YUESHOU

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

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

Annual Report 2008

** For Identification Purposes Only*

Contents

Corporate Information

DIRECTORS

Executive Directors

Mr. Yu Hong *(Chairman)*
Mr. Chim Kim Lun, Ricky
Mr. Li Bin
Mr. Guo Han Biao

Independent Non-executive Directors

Mr. Kwong Ping Man
Mr. Cheng Kwok Hing, Andy
Mr. Zhang Xi Chu

COMPANY SECRETARY AND QUALIFIED ACCOUNTANT

Mr. Wan Hon Keung

AUDITORS

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

PRINCIPAL BANKERS

Hong Kong
Chong Hing Bank Limited

China
Agricultural Bank of China

WEBSITE

http://www.yueshou.hk

STOCK CODE

1191

LEGAL ADVISERS

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

On Hong Kong Law
Chiu & Partners
41st Floor, Jardine House
1 Connaught Place
Hong Kong

Lily Fenn & Partners
Room D, 32/F
Lippo Centre, Tower 1
89 Queensway
Hong Kong

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

PRINCIPAL PLACE OF BUSINESS

Room 1806, 18/F, Tower 2, Admiralty Centre,
18 Harcourt Road, Hong Kong

SHARE REGISTRAR AND TRANSFER OFFICE

Bermuda
Butterfield Fulcrum Group (Bermuda) Limited
Rosebank Centre
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Pembroke HM08
Bermuda

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

Chairman's Statement

It is with great honor that I am being appointed as the Chairman of Yueshou Environmental Holdings Limited (the "Company", together with its subsidiaries, the "Group") in August 2008. On behalf of the Board of Directors (the "Board") of the Company, I hereby present to the shareholders of the Company the annual report and audited consolidated results for the year ended 31 July 2008.

BUSINESS REVIEW

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. As environmental protection business performed satisfactorily, turnover of the Group for the year has recorded a significant growth to approximately HK$210.7 million as compared with the same period last year of HK$37.9 million, and profit from operation for the year also increased sharply to HK$78.5 million from HK$41.6 million in last year. The anticipated environmental protection business development plans at the beginning of the year, include the speeding up of the supply and production of sulphur fixing agents and the development of rosin deep-processing production project, have achieved sustained developments.

Completion of technical re-engineering process on our original sulphur fixing agents production facility

Currently, the Group has completed the technical re-engineering process on our original sulphur fixing agents production facility and has commenced its production operation, thus enhancing the resource utilization rate of enterprise production effectively. The Group will continue to proceed with innovative techniques in sulphur fixing agents production facility and introduce new techniques in sulphur fixing agents production, research and develop the utilization of industrial waste in extracting additives for producing sulphur fixing agents, facilitate corporate hygienic production, reduce or avoid producing pollutants, support the integrated use of resources and economic circulation, with the purpose of enhancing the overall production capacity of the Company.

Achieved progressive results in increasing the production capacity of sulphur fixing agents production lines

In order to ensure an on-going supply of sulphur fixing agents required for new environmental-friendly fixing projects/projects under construction, the Group planned to expand the plant and production facility of sulphur fixing agents at the beginning of the year. The expansion includes the construction of a production line with annual capacity of 400,000 tonnes of AG-2 Series coal-fired sulphur fixing agents and has achieved progressive results. The Group will speed up the production capacity expansion of sulphur fixing agents production lines, laying a strong foundation for the development of environmental-friendly fixing projects.

Business development of rosin deep-processing production project

Since the second half year of 2007, the Group began to carry out professional economic research and study as well as market analysis of rosin business and has mastered the industry development trend and global market direction of the business. The Group has invested our resources during the year, and with own mastering of the key techniques of industrial production of rosin deep-processing product series, we can increase the rosin utilization proportion in rosin deep-processing production as well as its production application and increase the added-value of our products. Currently, the development of the business has achieved progressive results and the Group will continue increasing our resources invested in formulating an eventual comprehensive integrated industry chain of rosin deep-processing production, with the purpose of enhancing the core competitiveness of rosin business of the Group.

FUTURE PLANS

The "National Eleventh Five-Year Plan of Pollution Control on Acid Rain and Sulphur Dioxide"(《國家酸雨和二氧化硫污染防治「十一五」規劃》), promulgated in January 2008 by the state, has set up a series of environmental control targets of the state, with anticipation in 2010, the control target of overall sulphur dioxide emission in the country should be within 22.944 million tones, the sulphur dioxide emission of thermal power industry(火電行業)should be within 10 million tones and the sulphur dioxide emission amplitude of unit power generation(單位發電量)should be reduced by 50% when compared with 2005. At the same time, a series of industrial sulphur dioxide fixing projects are stipulated as prime measures to be carried out by the state. These projects include the desulphurization projects of coal and power plants(燃煤電廠脱硫工程), demonstration projects for sintering gas desulphurization(燒結機煙氣脱硫示範工程), other sulphur dioxide emission control projects of non-thermal power industry(非火電行業二氧化硫排放控制工程)and sulphur dioxide emission control projects on boilers(鍋爐二氧化硫排放控制工程)to name a few. Moreover, the "National Eleventh Five-Year Plan for Environmental Protection(《國家環境保護「十一五」規劃》)emphasizes on the pro-active facilitation of environmental protection industry development, with the purpose of nourishing a group of prime enterprises and corporate groups with independent brand names, strong core technical capability, high market share and is able to generate more employment opportunities for the state. These will facilitate the environmental protection industry to become the emerging key industry of the national economy.

Chairman's Statement

With the increase in the consciousness towards environmental protection and the strength of the environmental protection fixing of the state, the Group will comply with the government policies and will adhere to our business objective of "Operating our integrated environmental protection professional business with high new technology", seize the opportunities that arise, develop innovative business pro-actively, continue to develop domestic desulphurization engineering works and environmental friendly fixing businesses, strengthen the overall capability of the Group, expand new growing momentum of potential business, enhance the brand value of "Yueshou"（粵首）and create better returns to our shareholders.

APPRECIATION

On behalf of the Board, I would like to extend my sincere appreciation to our shareholders for their trust and support. I would also like to thank our staff for their dedication, contribution, diligence and integrity.

Yu Hong
Chairman

Hong Kong, 7 November 2008

Management Discussion and Analysis

BUSINESS REVIEW AND SEGMENT INFORMATION

The Group recorded a total turnover (including both continued and discontinued operations) of approximately HK$210.7 million for the financial year ended 31 July 2008, a big increase of 456% as compared to a turnover of HK$37.9 million in the corresponding period last year. Profit from operations for the current year amounted to HK$78.5 million, a big increase of 89% as compared to HK$41.6 million for last year. These improvements were mainly attributable to the performance of the environmental protection business of Guangzhou Yueshou Industry Company Limited ("Guangzhou Yueshou"). The entire turnover for the year was generated from the business segments in the PRC (2007: 100%).

Environmental protection operations

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 interest in the environmental protection business. As the result of this acquisition, the majority of revenue of HK$205.7 million for the year was derived from the environmental protection business by Guangzhou Yueshou (2007: HK$8.4 million), which represented approximately 97.6% of the Group total turnover (2007: 22.2%).

During the year ended 31 July 2008, environmental protection business divided into three sections, namely installation services, sales of chemical agents and petroleum chemical products, and the provision of technical services.

Turnover of the installation services was recorded approximately HK$30.0 million (2007: Nil), which accounted for approximately 14.2% of the Group's total turnover (2007: Nil).

Turnover of the sales of chemical agents and petroleum chemical products was recorded approximately HK$147.1 million (2007: HK$6.9 million), which accounted for approximately 69.8% of the Group's total turnover (2007: 18.1%).

Turnover of the provision of technical services was recorded approximately HK$28.6 million (2007: HK$1.6 million), which accounted for approximately 13.6% of the Group's total turnover (2007: 4.1%).

Property development

The turnover amounted to approximately HK$1.9 million (2007: HK$4.4 million) for the year was derived from property development, representing approximately 0.9% of the Group's total turnover (2007: 11.7%).

Medical and healthcare services

The medical and healthcare 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 healthcare services upon the expiry of the contract in mid-September 2007. The revenue amounted to approximately HK$3.1 million (2007: HK$19.1 million), which accounted for approximately 1.5% of the Group's total turnover of the year (2007: 50.5%).

LIQUIDITY, FINANCIAL RESOURCES & 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 July 2008, the total secured bank borrowings amounted to approximately HK$25.9 million, representing a decrease of approximately HK$46.2 million as compared with the amount of HK$72.1 million as at 31 July 2007. All the secured bank borrowings will be repayable within one year, the weighted average effective interest rate on the bank loans is 7.56% per annum.

As at the balance sheet date; the current ratio was 2.26 (2007: 2.57) and the gearing ratio (defined as a ratio of total bank borrowings to net asset) was 3.2% (2007: 14.1%). Shareholders' equity increased by 57.5% to HK$803.2 million (2007: HK$509.9 million).

FOREIGN CURRENCY EXPOSURE

Borrowings and sales and purchases of the Group are generally transacted in Hong Kong Dollar and Renminbi. For the year ended 31 July 2008, the Group was not subject to any significant exposure to foreign exchange rates risk. Hence, no financial instrument for hedging was employed.

Management Discussion and Analysis

PLEDGE OF ASSETS

At 31 July 2008, certain intangible assets of approximately HK$50,515,000 and investment properties of approximately HK$9,472,000 of the Group have been pledged to banks to secure credit facilities granted to the Group.

At 31 July 2007, certain intangible assets of approximately HK$48,758,000, investment properties of approximately HK$27,569,000 and properties held for sale of approximately HK$8,497,000 of the Group have been pledged to banks to secure credit facilities granted to the Group.

FUTURE PLANS

While continuing the consolidation of the development of environmental protection desulphurization business, the Group also actively speeds up the production and technical development of sulphur fixing agents and develops new business in environmental protection for enhancing enterprise growth momentum. The above includes the recycling and retrieval of scrap catalyst and the environmental protection construction of energy. Essential development plans include:

1. Following the continued growing expansion of environmental protection business of the Group, for the purpose of maintaining the current enterprise supply level of sulphur fixing agents, the Group will continue to facilitate the construction of expanding the production lines of its plant and production facility of sulphur fixing agents;

2. Actively research and develop new techniques, integrated use of scrap materials, extract highly efficient and non-polluted additives for sulphur fixing agents through chemical processes;

3. The Group plans to commence the retrieval and recycling process of scrap catalyst towards the end of 2008. Advanced techniques will be adopted in extracting the rare metals like vanadium, molybdenum and nickel, with the purpose of improving the economic and social benefits to the enterprise;

4. Actively explore the environmental protection construction of energy. The Group will participate in critical areas of important breakthrough in Guangdong and Hong Kong of 2008 Projects(二零零八年粵港關鍵領域重點突破項目), and plans to perform the technological breakthrough and project implementation of "critical technological research of resources regeneration of essential spare parts of idle electronic equipment"("廢棄電子電器重要部件再資源化關鍵技術研究").

The directors firmly believe that the above essential development plans will strengthen the development of enterprise growth momentum, perfect the integrated industry chain of environmental protection business of the Group, enhance the core competitive capability of the Group and bring escalating revenues and profitability to the Group.

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 November 2007 and the Chairman of the Company since August 2008.

On 14 April 2008, Guangzhou Yueshou won the bid at an auction for certain plants and machineries ("Auction Assets") situated in Foshan, Guangdong, the PRC and originally owned and used by some independent third parties in connection with cement production, and entered into an acquisition agreement with the auctioneers. Under the acquisition agreement, Guangzhou Yueshou agreed to acquire these plant and machineries at the consideration in the total sum of about RMB29.57 million (equivalent to about HK$33 million). The Group expects that by early next year, Guangzhou Yueshou will start to use these Auction Assets for the production of desulphurization agents after modification.

During the year ended 31 July 2008, there was no material disposal of subsidiaries.

EMPLOYEES

As at the balance sheet date, the Group hired about 70 employees both in Hong Kong and China (2007: over 120). Remuneration package of the staff includes monthly salary, medical claims and (if considered appropriate) share options. The remuneration policies are formulated on the basis of performance of individual employees, the prevailing industry practice and market condition. As to our investment on human resources, education subsidies would be granted to the 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.

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

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

Benefit took legal action against Mr. Eric Chim for the sum of HK$40,000,000 plus HK$3,000,000 balance purchase price and obtained a judgment against Sino Glister and Mr. Eric Chim in July 2004. But the judgment was set aside later on the basis that he had not served with the original proceedings. On 28 December 2004, a defence was filed by Mr. Eric Chim. Mr. Eric Chim was examined in his capacity as a director of Sino Glister in relation to its assets in May 2005. Up to 31 July 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.

Save as disclosed above and elsewhere in the financial statements, as at 31 July 2008, the Group and the Company has no material contingent liabilities.

Brief Biographical Details of Directors

EXECUTIVE DIRECTORS

Mr. Yu Hong, aged 39, has been an Executive Director of the Company since November 2007 and the Chairman of the Company since August 2008. He is the founder of Yueshou Environmental Group, he presides over the business development, corporate strategy, company policy and general management of the Group. He has about 13 years of experience in product development, marketing and corporate operation in desulphurization industry of environment-friendly construction field in the People's Republic of China. As one of the chief officers of the Group's research team, he possesses six application patents granted by the State Intellectual Property Office of the People's Republic of China in the aspect of environment-friendly desulphurization. Mr. Yu is also the sole beneficial owner of Give Power Technology Limited, a substantial shareholder of the Company.

Mr. Chim Kim Lun, Ricky, aged 39, has been an Executive Director of the Company since May 2007. He holds a Bachelor's degree in Arts from the University of British Columbia in Canada and has over 10 years of commercial and industrial experience, as well as in investment. He is also an executive director of Bel Global Resources Holdings Limited, Bestway International Holdings Limited, Huscoke Resources Holdings Limited, Hengli Properties Development (Group) Limited, Karce International Holdings Company Limited and Asia Resources Holdings Limited, which are listed on the Main Board of The Stock Exchange of Hong Kong Limited. Mr. Chim is the son of Mr. Chim Pui Chung who is the sole owner of Golden Mount Limited, a substantial shareholder of the Company.

Mr. Li Bin, aged 36, has been an Executive Director of the Company since November 2007. He holds a Bachelor's degree in Industrial and Commercial Management from Jinan University in the People's Republic of China and has over 13 years of experience in shipping and logistic industry. Mr. Li is currently the managing director of Evertop Logistics Company Limited.

Mr. Guo Han Biao, aged 43, has been an Executive Director of the Company since August 2008. He holds a Master's degree in Economics from Sun Yat-Sen University in the People's Republic of China, a Bachelor's degree from Nanjing Forestry University in the People's Republic of China, a Diploma of Law and a Diploma of Management of Foreign Related Industrial Enterprise from Renmin University of China. He has over 10 years of experience in capital operation, finance, law, corporate governance, human resources, and marketing accompanied with his prominent leadership and professional qualifications. Mr. Guo is currently the director and the vice president of Shenzhen Seg Co., Limited (its A Shares and B Shares are listed on the Shenzhen Stock Exchange in the People's Republic of China).

Brief Biographical Details of Directors

FORMER EXECUTIVE DIRECTOR

Mr. Fok Po Tin, aged 49, resigned as the Chairman and Executive Director of the Company in August 2008. Before his resignation, he was responsible for the strategic planning and overall management of the Group. He holds a Bachelor's degree in Business Administration with honors from the Chinese University of Hong Kong and a Bachelor's degree in Laws from the Beijing University. He is currently a practicing solicitor of High Court of Hong Kong and is the principal partner of Henry Fok & Company, Solicitors. Mr. Fok has over 12 years of extensive experience as a solicitor of general practice and is very familiar with commercial law. He is also an executive director of Xian Yuen Titanium Resources Holdings Limited and Bestway International Holdings Limited which are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Kwong Ping Man, aged 44, has been an Independent Non-executive Director of the Company since July 2007. He has over 10 years of experience in accounting and administration. Mr. Kwong is a graduate from Curtin University of Technology in Australia with a Bachelor's degree in Commerce Accounting, and obtained a Master's degree in Professional Accounting from the Hong Kong Polytechnic University in November 2003. Mr. Kwong is a Certified Practising Accountant of the Australian Society of Certified Practising Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. He is also an associate member of the Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries. Mr. Kwong is also an independent non-executive director of Century Sunshine Ecological Technology Holdings Limited which is listed on the Main Board of The Stock Exchange of Hong Kong Limited.

Mr. Cheng Kwok Hing, Andy, aged 37, has been an Independent Non-executive Director of the Company since May 2007. He has over 15 years of experience in accounting and administration. Mr. Cheng is also an executive director of Huscoke Resources Holdings Limited and Karce International Holdings Company Limited which are listed on the Main Board of The Stock Exchange of Hong Kong Limited. He was an executive director of Bel Global Resources Holdings Limited which is listed on the Main Board of The Stock Exchange of Hong Kong Limited for the period from April 2007 to July 2008.

Mr. Zhang Xi Chu, aged 45, has been an Independent Non-executive Director of the Company since October 2008. He holds a professional title of Assistant Engineer in Construction & Installation of Architecture granted by the People's Republic of China. He has over 20 years of working experience in architectural design, construction and installation field.

Brief Biographical Details of Directors

FORMER INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr. Sun Tak Keung, aged 44, resigned as an Independent Non-executive Director of the Company in October 2008. He had over 10 years of marketing and trading experience in daily consumable goods in Hong Kong and overseas. Mr. Sun is also an independent non-executive director of Xian Yuen Titanium Resources Holdings Limited and Huscoke Resources Holdings Limited, which are listed on the Main Board of The Stock Exchange of Hong Kong Limited. He was an executive director of Polyard Petroleum International Group Limited which is listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the period from July 2002 to November 2007.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Board is committed to establish and maintain high standards of corporate governance in order to protect the interests of our shareholders. The Company has applied the principles and complied with all the code provisions of the Code on Corporate Governance Practices ("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 2008, except for the following deviations:

1. 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 separated 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") was the Chairman during the financial year ended 31 July 2008, but he resigned as Chairman with effect from 11 August 2008. Following the resignation of Mr. Fok, Mr. Yu Hong was appointed as the Chairman. The Company does not maintain the office of CEO and the day-to-day operation of the Company is managed by the Chairman. Since the Group is still at the development stage, the Board considers that vesting the roles of both Chairman and CEO in the same person can maximize effectiveness and ensure execution of the business plan and strategy of the Group.

2. 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 subjected to re-election. However, all the Independent Non-executive Directors of the Company are not appointed for specific terms but are subjected 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, including whether the separation of the roles of the Chairman and the CEO is necessary to ensure that business activities and decision-making processes are regulated in a proper and prudent manner.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as contained in Appendix 10 of the Listing Rules. In response to specific enquiry made by the Company, all Directors confirmed they have complied with the required standard set out in the Model Code throughout the year ended 31 July 2008.

THE BOARD

As at the date of this report, the Board comprises 7 Directors. There are 4 Executive Directors (including the Chairman) and 3 Independent Non-executive Directors. Detailed biographies outlining each individual Director's range of specialist experience are set out in the section entitled "Biographical Details of Directors" in this Annual Report.

The Board has established two Board committees including the 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 2008. Attendance of the meetings of the Board and those of the committees are set out as follows:

		Attendance/Number of Meetings		
Name of Directors	*Notes*	**Board**	**Audit Committee**	**Remuneration Committee**
Executive Directors				
Mr. Yu Hong *(Chairman)*	*2*	6/6		
Mr. Chim Kim Lun, Ricky		8/11		
Mr. Li Bin	*3*	5/5		
Mr. Fok Po Tin	*4*	10/11		
Independent Non-executive Directors				
Mr. Kwong Ping Man		10/11	2/2	1/1
Mr. Cheng Kwok Hing, Andy		9/11	2/2	1/1
Mr. Sun Tak Keung	*5*	9/11	2/2	

THE BOARD *(Continued)*

Notes:

1. The counting of attendance for existing Directors started from the joining date of Directors or committee members.

2. Mr. Yu Hong was appointed as Executive Director and Chairman of the Company with effect from 8 November 2007 and 11 August 2008 respectively.

3. Mr. Li Bin was appointed as Executive Director of the Company with effect from 16 November 2007.

4. Mr. Fok Po Tin resigned as Chairman and Executive Director of the Company with effect from 11 August 2008.

5. Mr. Sun Tak Keung resigned as Independent Non-executive Director of the Company with effect from 15 October 2008.

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 and 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.

Corporate Governance Report

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Company does not maintain the office of CEO. The usual leadership and day-to-day management duties of CEO are vested in the Chairman of the Company. Mr. Fok Po Tin ("Mr. Fok") was the Chairman during the financial year ended 31 July 2008, but he resigned as Chairman with effect from 11 August 2008. Following the resignation of Mr. Fok, Mr. Yu Hong was appointed as the Chairman.

INDEPENDENT NON-EXECUTIVE DIRECTORS

It is noted that there is a deviation in the appointment of Non-executive Directors from CG Code A.4.1 as discussed above. However, the Board considers that sufficient measures have been taken to ensure that the corporate governance practices of the Company are similar to those under the CG Code. According to the Bye-Laws of the Company, every director (including every Non-executive Director) is subject to retirement by rotation at least once every three years. One-third of the Directors must retire from office at each annual general meeting and their re-election is subjected to the votes of shareholders.

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

- provision of independent judgment at the Board;
- dealing with issues arriving from potential conflict of interests between the major shareholders (or, as the case may be, Director, or management and the minority shareholders);
- serving on audit and remuneration committees; and
- scrutinizing the performance of the Group when necessary

The Board complied with Rules 3.10(1) and (2) of the Listing Rules relating to the appointment of all the three Independent Non-executive Directors. Each of the Independent Non-executive Director has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all Independent Non-executive Directors meet the independence guidelines set out in Rule 3.13 of the Listing Rules.

NOMINATION OF DIRECTORS

The Company has not established any nomination committee. The Board will identify individuals who are suitably qualified to become board members when necessary. The Board will give due consideration to the suitability of a candidate for directorship based on the experience, qualification and other relevant factors of the candidates. All candidates must also meet the standards as set forth in Rule 3.09 of the Listing Rules. A candidate who is appointed as an Independent Non-executive Director should also meet the independence criteria set out in Rule 3.13 of the Listing Rules.

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 Audit Committee currently comprises all three Independent Non-executive Directors, Mr. Kwong Ping Man (Chairman of the Audit Committee), Mr. Cheng Kwok Hing, Andy and Mr. Zhang Xi Chu.

The Audit Committee held two meetings during the year ended 31 July 2008 to review the annual and interim results of the year. The Audit Committee is of the opinion that such statements comply with the applicable accounting standards, the Listing Rules and legal requirements, and that adequate disclosures have been made.

REMUNERATION COMMITTEE

The Remuneration Committee was set up with the responsibility for providing recommendations to the Board the remuneration policy of all the Directors and the senior management. The Remuneration Committee comprises two of the Independent Non-executive Directors, Mr. Kwong Ping Man (Chairman of Remuneration Committee) and Mr. Cheng Kwok Hing, Andy. The Remuneration Committee has specific written terms of reference which follow closely with the requirement of the CG code. During the year ended 31 July 2008, one meeting was held by the Remuneration Committee and it reviewed the remuneration packages of Directors and senior management.

The Remuneration Committee is authorized to investigate any matter within its Terms of Reference and seek any information it requires from any employee or Directors of the Company and obtain outside legal or other independent professional advice at the cost of the Company if it considers necessary.

AUDITORS' REMUNERATION

HLB Hodgson Impey Cheng ("HLB") have been appointed by the shareholders annually as the external auditors of the Group since 2004. For the year ended 31 July 2008, the fees charged to accounts of the Group for HLBs' statutory audit amounted to approximately HK$500,000, and approximately HK$375,000 was charged for other services.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors are responsible for the preparation of financial statements for each financial period, which give a true and fair view of the state of affairs of the Group and of the results and cash flow for that period. In preparing the financial statements for the year ended 31 July 2008, the Directors have selected suitable accounting policies and applied them consistently; adopted appropriate Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards; made adjustments and estimations that are prudent and reasonable; and have prepared the accounts on the going concern basis.

INTERNAL CONTROL

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

The Board, with the assistance of the head 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.

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 business of the Group are welcome, and are dealt with in an informative and timely manner.

Report of the Directors

The Directors have pleasure in presenting their annual report and the audited financial statements of Yueshou Environmental Holdings Limited (the "Company", together with its subsidiaries, the "Group") for the year ended 31 July 2008.

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 53 to the financial statements.

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.

SEGMENT INFORMATION

An analysis to the Group's turnover and contribution to results by principal activity and geographical area of operations for the year ended 31 July 2008 is set out in Note 7 to the financial statements.

RESULTS AND APPROPRIATIONS

The Group's results for the year ended 31 July 2008 and the state of affairs of the Company and the Group as at 31 July 2008 are set out in the financial statements on pages 31 to 34.

The Directors do not recommend the payment of a final dividend for the year ended 31 July 2008 (2007: 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 135.

SHARE CAPITAL AND CONVERTIBLE NOTES

Details of movements in the share capital and convertible notes of the Company during the year are set out in Note 34 and Note 38 to the financial statements.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in Note 36 to the financial statements and in the consolidated statement of changes in equity on pages 37 to 38 respectively.

DISTRIBUTABLE RESERVES

The Company's reserves available for distribution to shareholders as at 31 July 2008 comprise share premium and retained profit totaling of approximately HK$144,498,000 (2007: Nil).

Pursuant to the Companies Act 1981 of Bermuda, the Company's share premium account of HK$292,537,000 can be distributed in the form of fully paid shares.

INVESTMENT PROPERTIES

Details of movements in the investment properties of the Group during the year are set out in Note 18 to the 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 19 to the financial statements.

DIRECTORS

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

Executive Directors:

Mr. Yu Hong *(Chairman)*	Appointed as Chairman and executive Director on 11 August 2008 and 8 November 2007 respectively
Mr. Chim Kim Lun, Ricky	
Mr. Li Bin	Appointed on 16 November 2007
Mr. Guo Han Biao	Appointed on 25 August 2008
Mr. Fok Po Tin	Resigned on 11 August 2008

Independent Non-executive Directors:

Mr. Kwong Ping Man	
Mr. Cheng Kwok Hing, Andy	
Mr. Zhang Xi Chu	Appointed on 15 October 2008
Mr. Sun Tak Keung	Resigned on 15 October 2008

In accordance with bye-law 87(1) and 87(2) of the Bye-laws of the Company, Mr. Chim Kim Lun, Ricky and Mr. Cheng Kwok Hing, Andy will retire from office by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

In accordance with bye-law 86(2) of the Bye-laws of the Company, Mr. Guo Han Biao and Mr. Zhang Xi Chu, being an Executive Director and Independent Non-executive Director respectively who were appointed subsequent to the last annual general meeting of the Company held on 28 December 2007, shall hold office only until the next following general meeting after their respective appointment and, being eligible; Mr. Zhang Xi Chu will offer himself for re-election at the forthcoming annual general meeting. Mr. Guo Han Biao will not offer himself for re-election at the forthcoming annual general meeting.

BRIEF BIOGRAPHICAL DETAILS OF DIRECTORS

Brief biographical details of the Directors of the Company are set out on pages 12 to 14 of this annual report.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the heading of "Directors' interests and short positions in shares, underlying shares and debentures" 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

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

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 31 July 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	1,910,000,000 *(Note a)*	79.52%

Note a: As at 31 July 2008, Mr. Yu Hong holds 100,000,000 shares ("Shares") of HK$0.05 each in the Company and is the sole beneficial owner of Give Power Technology Limited ("Give Power") which in turn is the sole beneficial owner of:

(i) 200,000,000 Shares of HK$0.05 each in the Company; and

(ii) zero-coupon convertible notes due 2012 in an aggregate principal amount HK$322,000,000 issued by the Company with an initial subscription price of HK$0.2 each (which entitle Give Power to 1,610,000,000 Shares upon exercise of the conversion rights attached to such convertible notes in full).

Note b: Based on the number of 2,401,999,999 Shares of the Company in issue as at 31 July 2008.

Save as disclosed above, as at 31 July 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

Details of the Company's share option schemes are set out in Note 35 to the financial statements.

No options were granted to any Directors and employees of the Company during the year ended 31 July 2008 pursuant to the new share option scheme adopted on 10 January 2002 (the "New Scheme").

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance to which the Company, its ultimate holding company or any subsidiaries of its ultimate holding company was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

SUBSTANTIAL SHAREHOLDERS

Interests of substantial shareholders

So far as is known to the directors, as at 31 July 2008, the following shareholders had interest 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, 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	313,334,000	13.04%
Chim Pui Chung	Beneficial owner	313,334,000	13.04%
Give Power Technology Limited *(Note b)*	Interest of a controlled corporation	1,810,000,000 *(Note c)*	75.35%
Yu Hong	Beneficial owner	1,910,000,000 *(Note c)*	79.52%
Sun Ying Chung	Beneficial owner	310,000,141	12.91%

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: As at 31 July 2008, Mr. Yu Hong holds 100,000,000 shares ("Shares") of HK$0.05 each in the Company and is the sole beneficial owner of Give Power Technology Limited ("Give Power") which in turn is the sole beneficial owner of:

(i) 200,000,000 Shares of HK$0.05 each in the Company; and

(ii) zero-coupon convertible notes due 2012 in an aggregate principal amount HK$322,000,000 issued by the Company with an initial subscription price of HK$0.2 each (which entitle Give Power to 1,610,000,000 Shares upon exercise of the conversion rights attached to such convertible notes in full).

Note d: Based on the number of 2,401,999,999 Shares of the Company in issue as at 31 July 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 July 2008.

CONNECTED TRANSACTIONS

Details of the discloseable connected transactions of the Group are set out in Note 52 to the financial statements.

MAJOR SUPPLIERS AND CUSTOMERS

The five largest customers of the Group for the year accounted for approximately 64% of the Group's turnover. The Group's largest customer accounted for approximately 23% of its turnover for the year.

The five largest suppliers of the Group for the year accounted for approximately 75% of the Group's purchase. The Group's largest supplier accounted for approximately 32% of its purchase for 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.

Report of the Directors

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

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

SUFFICIENCY OF PUBLIC FLOAT

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

RETIREMENT BENEFITS SCHEME

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees in Hong Kong under the jurisdiction of the Hong Kong Employment Ordinance. Particulars of the MPF are set out in Note 50 to the financial statements.

CORPORATE GOVERNANCE

Particulars of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 15 to 20 of this report.

AUDITORS

A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint Messrs. HLB Hodgson Impey Cheng as auditors of the Company.

On Behalf of the Board

Yu Hong
Chairman

Hong Kong, 7 November 2008

Independent Auditors' Report

國衛會計師事務所
Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

TO THE SHAREHOLDERS OF
YUESHOU ENVIRONMENTAL HOLDINGS LIMITED
(formerly known as China Rich Holdings Limited)
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Yueshou Environmental Holdings Limited (formerly known as China Rich Holdings Limited) (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 31 to 134, which comprise the consolidated and company balance sheets as at 31 July 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements 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. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to 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 auditors' judgment, 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 auditors consider internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 July 2008 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants

Hong Kong, 7 November 2008

Consolidated Income Statement

for the year ended 31 July 2008

	Notes	2008 HK$'000	2007 HK$'000 (Restated)
Continuing operations			
Turnover	8	**207,593**	12,841
Cost of sales		**(123,583)**	(8,827)
Gross profit		**84,010**	4,014
Other revenue	8	**8,426**	3,495
Other income	9	**5,998**	64,039
Administrative expenses		**(23,708)**	(22,688)
Impairment loss recognised in respect of trade and other debtors		**(454)**	(608)
Gain/(loss) arising from change in fair value of investment properties	18	**4,262**	(6,390)
Impairment loss in respect of property, plant and equipment		**–**	(307)
Profit from operations	9	**78,534**	41,555
Net loss arising from change in fair value of derivative financial instruments	32	**(6,278)**	(5,256)
Gain arising from disposal of subsidiaries	45	**805**	9,270
Loss arising from disposal of a subsidiary		**–**	(753)
Gain arising from disposal of an associate		**2,151**	–
Loss arising from deemed disposal of an associate		**–**	(17,575)
Share of result of an associate	22	**(111)**	(602)
Finance costs	10	**(23,891)**	(2,994)
Profit before taxation		**51,210**	23,645
Taxation	12	**(11,584)**	(2,933)
Profit for the year from continuing operations		**39,626**	20,712
Discontinued operations			
Loss for the year from discontinued operations	11	**(5,131)**	(27,481)
Profit/(loss) for the year		**34,495**	(6,769)

Consolidated Income Statement

for the year ended 31 July 2008

	Notes	2008 HK$'000	2007 HK$'000 (Restated)
Attributable to:			
– Equity holders of the Company		**23,653**	(14,037)
– Minority interests		**10,842**	7,268
		34,495	(6,769)
Dividends	*16*	**–**	–
Profit/(loss) per share	*17*		
From continuing and discontinued operations			
– basic		**HK$0.014**	HK$(0.019)
– diluted		**HK$0.014**	HK$(0.019)
From continuing operations			
– basic		**HK$0.018**	HK$0.018
– diluted		**HK$0.015**	HK$0.010

The accompanying notes form an integral part of these financial statements.

Consolidated Balance Sheet

at 31 July 2008

	Notes	2008 HK$'000	2007 HK$'000
ASSETS			
Non-current assets			
Investment properties	18	**133,472**	128,494
Property, plant and equipment	19	**42,226**	9,942
Properties under development	20	**43,000**	43,000
Interest in an associate	22	**–**	13,738
Goodwill	23	**715,868**	106,282
Intangible assets	24	**50,515**	48,758
		985,081	350,214
Current assets			
Properties held for sale	20	**17,910**	16,399
Financial assets at fair value through profit or loss, other than derivative financial instruments	25	**–**	60,397
Trade and other debtors	27	**122,785**	103,962
Deposits and prepayments	28	**28,132**	73,435
Inventories	29	**639**	911
Amount due from an associate	22	**–**	3
Amounts due from customers for contract work	30	**1,030**	4,980
Other deposit	31	**9,169**	9,169
Derivative financial instruments	32	**–**	221,478
Cash and bank balances	33	**9,735**	18,867
		189,400	509,601
Total assets		**1,174,481**	859,815
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	34	**120,100**	50,900
Reserves	36(a)	**682,190**	446,299
		802,290	497,199
Minority interest		**888**	12,734
Total equity		**803,178**	509,933

Consolidated Balance Sheet

at 31 July 2008

	Notes	2008 HK$'000	2007 HK$'000
LIABILITIES			
Non-current liabilities			
Bank borrowings – due after one year, secured	37	–	23,418
Deferred income	26	8,032	7,268
Amount due to a shareholder	43	22,000	–
Convertible notes	38	242,464	100,425
Deferred taxation	39	14,999	20,174
		287,495	151,285
Current liabilities			
Bank borrowings – due within one year, secured	37	25,905	48,719
Trade and other creditors	40	39,026	106,848
Accrued charges	41	5,489	9,417
Amounts due to customers for contract work	30	1,085	12,344
Loan from a shareholder	42	3,000	–
Amount due to a director	43	1,387	–
Amount due to an associate	22	–	16,929
Taxation payable		7,916	4,340
		83,808	198,597
Total liabilities		371,303	349,882
Total equity and liabilities		1,174,481	859,815
Net current assets		105,592	311,004
Total assets less current liabilities		1,090,673	661,218

Approved by the Board of Directors on 7 November 2008 and signed on its behalf by:

Yu Hong
Director

Chim Kim Lun, Ricky
Director

The accompanying notes form an integral part of these financial statements.

Balance Sheet

at 31 July 2008

	Notes	2008 HK$'000	2007 HK$'000
ASSETS			
Non-current assets			
Investments in subsidiaries	21	**384,001**	1
Current assets			
Other receivables		**6**	–
Deposits and prepayments	28	**128**	394
Other deposit	31	**9,169**	9,169
Amounts due from subsidiaries	21	**479,308**	474,960
Cash and bank balances	33	**97**	1,133
		488,708	485,656
Total assets		**872,709**	485,657
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	34	**120,100**	50,900
Reserves	36(b)	**448,622**	269,233
Total equity		**568,722**	320,133

Balance Sheet

at 31 July 2008

	Notes	2008 HK$'000	2007 HK$'000
LIABILITIES			
Non-current liabilities			
Convertible notes	38	**242,464**	100,425
Deferred taxation	39	**13,515**	20,016
		255,979	120,441
Current liabilities			
Loan from a shareholder	42	**3,000**	–
Other creditors	40	**12,528**	12,920
Accrued charges	41	**1,670**	–
Amounts due to subsidiaries	21	**30,810**	32,163
		48,008	45,083
Total liabilities		**303,987**	165,524
Total equity and liabilities		**872,709**	485,657
Net current assets		**440,700**	440,573
Total assets less current liabilities		**824,701**	440,574

Approved by the Board of Directors on 7 November 2008 and signed on its behalf by:

Yu Hung	**Chim Kim Lun, Ricky**
Director	*Director*

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 July 2008

	Attributable to equity holder of the Company											
	Share capital	**Share premium**	**Capital reserve**	**Exchange reserve**	**Distributable reserve**	**Contributed surplus**	**Convertible notes reserve**	**Statutory reserves**	**Retained profit/ (accumulated loss)**	**Sub-total**	**Minority-interest**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* *(Note (a))*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 August 2006	33,850	31,879	11,613	6,474	77,033	143,218	–	–	42,012	346,079	991	347,070
Release upon disposal of subsidiaries	–	–	–	(3,081)	–	–	–	–	–	(3,081)	–	(3,081)
Exchange differences arising from translation of overseas operations	–	–	–	2,485	–	–	–	–	–	2,485	–	2,485
Net income recognised directly in equity	–	–	–	(596)	–	–	–	–	–	(596)	–	(596)
Net loss for the year	–	–	–	–	–	–	–	–	(14,037)	(14,037)	7,268	(6,769)
Total recognised income and expense for the period	–	–	–	(596)	–	–	–	–	(14,037)	(14,633)	7,268	(7,365)
Equity component of convertible notes	–	–	–	–	–	–	138,101	–	–	138,101	–	138,101
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	4,475	4,475
Issuing expenses	–	(792)	–	–	–	–	–	–	–	(792)	–	(792)
Issue of shares	6,750	22,950	–	–	–	–	–	–	–	29,700	–	29,700
Conversion of convertible notes	10,300	30,900	–	–	–	–	(22,168)	–	–	19,032	–	19,032
Reversal upon conversion of convertible notes	–	–	–	–	–	–	3,880	–	–	3,880	–	3,880
Deferred tax arising from issue of convertible notes	–	–	–	–	–	–	(24,168)	–	–	(24,168)	–	(24,168)

Consolidated Statement of Changes in Equity

for the year ended 31 July 2008

	Attributable to equity holder of the Company											
	Share capital	Share premium	Capital reserve	Exchange reserve	Distributable reserve	Contributed surplus	Convertible notes reserve	Statutory reserves	Retained profit/ (accumulated loss)	Sub-total	Minority-interest	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* *(Note (a))*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 July 2007 and 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
Exchange differences arising from translation of overseas operations	–	–	–	16,410	–	–	–	–	–	16,410	–	16,410
Net income recognised directly in equity	–	–	–	16,410	–	–	–	–	–	16,410	–	16,410
Net profit for the year	–	–	–	–	–	–	–	–	23,653	23,653	10,842	34,495
Total recognised income and expense for the period	–	–	–	16,410	–	–	–	–	23,653	40,063	10,842	50,905
Transfer to statutory reserves	–	–	–	–	–	–	–	9,764	(9,764)	–	–	–
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	(22,688)	(22,688)
Equity component of convertible notes	–	–	–	–	–	–	76,430	–	–	76,430	–	76,430
Conversion of convertible notes	69,200	207,600	–	–	–	–	(91,292)	–	–	185,508	–	185,508
Reversal upon conversion of convertible notes	–	–	–	–	–	–	15,702	–	–	15,702	–	15,702
Deferred tax arising from issue of convertible notes	–	–	–	–	–	–	(12,612)	–	–	(12,612)	–	(12,612)
At 31 July 2008	**120,100**	**292,537**	**11,613**	**22,288**	**77,033**	**143,218**	**83,873**	**9,764**	**41,864**	**802,290**	**888**	**803,178**

Notes:

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

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

(c) In accordance with the relevant Mainland China rules and regulations, all PRC subsidiaries are required to appropriate 10% of its profit after tax calculated in accordance with the accounting regulations of Mainland China to the statutory general reserve. The appropriation to the statutory general reserve is required until the balance of the reserve reaches 50% of the registered capital of each subsidiary.

The accompanying notes form an integral part of these financial statements.

Consolidated Cash Flow Statement

for the year ended 31 July 2008

	2008 *HK$'000*	2007 *HK$'000*
Cash flows from operating activities		
Profit/(loss) before taxation	**46,079**	(2,584)
Adjustments for:		
Amortisation of leasehold land	**–**	10
Amortisation of intangible assets	**3,186**	291
Net loss arising from change in fair value of derivative financial instruments	**6,278**	5,256
(Gain)/loss arising from change in fair value of investment properties	**(4,262)**	6,390
Depreciation	**2,891**	3,075
Fair value gain of financial assets at fair value through profit or loss, other than derivative financial instruments	**(2,743)**	(34,057)
Finance costs	**23,891**	2,994
Gain arising from disposal of an associate	**(2,151)**	–
Loss arising from deemed disposal of an associate	**–**	17,575
Gain on disposal of property, plant and equipment	**–**	(9,790)
Loss on disposal of property, plant and equipment	**–**	1
Gain arising from disposal of subsidiaries	**(805)**	(9,270)
Loss arising from disposal of subsidiaries	**–**	10,181
Impairment loss in respect of property, plant and equipment	**–**	793
Interest income	**(194)**	(1,326)
Impairment loss recognised in respect of trade and other debtors	**571**	5,165
Waiver of other creditors	**(2,183)**	–
Reversal of impairment loss in respect of trade and other debtors	**(1,727)**	–
Reversal of impairment loss on properties under development	**–**	(8,600)
Share of result of an associate	**111**	602
Operating profit/(loss) before working capital changes	**68,942**	(13,294)
(Increase)/decrease in properties held for sale	**(1,511)**	3,323
Increase in trade and other debtors	**(17,667)**	(47,562)
Decrease/(increase) in inventories	**272**	(911)
Decrease/(increase) in deposits and prepayments	**45,303**	(47,532)
Decrease in other deposit	**–**	3,800
Decrease/(increase) in amount due from an associate	**3**	(3)
Decrease in amounts due from customers for contract work	**3,950**	–
Decrease in amounts due to customers for contract work	**(11,259)**	–
Increase/(decrease) in trade and other creditors	**21,276**	(643)
Decrease in provision for claims	**–**	(3,800)
Decrease in accrued charges	**(3,908)**	(5,331)
Decrease in amount due to an associate	**–**	(864)
Increase/(decrease) in amount due to a director	**1,387**	(3,760)
Cash generated from/(used in) operating activities	**106,788**	(116,577)
Interest paid	**(3,914)**	(1,435)
PRC income tax paid	**(10,057)**	(486)
Net cash generated from/(used in) operating activities	**92,817**	(118,498)

Consolidated Cash Flow Statement

for the year ended 31 July 2008

	2008	2007
	HK$'000	*HK$'000*
Cash flows from investing activities		
Interest received	**194**	1,326
Purchase of property, plant and equipment	**(32,459)**	(733)
Proceeds from disposal of property, plant and equipment	**–**	22,500
Net proceeds from disposal of subsidiaries	**–**	139,380
Proceeds from disposal of financial assets at fair value through profit or loss, other than derivative financial instruments	**63,140**	87,210
Net cash outflow from acquisition of subsidiaries	**(98,000)**	(40,535)
Investment in financial assets at fair value through profit or loss	**–**	(8,130)
Net cash (used in)/generated from investing activities	**(67,125)**	201,018
Cash flows from financing activities		
Proceed from issue of shares	**–**	6,750
Repayment of bank loans	**(48,695)**	(86,436)
Proceed from shareholder loan	**3,000**	–
Repayment of interest bearing borrowings	**–**	(2,182)
Net cash used in financing activities	**(45,695)**	(81,868)
Net (decrease)/increase in cash and cash equivalents	**(20,003)**	652
Cash and cash equivalents at the beginning of the year	**18,867**	15,730
Effect of foreign exchange rate changes	**10,871**	2,485
Cash and cash equivalents at the end of the year	**9,735**	18,867
Analysis of the balance of cash and cash equivalents		
Cash and bank balances	**9,735**	18,867

The accompanying notes form an integral part of these financial statements.

1. CORPORATE INFORMATION

The Company was incorporated in Bermuda on 29 June 1994 as an exempted company with limited liability and its share are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The principal place of business of the Company is located at Room 1806, 18/F, Tower 2, Admiralty Centre, 18 Harcourt Road, Hong Kong.

The principal activity of the Company is investment holding. Its subsidiaries are principally engaged in the property development, provision of installation services, sales of chemical agents and petroleum chemical products and provision of technical services of environmental protection in the People's Republic of China (the "PRC"). During the year, the Group has discontinued the operation of medical and healthcare services.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Impact of new and revised HKFRSs

In the current year, the Group has applied, for the first time, a number of new standards, amendments and interpretations (the "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which are either effective for accounting periods beginning on or after 1 November 2006, 1 January 2007 or 1 March 2007. The new HKFRSs adopted by the Group in the consolidated financial statements are set out as follows:

HKAS 1 (Amendment)	Presentation of Financial Statements: Capital Disclosure
HKFRS 7	Financial Instruments: Disclosures
HK (IFRIC) – Int 10	Interim Financial Reporting and Impairment
HK (IFRIC) – Int 11	HKFRS 2, Group and Treasury Share Transactions

The adoption of the new/revised HKFRSs except for HKAS 1 (Amendment) and HKFRS 7 did not result in substantial changes to the Group's accounting policies and has no material impact on the Group's financial statements.

The Group has applied the disclosure requirements under HKAS 1 (Amendment) and HKFRS 7 retrospectively. Certain information presented in prior year under the requirements of HKAS 32 has been removed and the relevant comparative information based on the requirements of HKAS 1 (Amendment) and HKFRS 7 has been presented for the first time in the current year.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

Impact of new and revised HKFRSs 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.

	Effective for accounting period beginning on or after
HKAS 1 (Revised), Presentation of Financial Statements	1 January 2009
HKAS 23 (Revised), Borrowing Costs	1 January 2009
HKAS 27 (Revised), Consolidated and Separate Financial Statements	1 July 2009
HKAS 32 & HKAS 1 (Amendment), Puttable Financial Instruments and Obligations Arising on Liquidation	1 January 2009
HKFRS 2 (Amendment), Vesting Conditions and Cancellation	1 January 2009
HKFRS 3 (Revised), Business Combinations	1 July 2009
HKFRS 8, Operating Segments	1 January 2009
HK (IFRIC) – Int 12, Service Concession Arrangements	1 January 2008
HK (IFRIC) – Int 13, Customer Loyalty Programmes	1 July 2008
HK (IFRIC) – Int 14, HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 January 2008
HK (IFRIC) – Int 15, Agreements for the Construction of Real Estate	1 January 2009
HK (IFRIC) – Int 16, Hedges of a Net Investment in a Foreign Operations	1 October 2008

The adoption of HKFRS 3 (revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions.

The management is in the process of making an assessment of the impact of these new standards, amendments or interpretations to existing standards. The directors of the Company so far has concluded that the application of these new standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance and applicable disclosure provisions of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand (HK$'000) except otherwise indicated.

The preparation of financial statements in conformity with HKFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and 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.

Judgments made by management in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustments in the next year are discussed in Note 6 to the financial statements.

A summary of the significant accounting policies followed by the Group in the preparation of the financial statements is set out below:

Basis of preparation

The measurement basis used in the preparation of the financial statements is historical cost convention except for investment properties, derivative financial instruments and financial assets at fair value through profit or loss which have been carried at fair value as explained below.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation

The consolidated financial statements included the financial statements of the Company and all of its subsidiaries and associates for the year ended 31 July 2008. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date 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.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Business combination

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 *Business Combinations* are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in the income statement.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Goodwill

Goodwill arising on an acquisition of a subsidiary represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant subsidiary at the date of the acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Goodwill arising on acquisition is presented separately in the consolidated balance sheet.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

Negative goodwill

A discount of acquisition arising on an acquisition of a subsidiary represents the excess of the net fair value of an acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the business combination. Discount on acquisition is recognised immediately in income statement.

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associates' post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movements in reserves is recognised in the consolidated reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet, the investments in associated companies are stated at cost less provision for impairment losses. The results of associated companies are accounted for by the Company on the basis of dividend received and receivable.

Impairment of non-financial assets (other than goodwill)

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, investment properties, goodwill and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is calculated at the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of non-financial assets (other than goodwill) *(Continued)*

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill and certain financial assets is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/ amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such impairment loss is credited to the income statement in the period in which it arises.

Investments and other financial assets

Financial assets in the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group considers whether a contract contains an embedded derivative when the Group first becomes a party to it. The embedded derivatives are separated from the host contract which is not measured at fair value through profit or loss when the analysis shows that the economic characteristics and risks of embedded derivatives are not closely related to those of the host contract.

The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss has two categories, including financial assets held for trading and those designated at fair value through profit or loss at inception. A financial assets is classified this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Gains or losses on investments held for trading are recognised in the income statement. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. During the year, the Group did not hold any investment in this category.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date. During the year, the Group did not hold any investment in this category.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Available-for-sale financial assets *(Continued)*

Purchase and sales of investments are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are included in the income statement in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains or losses from investment securities.

The fair values of quoted investments are based on current bid prices. If the market for a financial assets is not active (and the unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in the income statement – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate, being the effective interest rate computed at initial recognition. The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in the income statement.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of an invoice. The carrying amount of the receivables is reduced through the use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets *(Continued)*

Assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial assets

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is transferred from equity to the income statement. Impairment losses on equity instruments classified as available-for-sale are not reversed through the income statement.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derecognition of financial assets *(Continued)*

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, where the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities and equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is a contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group's financial liabilities are generally classified into financial liabilities at fair value through profit or loss and financial liabilities at amortised costs.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities and equity *(Continued)*

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are classified into (i) financial liabilities held for trading and (ii) those designated as at fair value through profit or loss on initial recognition.

A financial liability other than a financial liability held for trading may be designated as at fair value through profit or loss upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- The financial liability forms part of a group of financial assets or financial liabilities or both which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- It forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

At each balance sheet date subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in the income statement in the period in which they arise.

Financial liabilities at amortised cost

Financial liabilities including trade and other payables and interest-bearings loans advanced from shareholders are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Convertible loan notes

Convertible loan notes issued by the Company that contain both the liability and conversion option components are classified separately into respective items on initial recognition. Conversion option will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instrument is an equity instrument. For conversion option that does not meet the definition of an equity instrument, it is classified as a derivative financial liability and is carried at fair value.

Convertible notes that contain an equity component

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

In subsequent periods, the liability component of the convertible loan notes is carried at amortised cost using the effective interest rate method. The equity component will remain in convertible loan note equity reserve until the conversion option is exercised (in which case the amount will be transferred to the share premium account). Where the option remains unexercised at the expiry date, the amount stated in the convertible loan note equity reserve will be released to retained profits. No gain or loss is to be recognised in the income statement upon conversion or expiration of the option.

Convertible notes that do not contain an equity component

Conversion option that is classified as derivative financial liability are re-measured at each balance sheet date subsequent to initial recognition with changes in fair value recognised directly in the income statement in the period in which they arise.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. The difference between the carrying value of the financial liability derecognised and the consideration paid is recognised in the income statement.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

Property, plant and equipment

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

The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after item of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the further economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that assets or as a replacement.

Land held under operating leases and buildings thereon, where the fair values of the leasehold interest in the land and buildings cannot be measured separately at the inception of the lease and the building is not clearly held under an operating lease.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment *(Continued)*

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful lives. The principal annual rates used for this purpose are as follows:

Buildings:	Over the shorter of the term of the lease, or 20 years
Furniture, fixtures and equipment:	10 – 20%
Motor vehicles:	20 – 33⅓%
Plant and machinery:	10%
Leasehold improvement:	50%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and depreciation method are reviewed, and adjusted if appropriate, at each balance sheet date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is recognised is the difference between the net sale proceeds and the carrying amount of the relevant assets.

Interest in leasehold land

Interest in leasehold land represents prepaid lease payment made for leasehold land. Interest in leasehold land is stated at cost less subsequent accumulated amortisation and any accumulated impairment losses. The cost of interest in leasehold land are amortised on a straight-line basis over the shorter of relevant interest in leasehold land or the operation period of the relevant company.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the consolidated group, is classified as investment property.

Investment property comprises land held under operating leases and buildings held under finance leases.

Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

Investment property is measured initially at its cost, including related transaction costs.

After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are performed in accordance with the guidance issued by the International Valuation Standards Committee. These valuations are reviewed annually by external valuers. Investment property that is being redeveloped for continuing use as investment property, or for which the market has become less active, continues to be measured at fair value.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental from future leases in the light of current market conditions.

The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are recognised as a liability, including finance lease liabilities in respect of land classified as investment property; others, including contingent rent payments, are not recognised in the financial statements.

Subsequent expenditure is charged to the asset's carrying amount 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. All other repairs and maintenance costs are expensed in the income statement during the financial period in which they are incurred.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment properties *(Continued)*

Changes in fair values are recognised in the income statements.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purpose. Property that is being constructed or developed for future use as investment property is classified as property, plant and equipment and stated at cost until construction or development is complete, at which time it is reclassified and subsequently accounted for as investment property.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as a revaluation of property, plant and equipment under HKAS 16. However, if a fair value gain reserves a previous impairment loss, the gain is recognised in the income statement.

Investment property held for sale without redevelopment is classified within non-current assets held for sale, under HKFRS 5.

Properties under development

Properties under development are stated at lower of cost and estimated net realisable value.

Revenue from pre-sales of properties under development is recognised based on the construction costs of a development project incurred up to the end of a finance period as a proportion of the estimated total construction costs. Income recognised is limited to the amount of pre-sale deposits received. In any case, income is only recognised when it is reasonably certain.

Where purchasers fail to pay the balance of the purchase price on completion and the Group exercises its entitlement to resell the property, sale deposits received in advance of completion are forfeited. The excess of the sale deposits forfeited over the profits recognised up to the date of forfeiture is credited to the income statement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Properties held for sale

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

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

Leases

Operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are expensed in the income statement on a straight-line basis over the period of the lease.

Finance lease

Leases of assets where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased of property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in current and non-current borrowings. The interest element of the finance costs is recognised in the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The investment properties acquired under finance leases are carried at their fair value.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agent, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost; and difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Borrowing costs

Borrowing costs are interests and other costs incurred in connection with the borrowing of funds. All borrowing costs are charged to the income statement in the year in which the costs are incurred.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

Government grants

Government grants are recognised as income over the periods necessary to match them with the related costs. Grants related to depreciable assets are presented as deferred income and are released to income over the useful lives of the assets. Grants related to expense items are recognised in the same period as those expenses are charged in the consolidated income statement and are deducted in reporting the related expense.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee benefits

(i) The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. The MPF Scheme has operated since 1 December 2000. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with rules of the MPF Scheme. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund.

(ii) The relevant PRC subsidiaries are required to make contributions to the state retirement schemes in the PRC based on 18% to 22% of the monthly salaries of their current employees to fund the benefits. The employees are entitled to retirement pension calculated with reference to their basic salaries on retirement and their length of service in accordance with the relevant government regulations. The PRC government is responsible for the pension liability to these retired staff.

(iii) The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period.

The proceeds received not of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit is the profit for the year, determined in accordance with the rules established by the taxation authorities, upon which income taxes are payable.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary difference can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investment in subsidiaries and associates, except where the Company 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset realised. Deferred tax is charged or credited in the income statement, except when it related to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Revenue recognition

Revenue is provided when it is probable that economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

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

(ii) Property rental income under operating leases is recognised on a straight-line basis over the term of the relevant lease.

(iii) Interest income from bank deposits is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

(iv) Revenue from the sale of chemical products is recognised when the significant risks and rewards of ownership have been transferred to the buyers, provided that Guangzhou Yueshou Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold.

(v) Service fee income is recognised when the services are provided.

(vi) Income from installation service is recognised based on the percentage of completion basis.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Construction contracts

The accounting policy for contract revenue is set out in revenue recognition. When the outcome of a construction contract can be estimated reliably, contract costs are recognised as an expense by reference to the stage of completion of the contract at the balance sheet date. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. When the outcome of a construction contract cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred.

Construction contracts in progress at the balance sheet date are recorded in the balance sheet at net amount of costs incurred plus recognised profit less recognised losses and progress billings, and are presented in the balance sheet as the "Gross amount due from customers for contract work" (as an asset) or the "Gross amount due to customers for contract work" (as a liability), as applicable. Progress billings not yet paid by the customer are included in the balance sheet under "Deposits and prepayments". Amount received before the related work is performed are included in the balance sheet, as a liability, as "Other payables".

Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currency translation *(Continued)*

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and loss resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies and recognised in the income statement.

Translation differences non-monetary items, such as equity instruments held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation difference on non-monetary items, such as equities classified as available-for-sale financial assets are included in the fair value reserve in equity.

(iii) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(1) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(2) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rate prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(3) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Intangible assets

Patent

Patent is stated at cost less accumulated amortisation and less any identified impairment loss. The amortisation period adopted for intangible assets is twenty years.

Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Contingent liabilities and contingent assets *(Continued)*

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. A contingent asset is not recognised but is disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

Current assets and current liabilities

Current assets are expected to be realised within twelve months of the balance sheet date or in the normal course of the Group's operating cycle. Current liabilities are expected to be settled within twelve months of the balance sheet date or in the normal course of the Group's operating cycle.

Related parties

A party is considered to be related to the Group if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

(d) the party is a member of the key management personnel of the Group or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that different from those of other segment.

In accordance with the Group's internal financial reporting system, the Group has determined that business segments as the primary reporting format and geographical segment information as secondary reporting format.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include inventories, trade receivables and property, plant and equipment. Segment revenue, expenses, assets and liabilities are determined before intra-group balances and transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment. Intra-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the year to acquire segment assets (both tangible and intangible) that are expected to be used for more than one year.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, corporate and financing expenses and minority interests.

Jointly-controlled entities

A jointly-controlled entity is a joint venture that is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group recognises its interests in jointly-controlled entities using proportionate consolidation. The Group's share of each of the assets, liabilities, income and expenses of the jointly-controlled entities are combined with the Group's similar line items, line by line, in the consolidated financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Jointly-controlled entities *(Continued)*

Any goodwill arising on the acquisition of the Group's interest in a jointly-controlled entity is accounted for in accordance with the Group's accounting policy for goodwill arising on the acquisition of a subsidiary. Any excess of the Group's share of net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in income statement.

When a group entity transacts with a jointly-controlled entity of the Group, unrealised profits or losses are eliminated to the extent of the Group's interest in the jointly-controlled entity, except to the extent that unrealised losses provide evidence of an impairment of the asset transferred, in which case, the full amount of losses is recognised.

4. FINANCIAL RISK MANAGEMENT

(a) Categories of financial instruments

	The Group	
	2008	2007
	HK$'000	*HK$'000*
Financial assets		
Loan and receivables		
(including cash and cash equivalents)	**156,466**	181,900
Financial assets at fair value through profit or loss,		
other than derivative financial instruments	**–**	60,397
Derivative financial instruments	**–**	221,478
Financial liabilities		
Amortised cost	**339,271**	305,756

4. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Financial risk management objectives and policies

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, cash flow and fair value interest rate risks and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Management regularly manages the financial risks of the Group. Because of the simplicity of the financial structure and the current operations of the Group, no major hedging activities are undertaken by management.

Market risk

(i) Foreign currency risk management

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Hong Kong dollar ("HKD") and Renminbi ("RMB"). Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposures should the need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the balance sheet date are as follows:

	Liabilities		**Assets**	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
RMB	**72,306**	12,610	**442,571**	418,851

4. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

(i) Foreign currency risk management (Continued)

Sensitivity analysis on foreign exchange risk management

The Group is mainly exposed to the effects of fluctuation in RMB.

The following table details the Group's sensitivity to a 5% increase and decrease in Hong Kong dollars against the relevant foreign currencies. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign currency rates. A negative number below indicates a decrease in profit where the Hong Kong dollars strengthen the relevant currency, there would be an equal and opposite impact on the profit, and the balance below would be positive.

	2008	2007
	HK$'000	*HK$'000*
Profit or loss	**4,142**	3,525

\# *This is mainly attributable to the exposure outstanding on receivables, cash and bank balances and payables denominated in RMB not subject to cash flow hedge at year end.*

(ii) Interest rate risk management

The Group and the Company have no significant interest rate risk arises from bank borrowings.

The Group and the Company have no significant interest-bearing assets except for bank borrowings and loan from a shareholder, details of which have been disclosed in Notes 37 and 42.

The Group and the Company has no significant interest rate risk as at 31 July 2008.

4. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

(iii) Price risks

The Group is exposed to equity price risk through its investment in listed equity securities listed in Hong Kong.

The Group's equity price risk is mainly concentrated on listed equity securities operating in consumer credit finance services and related business quoted in The Stock Exchange of Hong Kong Limited. The management will monitor the price movements and take appropriate actions when it is required.

Sensitivity analysis on price risks management

The sensitivity analyses below have been determined based on the exposure to equity price risk on listed equity securities at the reporting date.

If equity prices had been 5% higher/lower, net profit for year ended 31 July 2008 would increase/decrease by approximately HK$2,960,000 (2007: increase/decrease by approximately HK$2,400,000) as a result of the changes in fair value of financial assets at fair value through profit or loss.

The Group's sensitivity to equity prices has not changed significantly from prior year.

4. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Credit risk

As at 31 July 2008, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge their obligations by the counterparties and financial guarantees provided by the Group is arising from (i) the carrying amount of the respective recognised financial assets as stated in the consolidated balance sheet; and (ii) the amount of contingent liabilities in relation to the financial guarantees provided by the Group.

In order to minimise the credit risk, the Group reviews the recoverable amount of each individual trade debt and debt investments at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. For construction transaction, back-to-back arrangements are made with the sub-contractors where applicable to minimise the credit risk. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

In order to minimise the credit risk of the Company on the amounts due from subsidiaries, the management of the Company closely monitored the recoverability of the amounts due. In this regard, the directors of the Company consider that the Company's credit risk on it is significantly reduced.

The Group and the Company's bank balances and cash are deposited with banks in Hong Kong and the PRC. The credit risk on liquid funds is limited because the counterparties are banks with good credit-rating.

Other than concentration of credit risk on liquid funds, the Group does not have any other significant concentration of credit risk. Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas.

4. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Liquidity risk

The Group has laid down an appropriate liquidity risk management framework for the management of the short, medium and long-term funding and liquidity management requirements, which is reviewed regularly by the Directors. The Group manages liquidity risk by maintaining adequate reserves and banking facilities, by continuously monitoring forecast and actual cash flows and maintains a conservative level of long-term funding to finance its short-term financial assets.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables below have been drawn up based on the contractual maturities of the undiscounted financial liabilities including interest that will accrue to those liabilities except where the Group are entitled and intends to repay the liability before its maturity.

At 31 July 2008

	Weighted average effective interest rate %	Within 1 year *HK$'000*	2 to 5 years *HK$'000*	Over 5 years *HK$'000*	Total undiscounted cash flow *HK$'000*	Total carrying amount *HK$'000*
Non-derivative financial assets						
Cash and bank balances	–	9,735	–	–	9,735	9,735
Others	–	146,731	–	–	146,731	146,731
		156,466	–	–	156,466	156,466
Non-derivative financial liabilities						
Trade and other creditors	–	39,026	–	–	39,026	39,026
Bank borrowings	7.56%	25,905	–	–	25,905	25,905
Accrued charges	–	5,489	–	–	5,489	5,489
Amount due to a shareholder	–	22,000	–	–	22,000	22,000
Amount due to a director	–	1,387	–	–	1,387	1,387
Loan from a shareholder	–	3,000	–	–	3,000	3,000
Convertible notes	10.52%	–	322,000	–	322,000	242,464
		96,807	322,000	–	418,807	339,271

4. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

At 31 July 2007

	Weighted average effective interest rate	Within 1 year	2 to 5 years	Over 5 years	Total undiscounted cash flow	Total carrying amount
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-derivative financial assets						
Cash and bank balances	–	18,867	–	–	18,867	18,867
Others	–	163,033	–	–	163,033	163,033
		181,900	–	–	181,900	181,900

	Weighted average effective interest rate	Within 1 year	2 to 5 years	Over 5 years	Total undiscounted cash flow	Total carrying amount
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-derivative financial liabilities						
Trade and other creditors	–	106,848	–	–	106,848	106,848
Amount due to an associate	–	16,929	–	–	16,929	16,929
Bank borrowings	7.35%	48,719	23,418	–	72,137	72,137
Accrued charges	–	9,417	–	–	9,417	9,417
Convertible notes	16.77%	–	214,800	–	214,800	100,425
		181,913	238,218	–	420,131	305,756

4. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Fair value estimation

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

(i) the fair value of financial assets and financial liabilities (including derivative instruments) with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices and ask prices respectively; and

(ii) the fair value of other financial assets and financial liabilities (including derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input.

5. 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 shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior years.

The capital structure of the Group consists of debt (which includes interest-bearing borrowings and variable rate bank borrowings), cash and cash equivalents and equity attributable to equity holders 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.

5. CAPITAL RISK MANAGEMENT *(Continued)*

Gearing ratio

The gearing ratio at 31 July 2008 and 31 July 2007 was as follows:

	2008	2007
	HK$'000	*HK$'000*
Debt *(note (a))*	**25,905**	72,137
Shareholders' equity	**803,178**	509,933
Gearing ratio	**0.03**	0.14

Note:

(a) Debt comprises bank borrowings as detailed in Note 37.

6. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

6. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS *(Continued)*

Critical accounting estimates and assumptions *(Continued)*

Impairment of trade receivables

The aged debt profile of trade debtors is reviewed on a regular basis to ensure that the trade debtor balances are collectible and follow up actions are promptly carried out if the agreed credit periods have been exceeded. However, from time to time, the Group may experience delays in collection. Where recoverability of trade debtor balances are called into doubts, specific provisions for trade receivables are made based on credit status of the customers, the aged analysis of the trade receivable balances and write-off history. Certain receivables may be initially identified as collectible, yet subsequently become uncollectible and result in a subsequent write-off of the related receivables to the income statements. Changes in the collectibility of trade receivables for which provision are not made could affect the results of operations.

Impairment of assets

The Group tests annually whether the assets have suffered any impairment. The recoverable amount of an asset or a cash generating unit is determined based on value-in-use calculations which require the use of assumptions and estimates.

Impairment of property, plant and equipment

In accordance with HKAS 16, the Group estimates the useful lives of property, plant and equipment in order to determine the amount of depreciation expenses to be recorded. The useful lives are estimated at the time the asset is acquired based on historical experience, the expected usage, wear and tear of the assets, as well as technical obsolescence arising from changes in the market demands or service output of the assets. The Group also perform annual reviews on whether the assumptions made on useful lives continue to be valid. The Group test annually whether the assets have suffered any impairment. The recoverable amount of an asset or a cash generating unit is determined based on value-in-use calculations which require the use of assumptions and estimates.

Fair value of other financial assets and liabilities

The fair values of loans and receivables and financial liabilities are accounted for or disclosed in the financial statements. The calculated of fair values requires the Group to estimate the future cash flows expected to arise from those assets and liabilities and suitable discount rates. Variations in the estimated future cash flows and the discount rates used may result in adjustments to the carrying amounts of these assets and liabilities and the amounts disclosed in the financial statements.

6. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS *(Continued)*

Critical accounting estimates and assumptions *(Continued)*

Income taxes and deferred taxation

The Group is subject to income taxes in different jurisdictions. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers to be 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.

Estimate of fair value of investment properties

The best evidence of fair value is current prices in an active market for similar lease and other contracts. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its judgment, the Group considers information from a variety of sources including:

(i) current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;

(ii) recent prices of similar properties in less active markets, with adjustments to reflect and changes in economic conditions since the date of the transactions that occurred at those prices; and

(iii) discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts, and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

6. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS *(Continued)*

Critical accounting estimates and assumptions *(Continued)*

Estimate of fair value of investment properties *(Continued)*

If information on current or recent prices of investment properties is not available, the fair values of investment properties are determined using discounted cash flow valuation techniques. The Group uses assumptions that are mainly based on market conditions existing at each balance date.

The principal assumptions underlying management's estimation of fair value are those related to: the receipt of contractual rentals; expected future market rentals; void periods; maintenance and repairs requirement; and the appropriate discount rate.

The expected future market rentals are determined on the basis of current market rentals for similar properties in the same location and condition.

Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated above. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations.

Measurement of convertible notes

On issuance of convertible notes, the fair value of the liability component is determined using a market rate for an equivalent non-convertible note; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in the convertible notes reserve, net of transaction costs. The splitting of the liability and equity components requires an estimation of the market interest rate.

7. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

Segment information is presented by way of the Group's primary segment reporting basis, by business segment. For the year ended 31 July 2008, the Group is primarily engaged in three business segments: (i) property development; (ii) provision of medical and healthcare services and (iii) environmental protection operations.

Prior to the year ended 31 July 2007, the Group organised into four continuous operating divisions. During the year ended 31 July 2008, the Group has reclassified its previously reporting business segments into two continuous operating divisions. These divisions are the basis on which the Group reports its primary segment information.

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

Inter-segment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the prevailing market prices.

Segment assets consist primarily of property, plant and equipment, investment properties, inventories, trade and other debtors, bank deposits, and cash and bank balances.

Segment liabilities comprise operating liabilities.

Unallocated assets and liabilities comprise items such as interest-bearing borrowings.

Business segments

The Group's operating business are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business 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 business segments.

During the financial year, the Group disposed its medical and healthcare services business.

7. SEGMENT INFORMATION *(Continued)*

Business segments *(Continued)*

2008
Results

	Continuing operations		Discontinued operations	
	Property development	Environmental protection operations	Medical and healthcare services	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue				
– External sales	1,888	205,705	3,085	210,678
Segment results	390	83,533	(1,191)	82,732
Unallocated income				19,664
Unallocated corporate expenses				(28,993)
Profit from operations				73,403
Net loss arising from change in fair value of derivative financial instruments				(6,278)
Gain arising from disposal of subsidiaries				805
Gain arising from disposal of an associate				2,151
Share of result of an associate				(111)
Finance costs				(23,891)
Profit before taxation				46,079
Taxation				(11,584)
Profit for the year				34,495

7. SEGMENT INFORMATION *(Continued)*

Business segments *(Continued)*

Other information

	Continuing operations		Discontinued operations		
	Property development	Environmental protection operations	Medical and healthcare services	Unallocated	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Additions to property, plant and equipment	–	31,974	–	485	32,459
Depreciation and amortisation	–	4,988	–	1,089	6,077
Gain arising from change in fair value of investment properties	–	–	–	4,262	4,262
Impairment loss recognised in respect of trade and other debtors	87	–	117	367	571
Imputed interest on convertible notes	–	–	–	19,977	19,977

7. SEGMENT INFORMATION *(Continued)*

Business segments *(Continued)*

2008

Consolidated balance sheet

	Continuing operations		
	Property development *HK$'000*	Environmental protection operations *HK$'000*	Consolidated *HK$'000*
ASSETS			
Segment assets	187,392	923,844	1,111,236
Interest in an associate			–
Derivative financial instruments			–
Unallocated corporate assets			63,245
			1,174,481
LIABILITIES			
Segment liabilities	11,052	66,628	77,680
Convertible notes			242,464
Deferred taxation			14,999
Unallocated corporate liabilities			36,160
			371,303

7. SEGMENT INFORMATION *(Continued)*

Business segments *(Continued)*

2007

Results (restated)

	Continuing operations		Discontinued operations		
	Property development *HK$'000*	Environmental protection operations *HK$'000*	Medical and healthcare services *HK$'000*	Golf resort *HK$'000*	Consolidated *HK$'000*
Segment revenue					
– External sales	4,414	8,427	19,124	5,906	37,871
Segment results	10,486	12,859	(672)	(16,129)	6,544
Unallocated income					36,946
Unallocated corporate expenses					(18,736)
Profit from operations					24,754
Net loss arising from change in fair value of derivative financial instruments					(5,256)
Gain arising from disposal of subsidiaries					9,270
Loss arising from disposal of subsidiaries					(10,181)
Loss arising from deemed disposal of an associate					(17,575)
Share of result of an associate					(602)
Finance costs					(2,994)
Loss before taxation					(2,584)
Taxation					(4,185)
Loss for the year					(6,769)

7. SEGMENT INFORMATION *(Continued)*

Business segments *(Continued)*

Other information (restated)

	Continuing operations		Discontinued operations			
	Property development	Environmental protection operations	Medical and healthcare services	Golf resort	Unallocated	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Additions to property, plant and equipment	–	–	51	582	100	733
Depreciation and amortisation	542	291	157	2,227	159	3,376
Loss arising from change in fair value of investment properties	6,000	–	–	–	390	6,390
Impairment loss recognised in respect of trade and other debtors	609	–	4,556	–	–	5,165
Impairment loss on property, plant and equipment	203	–	486	–	104	793
Imputed interest on convertible notes	–	–	–	–	1,558	1,558

7. SEGMENT INFORMATION *(Continued)*

Business segments *(Continued)*

2007

Consolidated balance sheet (restated)

	Continuing operations		Discontinued operations	
	Property development	Environmental protection operations	Medical and healthcare services	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS				
Segment assets	186,341	326,610	5,586	518,537
Interest in an associate				13,738
Derivative financial instruments				221,478
Unallocated corporate assets				106,062
				859,815
LIABILITIES				
Segment liabilities	8,111	199,399	3,533	211,043
Convertible notes				100,425
Deferred taxation				20,174
Unallocated corporate liabilities				18,240
				349,882

7. SEGMENT INFORMATION *(Continued)*

Geographical segments

The following table provides an analysis of the Group's turnover by geographical market, irrespective of the origin of the goods or services:

	Revenue		Profit/(loss) from operations	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
By geographical market:				
Hong Kong	**–**	–	**(2,985)**	27,640
The PRC	**210,678**	37,871	**76,388**	(2,886)
	210,678	37,871	**73,403**	24,754

Revenue from the Group's discontinued operations was derived mainly from the PRC.

The following is an analysis of the carrying amount of segment assets and additions to property, plant and equipment, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Capital expenditure	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**729,234**	372,368	**106**	668
The PRC	**445,247**	487,447	**32,353**	65
	1,174,481	859,815	**32,459**	733

7. SEGMENT INFORMATION *(Continued)*

Geographical segments *(Continued)*

	Impairment loss recognised in respect of trade and other debtors		Reversal of impairment loss in respect of properties under development	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**367**	–	**–**	–
The PRC	**204**	5,165	**–**	8,600
	571	5,165	**–**	8,600

8. TURNOVER AND OTHER REVENUE

Turnover represents the aggregate of sales revenue from the sales of properties in the PRC, the sales of chemical agents and petroleum chemical products and the service income from the provision of technical and installation services. During the year ended 31 July 2008, the provision of medical and healthcare services in the PRC was terminated.

8. TURNOVER AND OTHER REVENUE *(Continued)*

An analysis of the Group's turnover, for both continuing and discontinued operations, and other revenue for the year is as follows:

	2008 HK$'000	2007 HK$'000 (Restated)
Turnover:		
Continuing operations		
Sales of properties in the PRC	**1,888**	4,414
Sales of chemical agents and petroleum chemical products	**147,090**	6,852
Provision of installation services	**29,963**	–
Provision of technical services	**28,652**	1,575
	207,593	12,841
Discontinued operations		
Provision of medical and healthcare services in the PRC	**3,085**	19,124
Operation of a golf resort	**–**	5,906
	3,085	25,030
Other revenue:		
Continuing operations		
Interest income	**121**	1,287
Rental income	**2,541**	1,535
Governmental grant	**3,248**	–
Management fee income	**824**	–
Sundry income	**1,692**	673
	8,426	3,495
Discontinued operations		
Interest income	**73**	39

9. PROFIT FROM OPERATIONS

Profit from operations is stated at after charging:

	Continuing operations		Discontinued operations		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
		(Restated)		(Restated)		
Auditors' remuneration	**500**	500	**–**	–	**500**	500
Amortisation of interest in leasehold land	**–**	10	**–**	–	**–**	10
Amortisation of intangible assets	**3,186**	291	**–**	–	**3,186**	291
Depreciation on owned assets	**2,891**	165	**–**	2,910	**2,891**	3,075
Loss on disposal of property, plant and equipment	**–**	–	**–**	1	**–**	1
Operating lease rentals in respect of land and buildings	**648**	231	**–**	670	**648**	901
Impairment loss recognised in respect of property, plant and equipment	**–**	307	**–**	486	**–**	793
Impairment loss recognised in respect of trade and other debtors	**454**	608	**117**	4,557	**571**	5,165
Staff costs, including directors' remuneration:						
– Retirement benefits scheme contributions	**332**	241	**–**	–	**332**	241
– Salaries and other benefits	**3,272**	7,318	**1,289**	5,100	**4,561**	12,418

and after crediting:

Other income:						
Waiver of other creditors	**1,275**	–	**908**	–	**2,183**	–
Exchange gain	**253**	65	**–**	–	**253**	65
Fair value gain in respect of financial assets at fair value through profit or loss, other than derivative financial instruments	**2,743**	34,057	**–**	–	**2,743**	34,057
Gain on disposal of property, plant and equipment	**–**	9,790	**–**	–	**–**	9,790
Reversal of impairment loss in respect of properties under development	**–**	8,600	**–**	–	**–**	8,600
Reversal of impairment loss in respect of deposits and prepayment	**–**	9,046	**–**	–	**–**	9,046
Reversal of impairment loss in respect of inventories	**–**	2,481	**–**	–	**–**	2,481
Reversal of impairment loss in respect of trade and other debtors	**1,727**	–	**–**	–	**1,727**	–
	5,998	64,039	**908**	–	**6,906**	64,039

10. FINANCE COSTS

	Continuing operations		Discontinued operations		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Imputed interest on convertible notes	**19,977**	1,558	**–**	–	**19,977**	1,558
Interest on bank borrowings and overdrafts wholly repayable within five years	**3,707**	1,402	**–**	–	**3,707**	1,402
Interest on loan from a shareholder	**207**	34	**–**	–	**207**	34
	23,891	2,994	**–**	–	**23,891**	2,994

11. DISCONTINUED OPERATIONS

Termination of medical and healthcare services business

On 13 September 2007, the Group terminated the medical and healthcare services business, which was established under a joint venture agreement with another PRC party to provide medical and healthcare services in the PRC. The termination of medical and healthcare services business is consistent with the Group's long-term policy to focus its activities on property development and environmental protection business.

Disposal of golf resort business

On 23 February 2007, the Group entered into a share sales agreement to dispose of the Group's golf resort business. The disposal of golf resort business is consistent with the Group's long-term policy to focus its activities on property development business. The disposal of the golf resort business was completed on 18 April 2007 on which date control of the golf resort business passed to the acquirer.

11. DISCONTINUED OPERATIONS *(Continued)*

The combined results and cash flows of the discontinued operations (i.e. the medical and healthcare services and golf resort business) included in the consolidated income statement and the consolidated cash flow statement are set out below.

	2008	2007
	HK$'000	*HK$'000*
		(Restated)
Loss for the year from discontinued operations		
Revenue	**4,066**	25,069
Expenses	**(9,197)**	(41,870)
Loss before taxation	**(5,131)**	(16,801)
Taxation	**–**	(1,252)
Loss for the year from discontinued operations	**(5,131)**	(18,053)
Loss on disposal of operations (For the year ended 31 July 2007, including approximately HK$2,600,000 reversal of exchange reserve on disposal of subsidiaries)	**–**	(9,428)
Loss for the year from discontinued operations	**(5,131)**	(27,481)
Cash flows from discontinued operations		
Net cash flows from operating activities	**(2,952)**	5,210
Net cash flows from investing activities	**69**	(9,839)
Net cash flows from financing activities	**–**	6,419
Net cash flows	**(2,883)**	1,790

12. TAXATION

No provision for Hong Kong Profits Tax has been made during the year (2007: 17.5%) as the Group had no assessable profit for the year.

On 16 March 2007, the People's Republic of China promulgated the Law of the People's Republic of China, which will change the tax rate from 33% to 25% for certain subsidiaries from 1 January 2008. The deferred tax balance has been adjusted to reflect the tax rates that are expected to apply to the respective years when the asset is realised or the liability is settled.

Taxation for other jurisdictions is calculated at the rate prevailing in the respective jurisdictions.

	Continuing operations		Discontinued operations		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
		(Restated)		(Restated)		
Current taxation:						
Provision for the year in the PRC	**13,917**	3,258	**–**	1,252	**13,917**	4,510
Over provision in previous year- the PRC	**12**	–	**–**	–	**12**	–
Deferred taxation:						
Recognised during the year	**(2,345)**	(325)	**–**	–	**(2,345)**	(325)
	11,584	2,933	**–**	1,252	**11,584**	4,185

12. TAXATION *(Continued)*

The charge for the year can be reconciled to the profit per the consolidated income statement as follows:

The Group

	2008					
	Hong Kong		**The PRC**		**Total**	
	HK$'000	*%*	***HK$'000***	*%*	***HK$'000***	*%*
Profit/(loss) before taxation:						
Continuing operations	**(28,654)**		**79,864**		**51,210**	
Discontinued operations	**–**		**(5,131)**		**(5,131)**	
Profit/(loss) before taxation	**(28,654)**		**74,733**		**46,079**	
Tax at applicable tax rate	**(4,728)**	**(16.5)**	**18,683**	**25.0**	**13,955**	**30.3**
Tax effect of change in tax rate	**–**	**–**	**2,689**	**3.6**	**2,689**	**5.8**
Estimated tax effect of income and expenses not taxable or deductible in determining taxable profits	**1,171**	**4.1**	**(7,131)**	**(9.5)**	**(5,960)**	**(12.9)**
Under-provision in previous year	**–**	**–**	**12**	**0.1**	**12**	**0.1**
Tax losses not recognised	**146**	**0.5**	**742**	**1.0**	**888**	**1.8**
Tax (credited)/charged at the Group's effective rate	**(3,411)**	**(11.9)**	**14,995**	**20.2**	**11,584**	**25.1**

12. TAXATION *(Continued)*

The Group

	2007					
	Hong Kong		The PRC		Total	
	HK$'000	%	*HK$'000* (Restated)	%	*HK$'000* (Restated)	%
Profit/(loss) before taxation:						
Continuing operations	7,307		18,842		26,149	
Discontinued operations	–		(28,733)		(28,733)	
Profit/(loss) before taxation	7,307		(9,891)		(2,584)	
Tax at applicable tax rate	1,278	17.5	(5,529)	(55.9)	(4,251)	(164.5)
Estimated tax effect of income and expenses not taxable or deductible in determining taxable profits	2,169	29.7	2,443	24.7	4,612	178.5
Tax losses not recognised/ (utilised)	(821)	(11.2)	4,645	47.0	3,824	148.0
Tax charged at the Group's effective rate	2,626	36.0	1,559	15.8	4,185	162.0

13. DIRECTORS' REMUNERATION

Details of remuneration of the directors of the Company for the year, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, are as follows:

	Fees		Salaries and bonuses		Mandatory provident fund		Total	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Executive directors								
Mr. Yu Hong (Appointed on 8 November 2007)	–	–	–	–	–	–	–	–
Mr. Li Bin (Appointed on 16 November 2007)	–	–	–	–	–	–	–	–
Mr. Chim Kim Lun, Ricky (Appointed on 23 May 2007)	–	–	–	–	–	–	–	–
Mr. Guo Han Biao (Appointed on 25 August 2008)	–	–	–	–	–	–	–	–
Mr. Fok Po Tin (Appointed on 12 March 2007 and resigned on 11 August 2008)	–	–	**150**	–	–	–	**150**	–
Mr. Yip Kwong (Resigned on 20 July 2007)	–	–	**128**	2,429	**2**	12	**130**	2,441
Mr. Kam Shing (Resigned on 9 July 2007)	–	–	–	268	–	–	–	268
Mr. Dai Zhong Cheng (Resigned on 13 June 2007)	–	–	–	83	–	–	–	83
Independent non-executive directors								
Mr. Cheng Kwok Hing, Andy (Appointed on 23 May 2007)	–	–	–	–	–	–	–	–
Mr. Kwong Ping Man (Appointed on 13 July 2007)	**30**	–	–	–	–	–	**30**	–
Mr. Zhang Xi Chu (Appointed on 15 October 2008)	–	–	–	–	–	–	–	–
Mr. Sun Tak Keung (Appointed on 5 July 2007 and resigned on 15 October 2008)	–	–	–	–	–	–	–	–
Dr. Wong King Keung, Peter (Resigned on 13 April 2007)	–	75	–	–	–	–	–	75
Dr. Lau Lap Ping (Resigned on 5 July 2007)	–	97	–	–	–	–	–	97
Mr. Edmund Siu (Resigned on 13 July 2007)	–	99	–	–	–	–	–	99
	30	271	**278**	2,780	**2**	12	**310**	3,063

13. DIRECTORS' REMUNERATION *(Continued)*

The number of directors whose remuneration fell within the following bands is as follows:

	2008	2007
Nil – HK$1,000,000	**7**	10
HK$1,000,001 to HK$2,500,000	**–**	1
	7	11

During the year, no remuneration was paid by the Group to the directors as a discretionary bonus or an inducement to join or upon joining the Group or as compensation for loss of office.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

14. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one (2007: one) director, details of whose remuneration set out in Note 13 above. Details of the remuneration of the remaining four (2007: four) highest paid employees are as follows:

	2008	2007
	HK$'000	*HK$'000*
Salaries and other benefits	**1,113**	1,647
Retirement benefits scheme contributions	**33**	46
Total emoluments	**1,146**	1,693

The number of the non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2008	2007
Nil – HK$1,000,000	**4**	4

15. (LOSS)/PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The loss attributable to equity holders of the company is dealt with in the financial statements of the Company to the extent of HK$16,439,000 (2007: profit of HK$53,516,000).

16. DIVIDENDS

The directors do not recommend the payment of any dividend in respect of the year ended 31 July 2008 (2007: Nil).

17. PROFIT/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculations of basic and diluted profit/(loss) from continuing and discontinued operations per share are based on:

	2008	2007
	HK$'000	*HK$'000*
Profit/(loss)		
Profit/(loss) attributable to ordinary equity holders of the Company, for the purpose of basic profit/(loss) per share calculation	**23,653**	(14,037)
Interest on convertible notes *(Note 38)*	**19,977**	1,558
Deferred tax relating to that interest expense *(Note 39)*	**(3,411)**	(272)
Profit/(loss) attributable to ordinary equity holders of the Company for the purpose of diluted profit/(loss) per share calculation	**40,219**	(12,751)

	2008	2007
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares in issue during the year for the purpose of basic profit/(loss) per share calculation	**1,637,436**	749,008
Effect of dilution – weighted average number of ordinary shares: convertible notes	**1,319,041**	793,206
Weighted average number of ordinary shares for the purpose of diluted earnings per share calculation	**2,956,477**	1,542,214

17. PROFIT/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY *(Continued)*

From continuing operations

The calculations of basic and diluted profit/(loss) from continuing operation per share are based on:

	2008	2007
	HK$'000	*HK$'000*
Profit		
Profit for the year from continuing operations, attributable to ordinary equity holders of the Company, for the purpose of basic profit per share calculation	**28,784**	13,444
Interest on convertible notes *(Note 38)*	**19,977**	1,558
Deferred tax relating to that interest expense *(Note 39)*	**(3,411)**	(272)
Profit attributable to ordinary equity holders of the Company for the purpose of diluted earnings per share calculation	**45,350**	14,730

	2008	2007
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares in issue during the year for the purpose of basic profit per share calculation	**1,637,436**	749,008
Effect of dilution – weighted average number of ordinary shares: convertible notes	**1,319,041**	793,206
Weighted average number of ordinary shares for the purpose of diluted earnings per share calculation	**2,956,477**	1,542,214

17. PROFIT/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY *(Continued)*

From discontinued operations

Basic loss per share for the discontinued operations is HK$0.0031 per share (2007: HK$0.037 per share (restated)), based on the loss for the year from the discontinued operations of approximately HK$5,131,000 (2007: HK$27,481,000 (restated)) and the denominators detailed above for both basic loss per share. The calculation of diluted profit/(loss) per share for discontinued operations did not assume the exercise of the convertible notes existed during the year as the exercise of such notes would reduce loss per share, therefore anti-dilutive.

18. INVESTMENT PROPERTIES

	The Group	
	2008	2007
	HK$'000	*HK$'000*
At the beginning of the year	**128,494**	130,000
Acquisition of subsidiaries	**–**	4,884
Exchange alignment	**716**	–
Profit/(loss) arising from change in fair value	**4,262**	(6,390)
At the end of the year	**133,472**	128,494

Investment properties were revalued at their open market values at 31 July 2008 by independent qualified valuers not connected with the Group, on an open market value basis. The valuation gave rise to a gain arising from change in fair value of HK$4,262,000 (2007: loss of HK$6,390,000) which has been credited to the consolidated income statement.

The Group's investment properties with an aggregate carrying value of approximately HK$9,472,000 (2007: HK$27,569,000) have been pledged to secure credit facilities granted to the Group *(Note 37)*.

18. INVESTMENT PROPERTIES *(Continued)*

The carrying amount of investment properties shown above comprises:

	2008 HK$'000	2007 HK$'000
Land outside Hong Kong:		
Long-term lease	**124,000**	124,000
Medium-term lease	**9,472**	4,494
	133,472	128,494

Property rental income earned during the year was approximately HK$2,541,000 (2007: HK$1,535,000). The property held had committed tenants for the next two years. At the balance sheet date, the Group contracted with tenants for the following future minimum lease receivables:

	2008 HK$'000	2007 HK$'000
Within one year	**2,100**	1,461
In the second to fifth year inclusive	**694**	440
	2,794	1,901

19. PROPERTY, PLANT AND EQUIPMENT

The Group	Leasehold improvement HK$'000	Buildings HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Plant and machinery HK$'000	Total HK$'000
Cost						
At 1 August 2006	–	15,400	7,430	4,252	1,917	28,999
Additions	–	–	151	582	–	733
Acquisition of subsidiaries	–	4,956	1,160	5,351	5,172	16,639
Disposals	–	(7,703)	(24)	–	–	(7,727)
Exchange alignment	–	53	228	73	55	409
Disposal of subsidiaries	–	(7,697)	(3,022)	(3,700)	(1,917)	(16,336)
At 31 July 2007 and at 1 August 2007	–	5,009	5,923	6,558	5,227	22,717
Additions	38	22,334	73	374	9,640	32,459
Disposals	–	–	(260)	–	–	(260)
Exchange alignment	–	1,798	125	590	1,098	3,611
At 31 July 2008	38	29,141	5,861	7,522	15,965	58,527
Depreciation and impairment						
At 1 August 2006	–	5,279	6,719	4,102	934	17,034
Provided for the year	–	515	119	214	–	848
Impairment loss	–	70	555	159	9	793
Acquisition of subsidiaries	–	2,228	887	1,522	2,006	6,643
On disposal written back	–	(2,833)	(23)	–	–	(2,856)
Exchange alignment	–	24	215	26	20	285
Disposal of subsidiaries	–	(2,959)	(2,905)	(3,174)	(934)	(9,972)
At 31 July 2007 and at 1 August 2007	–	2,324	5,567	2,849	2,035	12,775
Provided for the year	17	781	84	988	1,021	2,891
On disposal written back	–	–	(260)	–	–	(260)
Exchange alignment	–	288	(22)	235	394	895
At 31 July 2008	17	3,393	5,369	4,072	3,450	16,301
Net book value						
At 31 July 2008	**21**	**25,748**	**492**	**3,450**	**12,515**	**42,226**
At 31 July 2007	–	2,685	356	3,709	3,192	9,942

20. PROPERTIES UNDER DEVELOPMENT/PROPERTIES HELD FOR SALE

The Group

(a) Properties under development

	HK$'000
Cost	
At 1 August 2006, 31 July 2007 and 31 July 2008	72,706
Impairment	
At 1 August 2006	38,306
Reversal of impairment loss	(8,600)
At 31 July 2007 and 1 August 2007	29,706
Impairment loss	–
At 31 July 2008	29,706
Net book value	
At 31 July 2008	**43,000**
At 31 July 2007	43,000

(b) Properties held for sale

	2008	2007
	HK$'000	*HK$'000*
Properties held for sale	**17,910**	16,399

Up to 31 July 2008, properties under development included net interest capitalised of approximately HK$3,968,000 (2007: HK$3,968,000).

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

The Group's properties held for sale with an aggregate carrying value of approximately HK$8,497,000 had been pledged to secure credit facilities granted to the Group during the year ended 31 July 2007 *(Note 37)*.

21. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2008	2007
	HK$'000	*HK$'000*
Unlisted shares, at cost	**384,001**	1
Less: Impairment loss recognised	**–**	–
	384,001	1
Amounts due from subsidiaries	**486,567**	482,219
Less: Impairment loss recognised	**(7,259)**	(7,259)
	479,308	474,960
Amounts due to subsidiaries	**(30,810)**	(32,163)

Notes:

(a) The carrying amount of the investments in subsidiaries is reduced to their recoverable amounts which are determined by reference to the estimation of future cash flows expected to be generated from the respective subsidiaries.

(b) Details of the Company's principal subsidiaries as at 31 July 2008 are set out in Note 53 to the financial statements.

(c) None of the subsidiaries had any debt securities outstanding at the balance sheet date or at any time during the year.

(d) The amounts due from/(to) subsidiaries are unsecured, non-interest bearing and have no fixed terms of repayment.

(e) The carrying amounts of amounts due from subsidiaries is reduced to their recoverable amounts which are determined by reference to the estimation of future cash flows expected to be generated from the respective subsidiaries.

22. INTEREST IN AN ASSOCIATE

	The Group	
	2008	2007
	HK$'000	*HK$'000*
Share of net assets, including goodwill on acquisition	**–**	13,738

Details of the Group's associate at 31 July 2007 are as follows:

Name of associate	Place of incorporation/ registration	Place of operation	Proportion of ownership interest		Proportion of voting power held	Principal activities
			Directly	Indirectly		
廣州粵威環保實業有限公司 (“廣州粵威”)	The PRC	The PRC	–	44.8%	44.8%	Property holding

The amounts due from/(to) an associate were unsecured, interest free and had no fixed terms of repayment.

The summarised financial information of the Group's associate, extracted from its financial statement is as follows:

	2008	2007
	HK$'000	*HK$'000*
Total assets	**–**	30,696
Total liabilities	**–**	(31)
Net assets	**–**	30,665
Group's share of net assets of an associate	**–**	13,738
Turnover	**–**	–
Loss for the year	**–**	(15)
Group's share of loss of associates for the year	**–**	(7)
Group's share of loss of disposed associate for the year	**(111)**	(595)

23. GOODWILL

	The Group
	HK$'000
Cost:	
At 1 August 2006	–
Arising from acquisition of subsidiaries	106,282
At 31 July 2007 and 1 August 2007	106,282
Arising from acquisition of subsidiaries	609,586
At 31 July 2008	715,868
Impairment:	
At 1 August 2006, 31 July 2007 and 31 July 2008	–
Carrying amount:	
At 31 July 2008	**715,868**
At 31 July 2007	106,282

During the year ended 31 July 2008, the Group assessed the recoverable amount of goodwill and determined that goodwill associated with the Group's environmental protection operations. The recoverable amount of the environmental protection operations was assessed by reference to value in use. A discount rate of 14.02% per annum was applied in the value in use model.

23. GOODWILL *(Continued)*

Impairment testing on goodwill

The Group uses business segments as its primary segment for reporting segment information. For the purposes of impairment testing, goodwill has been allocated to the following cash generating units (CGUs). The carrying amount of goodwill (net of accumulated impairment losses) as at 31 July 2008 is allocated as follows:

	HK$'000
Environmental protection operations	715,868

The recoverable amount of the environmental protection operations is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by management covering a five-year period, and a discount rate of 14.02% per annum. Management believes that any reasonably possible further change in the key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of this CGU.

The key assumptions used in the value in use calculations for the environmental protection operations are as follows:

Budgeted gross margin	Average gross margins achieved in the period immediately before the budget period which reflects past experience.

24. INTANGIBLE ASSETS

	The Group Patent HK$'000
Cost:	
At 1 August 2006	–
Acquired on acquisition of subsidiaries	58,982
Exchange realignment	470
At 31 July 2007 and 1 August 2007	59,452
Exchange realignment	6,248
At 31 July 2008	65,700
Amortisation and impairment:	
At 1 August 2006	–
Acquired on acquisition of subsidiaries	10,320
Charge for the year	291
Exchange realignment	83
At 31 July 2007 and 1 August 2007	10,694
Charge for the year	3,186
Exchange realignment	1,305
At 31 July 2008	15,185
Carrying amount:	
At 31 July 2008	**50,515**
At 31 July 2007	48,758

24. INTANGIBLE ASSETS *(Continued)*

As at 31 July 2008, the intangible assets with a carrying amount of approximately HK$50,515,000 (2007: HK$48,758,000) were pledged to secure banking facilities granted to Guangzhou Yueshou Industry Co. Limited ("Guangzhou Yueshou") *(Note 37)*.

25. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS, OTHER THAN DERIVATIVE FINANCIAL INSTRUMENTS

	The Group	
	2008	2007
	HK$'000	*HK$'000*
Listed investments:		
– Equity securities listed in Hong Kong	–	60,397
Market value of listed securities	–	60,397

Fair value gain in respect of financial assets at fair value through profit or loss of approximately HK$2,743,000 (2007: HK$34,057,000) as at 31 July 2008 was recognised as other income in the consolidated income statement *(Note 9)*.

The fair values of listed equity securities are determined based on the quoted market bid prices available on the relevant exchange.

26. DEFERRED INCOME

	The Group	
	2008	2007
	HK$'000	*HK$'000*
At the beginning of the year	**7,268**	–
Acquisition of subsidiaries	**–**	7,191
Exchange alignment	**764**	77
At the end of the year	**8,032**	7,268

The Group's deferred income represents government grants obtained for subsidising the construction of facilities.

27. TRADE AND OTHER DEBTORS

	The Group	
	2008	2007
	HK$'000	*HK$'000*
Trade and other debtors	**138,889**	120,602
Less: Impairment loss recognised in respect of trade and other debtors *(Note (a))*	**(16,104)**	(16,640)
	122,785	103,962

27. TRADE AND OTHER DEBTORS *(Continued)*

The credit terms granted to customers ranges from 30 to 365 days. The aged analysis of trade and other debtors is as follows:

	The Group	
	2008	2007
	HK$'000	*HK$'000*
0 to 30 days	**26,275**	13,547
31 to 60 days	**7,721**	37,594
61 to 90 days	**2,304**	14,359
91 to 180 days	**16,317**	7,442
181 to 365 days	**49,262**	18,689
Over 365 days	**37,010**	28,971
	138,889	120,602
Less: Impairment loss recognised in respect of trade and other debtors *(Note (b))*	**(16,104)**	(16,640)
	122,785	103,962

Notes:

(a) The carrying amounts of trade and other debtors are reduced to their recoverable amounts which are determined by reference to the estimation of future cash flows expected to be generated.

(b) The movements in impairment loss of trade and other debtors were as follows:

	2008	2007
	HK$'000	*HK$'000*
At 1 August	**16,640**	4,638
Acquired on acquisition of subsidiaries	**–**	6,837
Exchange realignment	**620**	–
Reversal of impairment *(Note 9)*	**(1,727)**	–
Impairment loss recognised in respect of trade and other debtors *(Note 9)*	**571**	5,165
At 31 July	**16,104**	16,640

27. TRADE AND OTHER DEBTORS *(Continued)*

(c) The aged analysis of the Group's trade and other debtors balances which are past due but not impaired is presented as follows:

	2008 HK$'000	2007 HK$'000
Over 365 days	**20,906**	12,344

(d) The aged analysis of the Group's trade and other debtors balances which are impaired is presented as follows:

	2008 HK$'000	2007 HK$'000
181 to 365 days	**–**	13
Over 365 days	**16,104**	16,627
	16,104	16,640

28. DEPOSITS AND PREPAYMENTS

	The Group		The Company	
	2008 HK$'000	2007 HK$'000	**2008 HK$'000**	2007 HK$'000
Refundable deposit paid for acquisition	**–**	40,000	**–**	–
Deposit paid for legal claim	**3,131**	3,131	**–**	–
Deposit paid for land	**9,154**	–	**–**	–
Deposit paid for property, plant and equipment	**2,492**	6,768	**–**	–
Prepayment	**13,355**	23,536	**128**	394
	28,132	73,435	**128**	394

29. INVENTORIES

	The Group	
	2008	2007
	HK$'000	*HK$'000*
Raw material	**639**	246
Finished goods	**–**	665
	639	911

The cost of inventories recognised as an expense during the year, in respect of both continuing and discontinued operations, was HK$108,491,000 (2007: HK$5,191,000).

30. AMOUNTS DUE FROM/(TO) CUSTOMERS FOR CONTRACT WORK

	2008	2007
	HK$'000	*HK$'000*
Amounts due from customers for contract work	**1,030**	4,980
Amounts due to customers for contract work	**(1,085)**	(12,344)
	(55)	(7,364)
Contracts in progress at the balance sheet date:		
Contract costs incurred plus recognised profits less recognised losses to date	**65,227**	136,038
Less: Progress billings	**(65,282)**	(143,402)
	(55)	(7,364)

31. OTHER DEPOSIT

The Group and the Company

A sum of HK$9,169,000 (2007: 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 Construction Company Limited ("Wing Fai") or any subsequently appointed liquidators of Wing Fai, for any judgment 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.

32. DERIVATIVE FINANCIAL INSTRUMENTS

The Group

	Call option contract *HK$'000*	Put option contract *HK$'000*	Total *HK$'000*
At 1 August 2006	–	–	–
Arising on acquisition of subsidiaries	142,708	84,026	226,734
(Loss)/gain arising from change in fair value	(5,754)	498	(5,256)
At 31 July 2007 and 1 August 2007	136,954	84,524	221,478
Gain/(loss) arising from change in fair value	78,246	(84,524)	(6,278)
Exercised on acquisition of subsidiaries	(215,200)	–	(215,200)
At 31 July 2008	**–**	**–**	**–**

The derivative financial instruments represent the call option and put option contracts granted by the vendor in relation to the acquisition of subsidiaries.

33. CASH AND BANK BALANCES

	The Group		The Company	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash and bank balances	**9,735**	18,867	**97**	1,133

As at 31 July 2008, cash and bank balances of the Group included currencies denominated in RMB amounted to approximately HK$8,818,000 (2007: HK$6,122,000) which is not freely convertible into other currencies.

34. SHARE CAPITAL

The Group and the Company

	Number of shares	Amount
		HK$'000
Share of HK$0.05 each		
Authorised:		
At 1 August 2006, at 31 July 2007 and at 31 July 2008	16,000,000,000	800,000
Issued and fully paid:		
At 1 August 2006	676,999,858	33,850
Issue of shares *(Note a)*	135,000,141	6,750
Conversion of convertible notes *(Note 38)*	206,000,000	10,300
At 31 July 2007 and 1 August 2007	1,017,999,999	50,900
Conversion of convertible notes *(Note 38)*	1,384,000,000	69,200
At 31 July 2008	**2,401,999,999**	**120,100**

Notes:

(a) On 13 February 2007, the Company, through a placing agent, placed 135,000,141 shares of HK$0.05 each at a placing price of HK$0.22 each for the purpose of increasing working capital and/or possible investment in the future.

35. SHARE OPTION SCHEME

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$5,000,000 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 9 January 2012. A nominal consideration of HK$1 is payable on acceptance of the grant of an option.

No options were granted to any directors and employees of the Company during the two years ended 31 July 2007 and 31 July 2008 pursuant to the New Scheme.

36. RESERVES

(a) The Group

The amounts of the Group reserves and the movements therein for the current and prior year and presented in the consolidated statement of changes in equity on pages 37 to 38 of the financial statements.

36. RESERVES *(Continued)*

(b) The Company

	Share premium HK$'000	Contributed surplus HK$'000	Distributable reserve HK$'000 (Note (a))	Convertible notes reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 August 2006	31,879	143,218	77,033	–	(185,116)	67,014
Issuing expense	(792)	–	–	–	–	(792)
Premium arising from issue of shares *(Note (b))*	22,950	–	–	–	–	22,950
Equity component of convertible notes	–	–	–	138,101	–	138,101
Conversion of convertible notes	30,900	–	–	(22,168)	–	8,732
Reversal upon conversion of convertible notes	–	–	–	3,880	–	3,880
Deferred tax arising from issue of convertible notes	–	–	–	(24,168)	–	(24,168)
Profit for the year	–	–	–	–	53,516	53,516
At 31 July 2007 and 1 August 2007	84,937	143,218	77,033	95,645	(131,600)	269,233
Equity component of convertible notes	–	–	–	76,430	–	76,430
Conversion of convertible notes	207,600	–	–	(91,292)	–	116,308
Reversal upon conversion of convertible notes	–	–	–	15,702	–	15,702
Deferred tax arising from issue of convertible notes	–	–	–	(12,612)	–	(12,612)
Loss for the year	–	–	–	–	(16,439)	(16,439)
At 31 July 2008	**292,537**	**143,218**	**77,033**	**83,873**	**(148,039)**	**448,622**

Notes:

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

(b) On 13 February 2007, the Company, through a placing agent, placed 135,000,141 shares of HK$0.05 each at a placing price of HK$0.22 each for the purpose of increasing working capital and/or possible investment in the future.

37. BANK BORROWINGS, SECURED

	The Group	
	2008	2007
	HK$'000	*HK$'000*
Bank loans	**25,905**	72,137
The maturities of the above bank borrowings are as follows:		
On demand or within one year	**25,905**	48,719
More than one year but not exceeding two years	**–**	23,418
More than two years but not exceeding five years	**–**	–
More than five years	**–**	–
	25,905	72,137
Less: Amounts due within one year shown under current liabilities	**(25,905)**	(48,719)
Amount due after one year	**–**	23,418

For the year ended 31 July 2008, the above bank borrowings were secured by intangible assets and investment properties amounting to approximately HK$50,515,000 and HK$9,472,000 respectively. The weighted average effective interest rate on the bank borrowings is 7.56% per annum.

For the year ended 31 July 2007, the above bank borrowings were secured by properties held for sale, intangible assets and investment properties amounting to approximately HK$8,497,000, HK$48,758,000 and HK$27,569,000 respectively. The weighted average effective interest rate on the bank borrowings is 7.35% per annum.

An analysis of the carrying amounts of the total borrowings by type and currency is as follows:

	The Group	
	2008	2007
	HK$'000	*HK$'000*
At fixed rates		
Renminbi ("RMB")	**25,905**	72,137

38. CONVERTIBLE NOTES

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

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

The Convertible Notes 1 recognised in the balance sheet was calculated, as follows:

	The Group and the Company
	HK$'000
Nominal value of convertible notes issued on 28 June 2007	256,000
Equity component	(138,101)
Liability component at the issuance date	117,899
Imputed interest expense charged	1,558
Converted into Company's shares	(19,032)
Liability component at 31 July 2007	100,425
Imputed interest expense charged	11,489
Converted into Company's shares	(64,941)
Liability component at 31 July 2008	46,973

During the year ended 31 July 2008, Convertible Note 1 with an aggregate amount of HK$128,800,000 (2007: HK$41,200,000) was converted into the ordinary shares of the Company. Total number of ordinary shares converted was 644,000,000 (2007: 206,000,000) *(Note 34)*.

Interest expense on the Convertible Notes 1 is calculated using the effective interest method by applying the effective interest rate of 16.774% to the liability component.

38. CONVERTIBLE NOTES *(Continued)*

(b) On 30 October 2007, the Company issued zero-coupon convertible notes ("Convertible Notes 2") with a principal amount of HK$384,000,000. Each note entitled the holder to convert to ordinary share of the Company at a conversion price of HK$0.20 each. The maturity date of the Convertible Notes 2 is the date immediately preceding the fifth anniversary of the date of issue of the Convertible Notes 2.

The fair value of the liability component was estimated at the issue date of the Convertible Notes 2 using an equivalent market interest rate for a similar bond without a conversion option. The effective interest rate of the liability component is 4.534% per annum. The residual amount is assigned as the equity component, and included in shareholders' equity in convertible notes reserves.

The Convertible Notes 2 recognised in the balance sheet was calculated, as follows:

	The Group and the Company
	HK$'000
Nominal value of convertible notes issued on 30 October 2007	384,000
Equity component	(76,430)
Liability component at the issuance date	307,570
Imputed interest expense charged	8,488
Converted into Company's shares	(120,567)
Liability component at 31 July 2008	195,491

During the year ended 31 July 2008, Convertible Notes 2 with an aggregate amount HK$148,000,000 was converted into the ordinary shares of the Company. Total number of ordinary shares converted was 740,000,000 *(Note 34)*.

Interest expense on the Convertible Notes 2 is calculated using the effective interest method by applying the effective interest rate of 4.534% to the liability component.

39. DEFERRED TAXATION

The following are the major deferred tax balances recognised and movements thereon during the current and prior year:

The Group

Deferred tax liabilities:

	Accelerated tax depreciation	**Convertible notes**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 1 August 2006	–	–	–
Acquisition of subsidiaries	211	–	211
Credit to consolidated income statement for the year	(53)	(272)	(325)
Charge to equity for the year	–	24,168	24,168
Reversal upon conversion of convertible notes	–	(3,880)	(3,880)
At 31 July 2007 and at 1 August 2007	158	20,016	20,174
Charge/(credit) to consolidated income statement for the year	1,066	(3,411)	(2,345)
Exchange alignment	260	–	260
Charge to equity for the year	–	12,612	12,612
Reversal upon conversion of convertible notes	–	(15,702)	(15,702)
At 31 July 2008	**1,484**	**13,515**	**14,999**

The following is the analysis of the deferred tax balances for financial reporting purposes:

	2008	2007
	HK$'000	*HK$'000*
Deferred tax assets	**–**	–
Deferred tax liabilities	**(14,999)**	(20,174)
	(14,999)	(20,174)

39. DEFERRED TAXATION *(Continued)*

At the balance sheet date, the Group has unused tax losses of approximately HK$87,477,000 (2007: HK$83,626,000) available for offset against future profits that may be carried forward indefinitely. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams.

The Company

Deferred tax liabilities:

	Convertible notes *HK$'000*
At 1 August 2006	–
Credit to income statement for the year	(272)
Charge to equity for the year	24,168
Reversal upon conversion of convertible notes	(3,880)
At 31 July 2007 and at 1 August 2007	20,016
Credit to income statement for the year	(3,411)
Charge to equity for the year	12,612
Reversal upon conversion of convertible notes	(15,702)
At 31 July 2008	**13,515**

The following is the analysis of the deferred tax balances for financial reporting purposes:

	2008 ***HK$'000***	2007 *HK$'000*
Deferred tax assets	–	–
Deferred tax liabilities	**(13,515)**	(20,016)
	(13,515)	(20,016)

39. DEFERRED TAXATION *(Continued)*

At the balance sheet date, the Company has unused tax losses of approximately HK$51,673,000 (2007: HK$51,808,000) available for offset against future profits that may be carried forward indefinitely. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams.

40. TRADE AND OTHER CREDITORS

	The Group		The Company	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Trade and other creditors	**28,845**	96,667	**2,347**	2,739
Amounts due to ex-directors	**10,181**	10,181	**10,181**	10,181
	39,026	106,848	**12,528**	12,920

The amounts due to ex-directors are unsecured, interest free and repayable on demand.

The aged analysis of trade and other creditors is as follows:

	The Group	
	2008	2007
	HK$'000	*HK$'000*
0 to 30 days	**9,619**	72,420
31 to 60 days	**5,779**	2,051
61 to 90 days	**2,937**	17,611
91 to 180 days	**4,179**	–
181 to 365 days	**3,300**	614
Over 365 days	**3,031**	3,971
	28,845	96,667

41. ACCRUED CHARGES

	The Group		The Company	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Accrued charges	**5,489**	9,417	**1,670**	–

42. LOAN FROM A SHAREHOLDER

As at 31 July 2008, shareholder's loan amounting to approximately HK$3,000,000 (2007: Nil) was granted to the Group by Mr. Sun Ying Chung ("Mr. Sun").

The loan from Mr. Sun is unsecured, bearing interest at a fixed rate 7% per annum and repayable on demand.

43. AMOUNT DUE TO A DIRECTOR/SHAREHOLDER

The amount due is unsecured, interest free and have no fixed terms of repayment. In the opinion of the directors, the amount due to a shareholder will not be repayable within the next 12 months from the balance sheet date.

44. ACQUISITION OF SUBSIDIARIES

On 28 June 2007, the Group acquired 40% equity interest in Goldfield International Investment Group Limited ("Goldfield"). In addition to the 40% equity interest in Goldfield, the Group held a call option giving it the right to acquire the remaining 60% equity interest of Goldfield. The existing 40% equity interest and the potential voting rights of the 60% equity interest under the call option gave the Group control over Goldfield, and therefore it was consolidated in these financial statements for the year ended 31 July 2007.

On 23 July 2007, the Group entered into an acquisition agreement with an independent third party to acquire 60% equity interest in Goldfield at a total consideration of HK$504,000,000. The Group has exercised the call option contract in the acquisition. The acquisition was completed on 30 October 2007.

44. ACQUISITION OF SUBSIDIARIES *(Continued)*

The net assets acquired in the transaction and the goodwill arising are as follows:

	Acquiree's carrying amount before combination and fair value
	HK$'000
Property, plant and equipment	9,473
Investment properties	7,951
Intangible assets	48,122
Interest in an associate	13,774
Amounts due from customers for contract work	4,464
Trade and other debtors	82,175
Deposits and prepayments	48,703
Cash and bank balances	3,550
Inventories	34,966
Amounts due from related companies	56
Amounts due to customers for contract work	(579)
Taxation payable	(802)
Trade and other creditors	(43,058)
Loan from a shareholder	(86,012)
Accrued charges	(856)
Bank borrowings, secured	(54,777)
Deferred income	(7,287)
Deferred taxation	(194)
Amount due to a director	(3,300)
Amounts due to related companies	(17,032)
Net assets	39,337
Acquisition of 60% of net assets	23,602
Repayment of loan from a shareholder	86,012
Goodwill arising on acquisition *(Note 23)*	609,586
	719,200
Total consideration satisfied by:	
Cash	120,000
Call option contract *(Note 32)*	215,200
Convertible notes	384,000
	719,200
Net cash outflow arising on acquisition:	
Cash consideration paid	(120,000)

44. ACQUISITION OF SUBSIDIARIES *(Continued)*

Note:

(a) The subsidiaries acquired during the year contributed approximately HK$205,705,000 to the Group's turnover and profit after tax of approximately HK$67,772,000.

45. GAIN ARISING FROM WINDING UP OF SUBSIDIARIES

On 14 September 2007, the Group has disposed of its 100% equity interest in Fitzroya Finance Co. Limited, Bright Success Enterprise Limited and Condor Holdings Limited by deregistration.

Summary of the effects of the winding up of subsidiaries are as follows:

	2008
	HK$'000
Net liabilities upon winding up:	
Accrued charges	**(20)**
Amounts due to related companies	**(765)**
Trade and other creditors	**(20)**
	(805)
Gain on winding up of subsidiaries	**805**
Total consideration	**–**

For the period from 1 August 2007 to the date of winding up, no turnover was contributed by the subsidiaries and no loss has recognised in the Group's profit for the year ended 31 July 2008.

46. 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:

	The Group	
	2008	2007
	HK$'000	*HK$'000*
Operating leases which expire:		
– within one year	**197**	–
– in the second to fifth year inclusive	**469**	–
	666	–

Capital commitment:

	The Group	
	2008	2007
	HK$'000	*HK$'000*
Authorised and contracted for in respect of acquisition of property, plant and equipment	**1,226**	7,644
Authorised and contracted for in respect of acquisition of land	**48,056**	–
Authorised and contracted for capital contributions payable to an associate	**–**	76,213
Commitments for acquisition of a company	**–**	464,000
	49,282	547,857

The Company had no other significant commitments at the balance sheet date.

47. PLEDGE OF ASSETS

The Group

At 31 July 2008, certain investment properties *(Note 18)* and intangible assets *(Note 24)* of the Group have been pledged to banks to secure credit facilities granted to the Group.

At 31 July 2007, certain investment properties *(Note 18)*, intangible assets *(Note 24)* and certain properties held for sale *(Note 20)* of the Group have been pledged to banks to secure credit facilities granted to the Group.

48. NON-CASH TRANSACTIONS

(i) On 30 October 2007, the Group acquired 60% of the issued share capital of Goldfield International Investment Group Limited at a consideration of HK$504,000,000, the consideration of HK$384,000,000 was satisfied by the Company's convertible notes. A call option contract was exercised in the acquisition of approximately HK$215,200,000. For further details, please refer to Note 44.

(ii) During the year ended 31 July 2008, the convertible notes with an aggregate principal amount of HK$276,800,000 (2007: HK$41,200,000) were converted into 1,384,000,000 (2007: 206,000,000) ordinary shares of HK$0.05 (2007: HK$0.05) each of the Company.

49. CONTINGENT LIABILITIES AND ASSETS

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 July 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.

49. CONTINGENT LIABILITIES AND ASSETS *(Continued)*

The Group *(Continued)*

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

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

Benefit took legal action against Mr. Eric Chim for the sum of HK$40,000,000 plus HK$3,000,000 balance purchase price and obtained a judgment against Sino Glister and Mr. Eric Chim in July 2004. But the judgment was set aside later on the basis that he had not served with the original proceedings. On 28 December 2004, a defence was filed by Mr. Eric Chim. Mr. Eric Chim was examined in his capacity as a director of Sino Glister in relation to its assets in May 2005. Up to 31 July 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.

Save as disclosed above and elsewhere in the financial statements, as at 31 July 2008, the Group and the Company has no material contingent liabilities.

50. RETIREMENT BENEFITS SCHEME

The Group operates a Mandatory Provident Fund Scheme (the "Scheme") for all qualifying employees in Hong Kong. The assets of the Scheme are held separately from those of the Group in funds under the control of trustee. The Group contributes 5% of relevant payroll costs to the Scheme, which contribution is matched by employees.

The employees of the Company's PRC subsidiaries are members of the state-managed retirement benefits scheme operated by the PRC government. The Company's PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefits scheme to find the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the required contributions under the scheme.

51. EVENTS AFTER THE BALANCE SHEET DATE

No significant events have taken place subsequent to the balance sheet date.

52. MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions and balances as disclosed elsewhere in the financial statements, the Group entered into the following material transaction with related party during the year.

(a) Transactions with related party

The Group paid operating lease rental of approximately HK$26,000 (2007: HK$Nil) to a director, Mr. Yu Hong.

(b) Compensation of key management personnel

Compensation for key management personnel, including amount paid to the Company's directors and the senior executives are as follows:–

	2008	2007
	HK$'000	*HK$'000*
Salaries and other short-term benefits	**682**	3,047
Employer contribution to pension scheme	**24**	23
	706	3,070

Further details of directors' emoluments are included in Note 13 to the financial statements.

53. PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries at 31 July 2008 are as follows:

Name of subsidiary	Place of incorporation or registration and operation	Proportion of ownership interest and voting power held	Issued and fully paid share capital	Principal activity
Benefit Holdings International Limited *(note a)*	British Virgin Islands	100%	US$200	Investment holding
Bestco Worldwide Investment Limited	British Virgin Islands	100%	US$1	Investment holding
Build Policy Limited	Hong Kong	100%	Ordinary HK$100 Non-voting deferred *(note b)* HK$2	Investment holding
China Rich Properties Limited ("China Rich")	Hong Kong	100%	Ordinary HK$10,000,000	Property development
Mega Pacific Holdings Limited ("Mega")	Hong Kong	98%	Ordinary HK$38,747,557	Investment holding
Shunde China Rich Properties Limited ("Shunde China Rich")	The PRC	100%	*(note c)*	Property development
Guangzhou Yueshou Industry Co. Ltd.	The PRC	100%	Registered RMB35,000,000	Environmental protection
Goldfield International Investment Group Ltd.	British Virgin Islands	100%	Ordinary US$10	Investment holding

53. PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation or registration and operation	Proportion of ownership interest and voting power held	Issued and fully paid share capital	Principal activity
Yueshou Environmental Group Limited	Hong Kong	100%	Ordinary HK$1	Investment holding
Guangzhou Yueshou Construction Engineering Co. Ltd.	The PRC	100%	Registered RMB10,000,000	Environmental protection

The directors are of the opinion that a complete list of the particulars of all subsidiaries would be of excessive length and therefore the above list contains only the subsidiaries of the Company which principally affected the results of the Group or formed a substantial portion of the net assets of the Group.

Notes:

(a) Except for Benefit Holdings International Limited, China Rich Technology (HK) Holdings Limited, China Rich Resources Holdings Limited and Bestco Worldwide Investment Limited which are directly held by the Company, all other companies are indirectly held by the Company.

(b) The non-voting deferred shares are held by Benefit Holdings International Limited and carry minimal right to dividend or to receive notice of or to attend or vote at any general meeting of the Company. On a winding-up, the holders of the non-voting deferred shares shall be entitled out of the surplus assets of the Company to a return of the capital paid up to the non-voting deferred shares held by them respectively after a total sum of HK$100,000,000,000,000 has been distributed in such winding-up in respect of each of the ordinary shares of the Company.

(c) Shunde China Rich was established in the PRC in March 1996 in accordance with a cooperative agreement entered into between China Rich and a PRC party on 18 June 1994. The principal activities of Shunde China Rich are the development, sales and leasing of the property development project currently undertaken by China Rich. Pursuant to the cooperative agreement, China Rich is entitled to the entire profit or loss of Shunde China Rich and on liquidation of Shunde China Rich, China Rich is entitled to all the assets and liabilities of Shunde China Rich.

54. AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 7 November 2008.

Five Years Financial Summary

RESULTS

	Year ended 31 July				
	2004	2005	2006	2007	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Turnover	23,411	25,017	27,017	37,871	**207,593**
Profit/(loss) before taxation	(66,207)	(58,565)	(43,068)	(2,584)	**46,079**
Taxation	–	10,200	15,142	(4,185)	**(11,584)**
Profit/(loss) for the year	(66,207)	(48,365)	(27,926)	(6,769)	**34,495**
Attributable to:					
– Equity holders of the Company	(66,207)	(48,435)	(28,010)	(14,037)	**23,653**
– Minority interest	–	70	84	7,268	**10,842**
	(66,207)	(48,365)	(27,926)	(6,769)	**34,495**

ASSETS AND LIABILITIES

	As at 31 July				
	2004	2005	2006	2007	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Total assets	654,683	497,925	420,240	859,815	**1,174,481**
Total liabilities	(281,758)	(125,906)	(73,170)	(349,882)	**(371,303)**
Minority interests	(837)	(907)	(991)	(12,734)	**(888)**
Shareholders' funds	372,088	371,112	346,079	497,199	**802,290**

Particulars of Major Properties

31 July 2008

	Lease expiry	Approx. gross floor area *(sq.m.)*	Type	Effective % held	Stage of completion	Anticipated completion
Properties under development and completed						
Regal Garden Lunchang Road, Lunjiao Zhen, Shunde, Guangdong Province The PRC	December 2065	75,839	Residential and and commercial	100%	Out of the six blocks of the residential buildings, four have been completed with Occupancy permits issued by the PRC Authority.	N/A
Investment properties						
Regal Garden Lunchang Road, Lunjiao Zhen, Shunde, Guangdong Province The PRC	December 2065	18,551	Commercial	100%	Completed	N/A
廣州經濟技術開發區 沙灣二街13,15號第5,6層	13 June 2018	4,475	Commercial	100%	Completed	N/A