accounts pursuant to a Set Off Agreement (the "Agreement") dated 23 November 2001 and the extinguishment of intra-group indebtedness and incidental transactions and arrangements upon the Group's sale of its interest in Wing Fai, Wai Shun and Zhukuan Wing Fai Construction Company Limited (the "Wing Fai Subsidiaries") on 22 April 2002. As a result, the liquidators brought legal action against the Company and several of its subsidiaries.

In the opinion of the Company's legal advisors, the Group has a good defence on all the claims which, on the balance of probabilities, are likely to be resolved in favour of the Group companies. In the opinion of the Company's legal advisors, there would not be any material contingent liability except that part of the legal costs incurred by the Group may not be recoverable on taxation.

In the opinion of the directors, the Group has valid grounds to defence the actions and as such, no provision is made in the financial statements of the Group for its exposure to the above actions.

(b) Wing Fai has issued proceedings against the Company on 25 October 2004, in respect of a comfort letter issued by the Company to the directors of Wing Fai on 23 November 2001. The liquidators of Wing Fai alleged that this letter evidenced a contract and that in breach of the same, the Company failed to provide funds to Wing Fai so as to allow it to meet its obligations as they fell due.

In the opinion of the Company's legal advisors, the Company has a very good defence and therefore it is unlikely that there would be any contingent liability, except that part of the legal costs incurred which may not be recoverable or in the event that Wing Fai does not have funds to reimburse the Company costs. No developments have taken place up to 31 January 2008 and the date of approval of these financial statements.

In the opinion of the directors, the Group has valid grounds to defence the above action and as such, no provision is made in the financial statements of the Group for its exposure to the above action.

(c) In respect of the sum of HK$40 million due from Wing Fai to Benefit Holdings International Limited ("Benefit"), a subsidiary of the Company, repayment was personally guaranteed by Mr. Eric Chim Kam Fai ("Mr. Eric Chim"). In respect of the payment of purchase price for shares of the Wing Fai Subsidiaries in the sum of approximately HK$5.1 million by Sino Glister International Investments Limited ("Sino Glister"), this sum was also personally guaranteed by Mr. Eric Chim.

Wing Fai defaulted in repayment of approximately HK$40 million due to Benefit and is now in liquidation. Sino Glister defaulted as to approximately $3.1 million of the HK$5.1 million purchase price for the shares of Wing Fai Subsidiaries.

Benefit took legal action against Mr. Eric Chim for the sum of HK$40 million plus HK$3 million balance purchase price and obtained a judgement against Sino Glister and Mr. Eric Chim in July 2004. But the judgment was set aside later on the basis that he had not served with the original proceedings. On 28 December 2004, a defence was filed by Mr. Eric Chim. Mr. Eric Chim was examined in his capacity as a director of Sino Glister in relation to its assets in May 2005. Up to 31 January 2008 and the date of approval of these financial statements, no further action has taken place.

In the opinion of the legal advisors of the Company, the action against Mr. Eric Chim is likely to win but no recoveries are likely to be made in respect of the claim or legal costs in view of Mr. Eric Chim's lack of funds.

In the opinion of the directors, it is uncertain to what extent the sums will be recoverable from either Mr. Eric Chim or Sino Glister. As such, no asset is recognised in the Group's financial statements.

Employees

As at 31 January 2008, the Group hired approximately 90 employees both in Hong Kong and China (31 July 2007: over 120). Remuneration package of the staff includes monthly salary, medical claims and (if considered appropriate) share options. As to our investment on human resources, education subsidies would be granted to the staff, with a view to reinforce the competence of all levels of our employees. Share options would be granted to respective staff with outstanding performance and contributions to the Group.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 31 January 2008, 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 its 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 Companies contained in the Rules Governing the Listing of Securities (the "Listing Rules"), were as follows:

Long positions in shares of the Company

Name of Director	Number of issued ordinary shares held	Percentage of the issued share capital in the Company *(Note b)*
Yu Hong	2,660,000,000 *(Note a)*	171.39%

Note a: Mr. Yu Hong is the sole beneficial owner of Give Power Technology Limited ("Give Power") which in turn is the beneficial owner of:

(i): 200,000,000 shares of HK$0.05 each in the Company

(ii): zero-coupon convertible notes due 2012 in an aggregate principal amount HK$492,000,000 issued by the Company with an initial subscription price of HK$0.2 each (which entitle Give Power to 2,460,000,000 shares upon exercise of the conversion rights attached to such convertible notes in full).

Note b: Based on the number of 1,551,999,999 shares of the Company in issue as at 31 January 2008.

Save as disclosed above, as at 31 January 2008, 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 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 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 Companies contained in the Listing Rules.

SHARE OPTION SCHEMES

On 10 January 2002, 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) an amount not less than the average of the closing prices of the shares on the Stock Exchange for the five trading days immediately preceding the date of the offer of grant of the options; (ii) the closing price of the shares on the Stock Exchange on the day of the offer of grant of the options; and (iii) the nominal value of the shares. The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or Independent Non-executive Directors in excess of 0.1% of the Company's share capital and with a value in excess of HK$5 million 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 9 January 2012. A nominal consideration of HK$1 is payable on acceptance of the grant of an option.

No option has been granted to any directors and employees of the Company under the New Scheme since its adoption.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

So far as is known to the directors, as at 31 January 2008, the following shareholders had interest or short position 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, who is directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of the Company:

Long positions in shares of the Company

Name of shareholder	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital in the Company *(Note d)*
Golden Mount Limited *(Note a)*	Interest of a controlled corporation	217,211,664	14%
Chim Pui Chung	Beneficial owner	217,211,664	14%
Give Power Technology Limited *(Note b)*	Interest of a controlled corporation	2,660,000,000 *(Note c)*	171.39%
Yu Hong	Beneficial owner	2,660,000,000 *(Note c)*	171.39%

Note a: Golden Mount Limited is wholly-owned by Mr. Chim Pui Chung.

Note b: Give Power Technology Limited is wholly-owned by Mr. Yu Hong.

Note c: Mr. Yu Hong is the sole beneficial owner of Give Power Technology Limited ("Give Power") which in turn is the beneficial owner of:

(i): 200,000,000 shares of HK$0.05 each in the Company

(ii): zero-coupon convertible notes due 2012 in an aggregate principal amount HK$492,000,000 issued by the Company with an initial subscription price of HK$0.2 each (which entitle Give Power to 2,460,000,000 shares upon exercise of the conversion rights attached to such convertible notes in full).

Note d: Based on the number of 1,551,999,999 shares of the Company in issue as at 31 January 2008.

Save as disclosed above, the Company has not been notified of any other shareholders who had interest or short position 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 who is, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of the Company as at 31 January 2008.

CORPORATE GOVERNANCE

The Company has complied with the code provisions of the Code on Corporate Governance Practices ("CG Code") as set out in Appendix 14 of the Listing Rules applicable throughout the six months ended 31 January 2008, except for the following deviations:

Code Provision A.2.1

Code provision A.2.1 of the CG Code provides that, "The roles of Chairman and Chief Executive Officer ("CEO") should be separate and should not be performed by the same individual. The division of responsibilities between the Chairman and CEO should be clearly established and set out in writing." Mr. Fok Po Tin ("Mr. Fok") is the Chairman. The Company does not maintain the office of CEO and the day-to-day operation of the Company is managed by Mr. Fok, the Chairman. The Board considers that vesting the roles of both Chairman and CEO in Mr. Fok at the present stage of development of the Group can maximize effectiveness and ensure execution of the business plan and strategy of the Group.

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. However, all the Independent Non-executive Directors of the Company are not appointed for specific terms but 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. The Company considers that sufficient measures have been taken to ensure good corporate governance practices of the Company in this aspect of the CG Code.

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

During the six months ended 31 January 2008, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

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 they have complied with the required standard set out in the Model Code throughout the six months ended 31 January 2008.

AUDIT COMMITTEE

The Audit Committee was set up with the responsibility of reviewing and providing supervision over the Group's financial reporting process and internal controls. The unaudited interim financial statements of the Group for the six months ended 31 January 2008 have been reviewed by the Audit Committee of the Company. The Audit Committee of the Company currently comprises three Independent Non-executive Directors of the Company, namely Mr. Kwong Ping Man (Chairman of the Audit Committee). Mr. Sun Tak Keung and Mr. Cheng Kwok Hing, Andy.

CHANGE OF COMPANY NAME

Pursuant to a special resolution passed by the shareholders of the Company at the special general meeting held on 17 October 2007 and the subsequent approval of the Registrar of Companies in Bermuda and the Registrar of Companies in Hong Kong, the name of the Company has been changed from "China Rich Holdings Limited" to "Yueshou Environmental Holdings Limited" and adopt the Chinese name of "粵首環保控股有限公司" for identification purpose only.

By order of the Board
Yueshou Environmental Holdings Limited
Fok Po Tin
Chairman

Hong Kong, 24 April 2008