



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

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

INTERIM REPORT 2012-2013

CONTENTS

	<i>Pages</i>
CORPORATE INFORMATION	2
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	3
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION	5
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	7
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS	8
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS	9
INTERIM DIVIDEND	32
MANAGEMENT DISCUSSION AND ANALYSIS	32
DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES	37
SHARE OPTION SCHEMES	39
INTERESTS OF SUBSTANTIAL SHAREHOLDERS	40
CORPORATE GOVERNANCE	41
APPOINTMENT OF EXECUTIVE DIRECTORS AND AN INDEPENDENT NON-EXECUTIVE DIRECTOR	42
CHANGES OF DIRECTOR'S INFORMATION UNDER LISTING RULE 13.51(B)	42
PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES	43
MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS	43
AUDIT COMMITTEE	43
REMUNERATION COMMITTEE	43
NOMINATION COMMITTEE	44

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Tan Cheow Teck (*Chairman*)
Mr. Yu Hong
(resigned on 1 March 2013)
Mr. Li Bin
Mr. Shannon Tan Siang-Tau
Mr. Alberto Alducente Encomienda
(resigned on 6 August 2012)
Mr. Anastacio JR Agustin
(resigned on 6 August 2012)
Ms. Juanita Dimla De Guzman
Mr. Shen Xia
(appointed on 28 August 2012)
Mr. Lau Kwan
(appointed on 28 August 2012)

Non-executive Director

Mr. Shen Xia
(appointed on 6 August 2012 and
re-designated as executive
director on 28 August 2012)

Independent Non-executive Directors

Mr. Zhang Xi Chu
Mr. Sai Chun Yu
Mr. Leung Wai Shun, Wilson
Mr. Wen Jian Sheng
(appointed on 6 August 2012)

JOINT COMPANY SECRETARIES

Ms. Tang Lo Nar, Luler
Ms. Ko Mei Ying
(appointed on 11 January 2013)

PRINCIPAL PLACE OF BUSINESS

22/F., Hip Shing Hong Centre,
No.55 Des Voeux Road Central,
Hong Kong

SHARE REGISTRAR AND TRANSFER OFFICE

Bermuda
Butterfield Fulcrum Group
(Bermuda) Limited

Hong Kong
Tricor Secretaries Limited

AUDITORS

HLB Hodgson Impey Cheng Limited
Chartered Accountants
Certified Public Accountants

PRINCIPAL BANKERS

Hong Kong
The Hongkong and Shanghai
Banking Corporation Limited

Chong Hing Bank Limited

WEBSITE

<http://www.yueshou.hk>

STOCK CODE

1191

LEGAL ADVISERS

On Bermuda Law
Conyers Dill & Pearman

On Hong Kong Law
Chiu & Partners

Lily Fenn & Partners

REGISTERED OFFICE

Clarendon House, 2 Church Street
Hamilton HM11, Bermuda

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 January 2013

		Six months ended 31 January	
	<i>Note</i>	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Continuing operations:-			
Turnover	2	2,314	2,019
Cost of sales		(1,648)	(1,140)
Gross profit		666	879
Other revenue		779	658
Administrative expenses		(10,618)	(13,050)
Gain arising from changes in fair value of investment properties		16,797	15,759
Impairment loss recognised in respect of goodwill		-	(101,400)
Share of results of associates		(131,830)	(30,963)
Loss from continuing operations	3	(124,206)	(128,117)
Finance costs	4	(24,719)	(24,853)
Loss before taxation from continuing operations		(148,925)	(152,970)
Taxation	5	409	872
Loss for the period from continuing operations		(148,516)	(152,098)
Discontinued operation			
Loss for the period from a discontinued operation		(5,459)	(45,795)
Gain on disposal of subsidiaries	17	34,254	-
Profit/(loss) for the period from a discontinued operation	6	28,795	(45,795)
Loss for the period		(119,721)	(197,893)

	<i>Note</i>	Six months ended	
		31 January	
		2013	2012
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
Other comprehensive income/(loss)			
Exchange difference on translating foreign operations		<u>582</u>	<u>(14,308)</u>
Other comprehensive income/(loss) for period, net of tax		<u>582</u>	<u>(14,308)</u>
Total comprehensive loss for the period		<u>(119,139)</u>	<u>(212,201)</u>
Loss attributable to owners of the Company		<u>(119,721)</u>	<u>(197,893)</u>
Total comprehensive loss attributable to owners of the Company		<u>(119,139)</u>	<u>(212,201)</u>
Loss per share attributable to owners of the Company			(Restated)
From continuing and discontinued operations	7		
– Basic		<u>HK\$(0.012)</u>	<u>HK\$(0.009)</u>
– Diluted		<u>HK\$(0.012)</u>	<u>HK\$(0.009)</u>
From continuing operations			
– Basic		<u>HK\$(0.015)</u>	<u>HK\$(0.007)</u>
– Diluted		<u>HK\$(0.015)</u>	<u>HK\$(0.007)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 January 2013

		31 January 2013 (Unaudited) HK\$'000	31 July 2012 (Audited) HK\$'000
	<i>Note</i>		
ASSETS			
Non-current assets			
Investment properties	8	150,921	134,124
Plantation assets	9	–	41,929
Property, plant and equipment		6,850	13,788
Goodwill	10	842,618	842,618
Investments in associates		845,399	944,684
Intangible assets		–	38,884
		1,845,788	2,016,027
Current assets			
Properties held for sale		7,613	7,613
Trade and other debtors	11	1,031	20,758
Deposits and prepayments		4,038	9,755
Inventories	12	–	15,082
Amount due from an associate		45,260	43,650
Other deposits		9,434	9,434
Loan receivables		11,963	11,963
Cash and bank balances		6,689	7,090
		86,028	125,345
Total assets		1,931,816	2,141,372
EQUITY			
Capital and reserves attributable to the owners of the Company			
Share capital	15	177,273	169,273
Reserves		1,169,900	1,287,737
Total equity		1,347,173	1,457,010

		31 January 2013 (Unaudited) HK\$'000	31 July 2012 (Audited) HK\$'000
LIABILITIES			
Non-current liabilities			
Deferred income		–	4,745
Promissory notes		388,883	369,281
Deferred taxation		–	410
		<u>388,883</u>	<u>374,436</u>
Current liabilities			
Trade and other creditors	13	10,208	19,168
Accrued charges		5,911	5,592
Loans from shareholders		49,763	47,000
Loans from third parties		8,441	–
Amount due to a shareholder		–	2,000
Amount due to a director		1,300	2,634
Convertible notes	14	120,137	231,140
Taxation payable		–	2,392
		<u>195,760</u>	<u>309,926</u>
Total liabilities		<u>584,643</u>	<u>684,362</u>
Total equity and liabilities		<u>1,931,816</u>	<u>2,141,372</u>
Net current liabilities		<u>(109,732)</u>	<u>(184,581)</u>
Total assets less current liabilities		<u>1,736,056</u>	<u>1,831,446</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 January 2013 (Unaudited)

	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Exchange reserve HK\$'000	Distributable reserve HK\$'000	Contributed surplus HK\$'000	Convertible notes reserve HK\$'000	Statutory reserve HK\$'000	Accumulated loss HK\$'000	Total HK\$'000
(Audited)										
At 1 August 2012	169,273	1,441,649	11,613	106,203	77,033	796,312	61,991	20,421	(1,227,485)	1,457,010
(Unaudited)										
Loss for the period	-	-	-	-	-	-	-	-	(119,721)	(119,721)
Other comprehensive income for the period	-	-	-	582	-	-	-	-	-	582
Total comprehensive loss for the period	-	-	-	582	-	-	-	-	(119,721)	(119,139)
Issue of ordinary shares, net of transactions costs	8,000	1,302	-	-	-	-	-	-	-	9,302
Surrender of convertible notes	-	-	-	-	-	-	(28,900)	-	28,900	-
Disposal of subsidiaries	-	-	-	-	-	-	-	(20,421)	20,421	-
At 31 January 2013	177,273	1,442,951	11,613	106,785	77,033	796,312	33,091	-	(1,297,885)	1,347,173

For the six months ended 31 January 2012 (Unaudited)

	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Exchange reserve HK\$'000	Distributable reserve HK\$'000	Contributed surplus HK\$'000	Convertible notes reserve HK\$'000	Statutory reserve HK\$'000	Accumulated loss HK\$'000	Total HK\$'000
(Audited)										
At 1 August 2011	816,367	1,426,720	11,613	115,535	77,033	143,128	61,991	20,421	(664,985)	2,007,913
(Unaudited)										
Loss for the period	-	-	-	-	-	-	-	-	(197,893)	(197,893)
Other comprehensive loss for the period	-	-	-	(14,308)	-	-	-	-	-	(14,308)
Total comprehensive loss for the period	-	-	-	(14,308)	-	-	-	-	(197,893)	(212,201)
At 31 January 2012	816,367	1,426,720	11,613	101,227	77,033	143,128	61,991	20,421	(862,878)	1,795,712

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 January 2013

	Six months ended	
	31 January	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash used in operating activities	(13,396)	(20,871)
Net cash used in investing activities	(2,612)	(1,409)
Net cash generated from financing activities	17,492	22,029
Increase/(decrease) in cash and cash equivalents	1,484	(251)
Cash and cash equivalents at the beginning of the period	7,090	31,349
Effect of foreign exchange rate changes	(1,885)	(1,712)
Cash and cash equivalents at the end of the period	6,689	29,386

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 January 2013

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

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

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

The accounting policies used in the Interim Financial Statements are consistent with those followed in the preparation of the annual financial statements of the Company and its subsidiaries (the “Group”) for the year ended 31 July 2012.

In the current interim period, the Group has applied a number of new and revised Standards, Amendments and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) that are relevant to its operations and effective for annual periods beginning on 1 August 2012. The adoption of the new and revised HKFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

HKAS 1 Amendments	Amendments to HKAS 1 Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income
HKAS 12 Amendments	Amendments to HKAS 12 Income Taxes – Deferred Tax: Recovery of Underlying Assets

The adoption of the new and revised HKFRSs has had no significant financial effect on these interim condensed financial statements.

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in this interim financial information.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009 – 2011 Cycle ¹
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities ¹
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures ²
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance ¹
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities ³
HKFRS 9	Financial Instruments ²
HKFRS 10	Consolidated Financial Statements ¹
HKFRS 11	Joint Arrangements ¹
HKFRS 12	Disclosure of Interests in Other Entities ¹
HKFRS 13	Fair Value Measurement ¹
HKAS 19 (as revised in 2011)	Employee Benefits ¹
HKAS 27 (as revised in 2011)	Separate Financial Statements ¹
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures ¹
Amendments to HKAS 32	Presentation – Offsetting Financial Assets and Financial Liabilities ³
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine ¹

¹ Effective for annual periods beginning on or after 1st January, 2013

² Effective for annual periods beginning on or after 1st January, 2015

³ Effective for annual periods beginning on or after 1st January, 2014

HKFRS 9 Financial Instruments (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 Financial Instruments (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

- Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.
- In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

HKFRS 10 Consolidated Financial Statements builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. This standard replaces HK(SIC) – 12 Consolidation – Special Purpose Entities and replaces parts of HKAS 27 Consolidated and Separate Financial Statements.

HKFRS 11 Joint Arrangements provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form (as is currently the case). The standard addresses inconsistencies in the reporting of joint arrangements by requiring a single method to account for interests in jointly controlled entities. HKFRS 11 supersedes HKAS 31 Interests in Joint Ventures and HK(SIC) – 13 Jointly Controlled Entities – Non-monetary Contributions by Venturers.

HKFRS 12 Disclosure of Interests in Other Entities is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.

HKFRS 13 Fair Value Measurement improves consistency and reduces complexity by providing, for the first time, a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The requirements do not extend the use of fair value accounting, but provide guidance on how it should be applied where its use is already required or permitted by other standards within HKFRSs.

The Group is in the process of making an assessment of the potential impact of these new and revised HKFRSs and the directors so far concluded that the application of these new and revised HKFRSs will have no material impact on the consolidated financial statements of the Group.

2. SEGMENT INFORMATION

During the period ended 31 January 2013, the Group had three reportable segments, (i) environmental protection operations; (ii) property development; and (iii) forestry operations.

An analysis of the Group's turnover and results by business segment for the six months ended 31 January 2013 and 2012 are presented below:

	Six months ended 31 January (Unaudited)									
	Discontinued operation		Continuing operations						Total	
	Environmental protection operations		Property development		Forestry operations					
	2013	2012	2013	2012	2013	2012	2013	2012		
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000			
			(restated)				(restated)			
TURNOVER	33,038	64,504	2,314	2,019	-	-	35,352	66,523		
RESULTS										
Segment profit/(loss)	(3,769)	(5,783)	16,216	15,062	(135,572)	(34,417)	(123,125)	(25,138)		
Unallocated corporate income							-	658		
Unallocated corporate expenses							(4,850)	(8,654)		
Impairment loss in respect of intangible assets	(1,690)	(1,689)	-	-	-	-	(1,690)	(1,689)		
Loss arising from change in fair value of plantation assets less costs to sell	-	(37,689)	-	-	-	-	-	(37,689)		
Impairment loss recognised in respect of goodwill	-	-	-	-	-	(101,400)	-	(101,400)		
Gain on disposal of subsidiaries							34,254	-		
Loss from operations							(95,411)	(173,912)		
Finance costs							(24,719)	(24,853)		
Loss before taxation							(120,130)	(198,765)		

Segment revenue reported above represents revenue generated from external customers. These were no inter-segment sales on the current period (2012: Nil)

3. LOSS FROM CONTINUING OPERATIONS

Loss from continuing operations is stated at after charging the following items:

	Six months ended 31 January	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Depreciation on owned assets	135	479
Operating leases rentals in respect of land and buildings	766	794
Staff costs, including directors' remuneration:		
– Retirement benefits scheme contributions	116	118
– Salaries and other benefits	4,846	4,328
	<hr/>	<hr/>

4. FINANCE COSTS

	Six months ended 31 January	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Continuing operations		
Imputed interest expense on convertible notes	2,459	5,282
Imputed interest expense on promissory notes	19,601	17,686
Other interest	537	1,885
Interest expenses on loans from shareholders	2,122	–
	<hr/>	<hr/>
	24,719	24,853
	<hr/>	<hr/>

5. TAXATION

Tax income/(expenses) in the condensed consolidated statement of comprehensive income represents:

	Six months ended 31 January	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Continuing operations:		
Reversal of deferred taxation	(409)	(875)
PRC Income Tax provision	—	3
	<u>(409)</u>	<u>(872)</u>

No provision for Hong Kong Profits Tax has been made during the period (31 January 2012: Nil) as the Group had no assessable profits for the period.

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

6. DISCONTINUED OPERATION

On 28 September 2012, as part of its debt restructuring exercise detailed in the announcements dated 25 October 2012 and 15 January 2013, as well as the circular dated 20 December 2012, the Company entered into an agreement to dispose of its environmental protection arm, Bestco Worldwide Investment Limited and its subsidiaries ("Bestco group"). The disposal of the environmental protection operations is consistent with the Group's long-term policy to focus its activities on the property development and forestry operations. The completion of the disposal took place on 15 January 2013, on which date control of the environmental protection operations was passed to the acquirer. Details of the assets and liabilities disposed of, and the calculation of the profit or loss on disposal, are disclosed in note 17.

Analysis of profit/(loss) for the period from discontinued operation. The comparative profit/(loss) and cash flows from a discontinued operation have been re-presented to include those operations classified as discontinued in the current period.

	Six months ended 31 January	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Profit/(loss) for the period from a discontinued operation		
Turnover	33,038	64,504
Cost of sales	<u>(31,103)</u>	<u>(63,240)</u>
Gross Profit	1,935	1,264
Other revenue	149	1,800
Impairment loss recognised in respect of intangible assets	(1,690)	(1,689)
Gain arising from changes in fair value of plantation assets less costs to sell	–	(37,689)
Administrative expenses	(5,853)	(9,481)
Gain on disposal of subsidiaries	<u>34,254</u>	<u>–</u>
Profit/(Loss) for the period from a discontinued operation attributable to owners of the Company	<u>28,795</u>	<u>(45,795)</u>
Cash flows from a discontinued operation		
Net cash outflow from operating activities	<u>(676)</u>	<u>(8,573)</u>

7. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculations of basic and diluted loss per share are based on:

From continuing and discontinued operations

	Six months ended 31 January	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Continuing and discontinued operations		
Loss		
(Loss)/gain attributable to owners of the Company, for the purpose of basic loss per share calculation:		
From continuing operations	(148,516)	(152,098)
From discontinued operation	28,795	(45,795)
	(119,721)	(197,893)
Interest on convertible notes	2,459	5,282
Deferred tax relating to that interest expense	(409)	(875)
Loss attributable to owners of the Company for the purpose of diluted loss per share calculation	(117,671)	(193,486)
Attributable to:		
Continuing operations	(146,466)	(147,690)
Discontinued operation	28,795	(45,795)
	(117,671)	(193,486)

From discontinued operation

Basic and diluted earnings per share for the discontinued operation is HK\$0.003 cents (31 January 2012 (restated): loss per share HK\$0.002 cents), based on the profit for the period from the discontinued operation of HK\$28,795,000 (31 January 2012: loss of HK\$45,795,000) and the denominators detailed above for both basic and diluted loss per share.

	Six months ended 31 January	
	2013	2012
	(Unaudited)	(Unaudited)
		(Restated)
Number of shares		
Weighted average number of ordinary shares in issue during the period for the purpose basic loss per share calculation	9,753,492,753	20,969,999,995
Effect of dilution – weighted average number of ordinary shares: convertible notes	600,689,220	1,168,000,000
Effect of dilution – weighted average number of ordinary shares: convertible preference shares	4,345,733,333	12,133,333,333
Weighted average number of ordinary shares for the purpose of diluted loss per share calculation	14,699,915,306	34,271,333,328

For the six months ended 31 January 2013 and 31 January 2012, the diluted losses per share are the same as the basic losses per share as the calculation of diluted losses per share did not assume the exercise of the convertible notes and convertible preference shares existed during the period since such exercise had anti-dilutive effect on the basic losses per share.

8. INVESTMENT PROPERTIES

The Group

	31 January 2013 (Unaudited) HK\$'000	31 July 2012 (Audited) HK\$'000
Fair value:		
Completed investment properties, in the PRC	100,655	86,923
Investment properties under construction, in the PRC	<u>50,266</u>	<u>47,201</u>
	<u>150,921</u>	<u>134,124</u>

	Completed investment properties in PRC HK\$'000	Investment properties under construction in PRC HK\$'000	Total HK\$'000
Fair value:			
At 1 August 2011	83,250	38,778	122,028
Net gain arising from changes in fair value	<u>3,673</u>	<u>8,423</u>	<u>12,096</u>
At 31 July 2012 (Audited) and 1 August 2012	86,923	47,201	134,124
Net gain arising from changes in fair value	<u>13,732</u>	<u>3,065</u>	<u>16,797</u>
At 31 January 2013 (Unaudited)	<u>100,655</u>	<u>50,266</u>	<u>150,921</u>

Investment properties were valued at their open market values at 31 January 2013 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\$16,797,000 which has been credited to the condensed consolidated statement of comprehensive income.

The Group's investment properties are situated in the People's Republic of China (the "PRC") and are held under long-term lease.

9. PLANTATION ASSETS

	31 January 2013 (Unaudited) HK\$'000	31 July 2012 (Audited) HK\$'000
At 1 August 2012 and 1 August 2011	41,929	74,497
Plantation expenditure incurred	567	11,876
Exchange alignment	120	804
Loss arising from changes in fair values less costs to sell	–	(45,248)
Derecognised on disposal of subsidiaries	(42,616)	–
At 31 January 2013 and 31 July 2012	–	41,929

During the period, the plantation assets were derecognised upon disposal of Bestco group, details of the disposal are disclosed in note 17.

As at 31 July 2012, the Group's plantation assets in the PRC were regarded as biological assets which were measured at fair value less costs to sell at the end of each reporting period in accordance with HKAS 41 Agriculture. These assets were independently valued by BMI Appraisals Limited ("BMI"). BMI had adopted market value approach for the valuation of standing timbers. For the year ended 31 July 2012, as active market existed for the standing timber in its present location and condition, the quoted price in that market was used as the basis for determining the fair value of the standing timber. The method used the present market price per volume and the estimated standing timber volume as the basis for estimating the fair value less cost to sell of the Group's plantation assets.

As at 31 July 2012, the Group had been granted 9 timber concession and plantation licences for a gross area of approximately 10,311.5 Chinese Mou in PRC. The licences are for 30 to 61 years, the earliest of which expires in 2037.

The changes in fair value less costs to sell during the period represent the aggregate of the difference between the value of the existing plantation assets as of the beginning and end of the period and the difference between the value of the new plantation assets as of the second day of acquisition and end of the period.

10. GOODWILL

	HK\$'000
At cost	
At 1 August 2011, at 31 July 2012 (Audited) and 1 August 2012	1,558,486
Derecognised on disposal of subsidiaries	<u>(715,868)</u>
At 31 January 2013 (Unaudited)	<u>842,618</u>
Impairment	
At 1 August 2011	(574,970)
Impairment loss recognised in the year	<u>(140,898)</u>
At 31 July 2012 (Audited) and 1 August 2012	(715,868)
Derecognised on disposal of subsidiaries	<u>715,868</u>
At 31 January 2013 (Unaudited)	<u>—</u>
Carrying amount	
At 31 January 2013 (Unaudited)	<u>842,618</u>
At 31 July 2012 (Audited)	<u>842,618</u>

11. TRADE AND OTHER DEBTORS

	31 January 2013 (Unaudited) HK\$'000	31 July 2012 (Audited) HK\$'000
Trade and other debtors	6,237	37,934
Less: Impairment loss recognised in respect of trade and other debtors	<u>(5,206)</u>	<u>(17,176)</u>
	<u>1,031</u>	<u>20,758</u>

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

	31 January 2013 (Unaudited) HK\$'000	31 July 2012 (Audited) HK\$'000
0 to 60 days	285	13,615
61 to 90 days	260	115
91 days or above	<u>5,692</u>	<u>24,204</u>
	6,237	37,934
<i>Less: Impairment loss recognised in respect of trade and other debtors</i>	<u>(5,206)</u>	<u>(17,176)</u>
	<u>1,031</u>	<u>20,758</u>

The Directors considered that the carrying amounts of the Group's trade and other debtors at 31 January 2013 were approximate to their fair values.

12. INVENTORIES

	31 January 2013 (Unaudited) HK\$'000	31 July 2012 (Audited) HK\$'000
Raw materials	-	2,742
Finished goods	<u>-</u>	<u>12,584</u>
	-	15,326
<i>Less: Provision for obsolete inventories</i>	<u>-</u>	<u>(244)</u>
	<u>-</u>	<u>15,082</u>

13. TRADE AND OTHER CREDITORS

	31 January 2013 (Unaudited) HK\$'000	31 July 2012 (Audited) HK\$'000
Trade and other creditors	3,722	12,682
Amounts due to ex-directors	6,486	6,486
	10,208	19,168

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

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

	31 January 2013 (Unaudited) HK\$'000	31 July 2012 (Audited) HK\$'000
0 to 60 days	1,480	3,763
61 to 90 days	668	327
91 days or above	1,574	8,592
	3,722	12,682

14. CONVERTIBLE NOTES

The Group and the Company

	Liability component of the convertible notes HK\$'000	Equity component of the convertible notes HK\$'000
At 1 August 2011	220,636	61,991
Imputed interest expenses charged	<u>10,504</u>	<u>–</u>
At 31 July 2012 (Audited) and 1 August 2012	231,140	61,991
Imputed interest expenses charged	2,459	–
Surrender of convertible notes (<i>Note c</i>)	<u>(113,462)</u>	<u>(28,900)</u>
At 31 January 2013 (Unaudited)	<u>120,137</u>	<u>33,091</u>

- (a) On 28 June 2007, the Company issued zero-coupon convertible notes (“Convertible Notes 1”) with a principal amount of HK\$256,000,000. These notes entitle the holder to convert to the outstanding principal amounts into ordinary shares of the Company a conversion price of HK\$0.20 each. The maturity date of the Convertible Notes 1 is provided to be the date immediately preceding the fifth anniversary of the date of their issue and had become due on 27 June 2012 and 2 September 2012. As at 31 January 2013, the aggregate outstanding principal amounts for the Convertible Notes 1 amounted to HK\$Nil. (31 July 2012: HK\$5,600,000)

As at 31 July 2012, 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.

- (b) On 30 October 2007, the Company issued zero-coupon convertible notes (“Convertible Notes 2”) with a principal amount of HK\$384,000,000. These notes entitled the holder to convert the outstanding principal amounts into ordinary shares of the Company at a conversion price of HK\$0.20 each. The maturity date of the Convertible Notes 2 is provided to be the date immediately preceding the fifth anniversary of the date of their issue and had become due on 29 October 2012. As at 31 January 2013, the aggregate outstanding principal amounts for the Convertible Notes 2 amounted to HK\$Nil. (31 July 2012: HK\$228,000,000)

As at 31 July 2012, 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.

- (c) During the period, the Company entered into an agreement dated 28 September 2012 with Give Power Technology Limited (“GPT”) (“CN Restructuring Agreement”). Upon the First Completion of CN Restructuring Agreement took place on 15 January 2013, the aggregate consideration in the sum of HK\$113,462,156 (from disposal of the Bestco Group) was satisfied in full by way of Give Power Technology Limited, the sole holder of all Convertible Notes, surrendering and delivering up Convertible Notes in the aggregate principal amount of HK\$113,462,156, comprising: (i) Tranche 1 Notes in the principal amount of HK\$3.6 million, (ii) Tranche 2 Notes in the principal amount of HK\$2 million, and (iii) Part of Tranche 3 Notes in the principal amount of HK\$107,862,156. For details, please refer to the Company’s relevant Circular dated 20 December 2012.

15. SHARE CAPITAL

	Number of shares	Nominal value HK\$'000
Authorised:		
Ordinary shares		
At 1 August 2011 of HK\$0.05 each	30,000,000,000	1,500,000
Share subdivision (<i>Note i</i>)	120,000,000,000	–
	<u>150,000,000,000</u>	<u>1,500,000</u>
At 31 July 2012 (Audited), 1 August 2012 and 31 January 2013 (Unaudited), of HK\$0.01 each	150,000,000,000	1,500,000
Convertible Preference shares		
At 1 August 2011, of HK\$0.05 each	20,000,000,000	1,000,000
Share subdivision (<i>Note i</i>)	80,000,000,000	–
	<u>100,000,000,000</u>	<u>1,000,000</u>
At 31 July 2012 (Audited), 1 August 2012 and 31 January 2013 (Unaudited), of HK\$0.01 each	100,000,000,000	1,000,000
Issued and fully paid:		
Ordinary shares		
At 1 August 2011, of HK\$0.05 each	4,193,999,999	209,700
Conversion of convertible preference shares	328,080,000	5,281
Share reduction (<i>Note ii</i>)	–	(169,760)
Placing of ordinary shares (<i>Note iii</i>)	600,000,000	6,000
	<u>5,122,079,999</u>	<u>51,221</u>
At 31 July 2012 (Audited) and 1 August 2012, of HK\$0.01 each	5,122,079,999	51,221
Conversion of convertible preference shares	7,459,520,000	74,595
Placing of ordinary shares (<i>Note iv</i>)	800,000,000	8,000
	<u>13,381,599,999</u>	<u>133,816</u>
At 31 January 2013 (Unaudited), of HK\$0.01 each	13,381,599,999	133,816
Convertible preference shares		
At 1 August 2011 of HK\$0.05 each	12,133,333,333	606,667
Conversion to ordinary shares	(328,080,000)	(5,281)
Share reduction (<i>Note ii</i>)	–	(483,334)
	<u>11,805,253,333</u>	<u>118,052</u>
At 31 July 2012 (Audited) and 1 August 2012, of HK\$0.01 each	11,805,253,333	118,052
Conversion to ordinary shares	(7,459,520,000)	(74,595)
	<u>4,345,733,333</u>	<u>43,457</u>
At 31 January 2013 (Unaudited), of HK\$0.01 each	4,345,733,333	43,457
At 31 January 2013 (Unaudited)	17,727,333,332	177,273
At 31 July 2012 (Audited)	16,927,333,332	169,273

- (i) Pursuant to the ordinary resolution passed in the special general meeting held on 13 February 2012, the share subdivision implemented whereby each authorised but unissued ordinary shares and convertible preference shares of HK\$0.05 was subdivided into 5 new shares of HK\$0.01 each. The authorised ordinary shares of the Company remained at HK\$1,500,000,000 but divided into 150,000,000,000 new shares. The authorised convertible preference shares of the Company remained at HK\$1,000,000,000 but divided into 100,000,000,000 new shares.
- (ii) On 13 February 2012, the Company passed a special resolution for capital reduction, the issued share capital of the Company was reduced from approximately HK\$816,367,000 to HK\$163,273,000. The capital reduction resulted in reducing the issued share capital of the Company by approximately HK\$653,094,000. Such amount was credited to the contributed surplus of the Company.
- (iii) On 3 January 2012, 600,000,000 shares of HK\$0.01 were placed at a price of HK\$0.036 per placing shares. A share premium of approximately HK\$14,929,000 had credited to share premium account. The net proceeds of approximately HK\$20,929,000 are intended to be applied by the Group for the development of the forestry projects of Asiaone Forest Products Holdings Limited. Details of the placing were set out in the Company's announcement dated 3 January 2012.
- (iv) An aggregate of 800,000,000 Placing Shares were placed on 27 December 2012 at HK\$0.012 per placing share, while an aggregate of 800,000,000 Subscription Shares were issued on 3 January 2013 at HK\$0.012 per subscription share. A share premium of approximately HK\$1,300,000 had credited to share premium account. The net proceeds of approximately HK\$9,302,000 were used as the Company's working capital for its ordinary business and operations. Details of the placing and subscription were set out in the Company's announcement dated 21 December 2012 and 3 January 2013.
- (v) The convertible preference shares are non-voting shares and non-redeemable. The holders of the convertible preference shares are entitled to receive the same dividends as the holders of ordinary shares. In addition, the holder of the convertible preference shares have the right to convert any convertible preference shares into the Company's ordinary shares at any time at the conversion rate of 1 to 1 each.

16. 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 have taken legal action against the Company and several of its subsidiaries. Notices of Intention to Proceed have been filed by the solicitors for the liquidators about early 2010 after years of inaction. Certain defendants including the Company made an application to dismiss one of the legal actions for want of prosecution. A hearing has been held on 19 October 2010 to hear such application and the High Court allowed the application and dismissed one of the legal actions against the Company for want of prosecution. The liquidator has appealed the said Court Order of the High Court dismissing one of its claims against the Company. As advised by the Company’s legal advisers, there is no further application for leave to appeal by the liquidators and the matter has been concluded, save and except the taxation of legal costs.

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.

No provision was made in the consolidated financial statements of the Group Companies for its exposure to the above actions.

- (b) In respect of the sum of HK\$40,000,000 due from Wing Fai to Benefit Holdings International Limited (“Benefit”), a subsidiary of the Company, repayment was personally guaranteed by Mr. Eric Chim Kam Fai (“Mr. Eric Chim”). In respect of the payment of purchase price for shares of the Wing Fai Subsidiaries in the sum of approximately HK\$5,000,000 by Sino Glistar International Investments Limited (“Sino Glistar”), 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 Glistar defaulted as to approximately HK\$3,000,000 of the HK\$5,000,000 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 Glistar 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 Glistar in relation to its assets in May 2005. Up to 31 January 2013 and the date of approval of this 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 Glistar. As such, no asset was recognised in the Group Companies' consolidated financial statements.

- (c) As disclosed in the Company's announcement dated 11 December 2012, the Company's former director Ms. Kelly Cheng ("Ms. Cheng") presented and claimed against the Company to pay, reimburse or indemnify Ms. Cheng under an alleged service agreement dated 1 March 1999 and an alleged deed of indemnity dated 1 March 2000 purportedly made between the Company and Ms. Cheng, thus claiming for restitution, repayment or recovery of money had and received for the payments of legal costs and disbursements to her or her solicitors under the alleged service agreement and alleged deed of indemnity in the form of repayment of her alleged loan(s) in disguise.

The Company has filed a writ to the Court of First Instance on 11 December 2012 to refute the claims from Ms. Cheng.

In the opinion of the Directors, it is uncertain to what extent the claims from Ms. Cheng will be involved. As such, no provision was made in the consolidated financial statements for the period.

Save as disclosed above and elsewhere in the financial statements, the Group and the Company has no material contingent liabilities as at 31 January 2013.

17. DISPOSAL OF SUBSIDIARIES

During the period ended 31 January 2013, the Company entered into a sales and purchase agreement (“CN Restructuring Agreement”) to dispose 100% interest of Bestco group to Give Power Technology Limited (“GPT”), pursuant to which the parties have agreed on a conditional basis that (a) the Company shall (i) sell to GPT the Bestco Sale Share and (ii) assign to GPT the Bestco Sale Debts. The transfer consideration is in the sum of HK\$113.46 million which shall be satisfied by GPT surrendering and delivering up convertible notes in the aggregate principal amount of HK\$113.46 million to the Company at the first completion; (b) the Company shall redeem part of convertible notes in the principal amount of HK\$30 million at their full face value by cash at second completion; (c) GPT shall exercise the conversion rights attaching to part of the convertible notes having aggregate principal amount of HK\$68.6 million at the conversion price of HK\$0.20 per conversion share in accordance with the convertible notes terms at second completion. The first completion of the CN Restructuring Agreement took place on 15 January 2013.

	HK\$
Net assets disposed of:	
Plantation assets	42,616
Property, plant and equipment	5,488
Intangible assets	35,649
Trade and other debtors	20,520
Deposits and prepayments	8,544
Inventories	12,576
Cash and cash equivalents	2,612
Deferred income	(4,756)
Trade and other creditors	(8,343)
Accrued charges	(163)
Amount due to the holding company	(816,895)
Amount due to a director	(3,626)
Taxation payable	(22)
	<hr/>
	(705,800)
Assignment of amount due to the holding company	816,895
	<hr/>
	111,095
Release of exchange reserve	(31,887)
Gain on disposal of subsidiaries	34,254
	<hr/>
	113,462
	<hr/>
Satisfied by:	
Cash consideration	–
	<hr/>
Net cash outflow arising on disposal:	
Cash consideration	–
Cash and cash equivalents disposed	2,612
	<hr/>
	2,612
	<hr/>

18. PLEDGE OF ASSETS

At 31 January 2013 and at 31 July 2012, the Group has not pledged any of its assets to the banks to secure credit facilities granted to the Group.

19. COMMITMENTS

Operating lease commitment

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

	31 January 2013 (Unaudited) HK\$'000	31 July 2012 (Audited) HK\$'000
Operating leases which expire:		
– Within one year	1,313	1,401
– In the second to fifth years inclusive	<u>–</u>	<u>862</u>
	<u>1,313</u>	<u>2,263</u>

The Group had no other significant commitment as at 31 January 2013 and 31 July 2012.

20. EVENTS AFTER THE BALANCE SHEET DATE

- (a) The Board proposed to implement the Share Consolidation on the basis that (i) every twenty (20) issued and unissued Existing Ordinary Shares of HK\$0.01 each in the share capital of the Company be consolidated into one (1) Consolidated Ordinary Share of HK\$0.10 each and (ii) every twenty (20) issued and outstanding Existing Preference Shares of HK\$0.01 each in the share capital of the Company be consolidated into one (1) Consolidated Preference Share of HK\$0.10 each. The Board also proposes to change the board lot size for trading from 2,000 Existing Ordinary Shares to 10,000 Consolidated Ordinary Shares upon the Share Consolidation becoming effective. The Share Consolidation is conditional upon, among other things, the approval of Shareholders at the special general meeting.

Details please refer to the Company's announcement on 22 February 2013, 25 March 2013 and 26 March 2013 and the relevant Circular dated 28 March 2013.

- (b) As announced by the Company on 24 February 2013, the Company entered into the Placing Agreement, pursuant to which the Placing Agent has agreed to place 2,500 million Shares at the Placing Price of HK\$0.019 per Placing Share. On the same day, the Company entered into the Subscription Agreement, pursuant to which the Subscribers agreed to subscribe for such number of Subscription Shares which is equivalent to the corresponding aggregate number of the Placing Shares actually placed to the placees under the Placing at the Subscription Price of HK\$0.019 per Subscription Share. The whole transactions were completed on 6 March 2013.

For details, please refer to the Company's announcements on 24 February 2013 and 6 March 2013.

21. APPROVAL OF INTERIM FINANCIAL REPORT

The interim financial statements were approved and authorised for issue by the Board of Directors on 31 March 2013.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 31 January 2013 (31 January 2012: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Segment Information

For the six months ended 31 January 2013, the Group's total turnover increased by 14.6% to approximately HK\$2,314,000 (31 January 2012: HK\$2,019,000). The Group recorded a loss from operations for the current period for about HK\$148,516,000 (31 January 2012: loss for HK\$152,098,000) and the loss attributable to owners of the Company for the current period amounted to HK\$119,721,000 (31 January 2012: HK\$197,893,000).

The entire turnover for the current period was generated from those business segments in the PRC (31 January 2012: 100%).

Environmental Protection Operations

The Company had disposed of the environmental protection operations and the completion date was on 15 January 2013.

For the period from 1 August 2012 to 15 January 2013, total turnover of environmental protection operations was recorded approximately HK\$33,038,000 (for the six months ended 31 January 2012: HK\$64,504,000), which accounted for approximately 93.45% of the Group's total turnover (for the six months ended 31 January 2012: 96.96%).

Property Development

The turnover amounted to approximately HK\$2,314,000 (31 January 2012: HK\$2,019,000) for the period was derived from property development and leasing of properties, a increase of HK\$295,000 or 14.61% compared with last period, representing approximately 6.55% of the Group's total turnover (31 January 2012: 3.04%).

Forestry Operations

The Group possessed the right to use the forestry lands for approximately 10,300 Chinese Mou located in Raoping County, Guangdong Province, the PRC together with the right to possess and use the trees grown on these forestry lands up to 15 January 2013. However, these forestry lands were disposed of as part of the debt restructuring exercise.

As at balance sheet date, the Group has certain corporate interests in forestry plantation business including shares in some Philippines corporations which constituted the associates of the Group. One of these associates owns the development rights and management rights of certain pieces of public forestry lands in Philippines.

For the six months ended 31 January 2013 the Group recorded a share of loss of these associates for approximately HK\$131,830,000 (31 January 2012: HK\$30,963,000).

The Company has focused on forestry plantation business, and would like to continue investing in this area when the opportunity comes in recent years, including the possibility of further investment in Shannalyne, as the case may be.

Liquidity, Financial Resources and Gearing

Gearing ratio and current ratio

The gearing ratio and current ratio at 31 January 2013 and 31 July 2012 were as follows:—

	31 January 2013 (Unaudited) HK\$'000	31 July 2012 (Audited) HK\$'000
Debt	567,224	647,421
Total equity	1,347,173	1,457,010
Gearing ratio	42.1%	44.4%
Current ratio	0.44	0.40

Future Plans

Forestry operations

Shannalyne Inc (“**Shannalyne**”) established in the Philippines is an associate of the Group, engaging in forestry operations in the Philippines. As a result of the adverse weather during the period, the whole forestry project under Shannalyne was adversely affected. Nevertheless, as at 31 January 2013, it was reported that the nursery site had been completed, and main road up to around 22.5 km and side roads up to around 21 km constructed. Site clearing, replanting and Ecozone were still under preparation.

Shannalyne shall strive to catch up with the original plan while the Group shall put more resources on the forestry operations in the future.

Property Development

The Group owns three property interests in Foshan City, the PRC, including (i) 37 residential units with a total gross floor area of approximately 4,169.99 sq.m.; (ii) a land parcel with a site area of approximately 3,799 sq.m.; (iii) a property comprises 102 commercial units and 151 car/motorbike parking spaces with a total gross floor area of approximately 26,323.17 sq.m..

It was disclosed in the interim report of the Group for the six months ended 31 January 2012 that the Group would consider to dispose of its property development business in future. The Group had previously planned to use the proceeds of disposal of its property development business to settle the debts under the outstanding Convertible Notes when they become due. As the Convertible Notes subsequently reached its maturity in June 2012 and taking into consideration the Bestco group Transfer as part of the Group's debt restructuring exercise, the Board considers it appropriate for the Group to continue to focus on its existing businesses (including the property development and investment) in order to maintain sufficient level of operations and assets of sufficient value to warrant its listing status. The Board may also consider making further property investments should any suitable opportunities arise.

Foreign Currency Exposure

Borrowings and sales and purchases of the Group are generally transacted in Hong Kong Dollar, Renminbi and Philippine Peso. For the six months ended 31 January 2013, the Group was not subject to any significant exposure to foreign exchange rates risk. Hence, no financial instrument for hedging was employed.

Pledge of Assets

Details of pledge of assets are set out in Note 18 of the interim financial statements.

Contingent Liabilities

Details of contingent liabilities are set out in Note 16 of the interim financial statements.

Employees

As at 31 January 2013, the Group hired about 40 employees both in Hong Kong and China (31 July 2012: about 80). Remuneration package of the employees includes monthly salary, medical claims and (if considered appropriate) share options. The remuneration policies are formulated on the basis of performance of individual employees, the prevailing industry practice and market condition. As to our investment on human resources, education subsidies would be granted to the Group's employees, with a view to reinforce the competence of all levels of our employees. Share options would be granted to respective employees with outstanding performance and contributions to the Group.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES

As at 31 January 2013, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which (a) were required to be notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have taken under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred 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") on the Stock Exchange, were as follows:

Long positions in shares of the Company

Name of Director	Number of shares held	Percentage of the issued share capital in the Company <i>(Note c)</i>
Mr. Shen Xia <i>(Note 1)</i>	4,560,560,570	34.08%
Mr. Shannon Tan Siang-tau <i>(Note 2)</i>	1,632,797,593	12.20%
Mr. Yu Hong <i>(Note 3)</i>	550,689,220	4.12%
Mr. Tan Cheow Teck <i>(Note 2)</i>	116,983,373	0.87%

Note 1: As at 31 January 2013, among the 4,560,560,570 Shares, 1,114,160,570 Shares were legally and beneficially held by Mr. Shen Xia (“Mr. Shen”), he was also interested in 3,446,400,000 Preference Shares, among which 100,000,000 Preference Shares were legally and beneficially held by Mr. Shen Xia and 3,346,400,000 Preference Shares were held under the names of Luckpath Limited, Opulent Sino Limited and Galore Wealth Limited, all of which were solely owned by Mr. Shen.

Note 2: As at 31 January 2013, among such 1,632,797,593 Shares, 1,515,814,220 Shares were legally and beneficially held by Linshan Limited and 116,983,373 Shares were held in the name of Tan Cheow Teck, the Chairman and an Executive Director as trustee for the benefit of Linshan Limited. Linshan Limited was solely owned by Mr. Shannon Tan Siang-tau (alias Shannon Chen Xiangdao) an Executive Director, the son of Mr. Tan Cheow Teck

Note 3: Mr. Yu Hong is a former executive Director whose resignation from such office took effect on 1 March 2013. As at 31 January 2013, among such 550,689,220 Shares, 100,000,000 Shares were legally and beneficially held by Mr. Yu who was the sole beneficial owner of GPT which in turn will be interested in 450,689,220 Shares to be issued and allotted to GPT upon the Second Completion will take place on 15 April 2013.

Save as disclosed above, as at 31 January 2013, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have taken under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules.

SHARE OPTION SCHEMES

On 28 July 2010, the Company passed an ordinary resolution regarding the termination of the old share option scheme and adopted a new share option scheme (the “New Scheme”) for the primary purpose of providing incentive to the eligible employees and directors of the Company. Under the terms of the New Scheme, the board of directors of the Company may, at their discretion, grant options to the participants who fall within the definition prescribed in the New Scheme including the employees and Executive Directors of the Company or its subsidiaries to subscribe for shares in the Company at a price equal to the highest of (i) the closing price of the shares as stated in the Stock Exchange’s daily quotations sheet for trade in one or more board lots of the shares on the offer date; (ii) the average closing price of the shares as stated in the Stock Exchange’s daily quotations sheets for the five business days immediately preceding to the offer date; and (iii) the nominal value of the shares. The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company’s shareholders. Options granted to substantial shareholders or Independent Non-executive Directors in excess of 0.1% of the Company’s share capital and with a value in excess of HK\$5,000,000 must be approved in advance by the Company’s shareholders. Options granted under the New Scheme will entitle the holder to subscribe for shares from the date of grant up to 27 July 2020. A nominal consideration of HK\$1 is payable on acceptance of the grant of an option.

No options were granted to any of the directors and employees of the Company during the six months ended 31 January 2013 and during the six months ended 31 January 2012 pursuant to the New Scheme and the old share option scheme respectively.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

So far as was known to the Directors, as at 31 January 2013 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 Part XV of the SFO:

Long positions in shares of the Company

Name of shareholder	Capacity	Number of shares held	Percentage of the issued share capital in the Company (Note j)
Linshan Limited (Note a)	Beneficial owner	1,632,797,593	12.20%
Galore Wealth Limited (Note b)	Beneficial owner	2,152,392,000	16.08%
Luckpath Limited (Note c)	Beneficial owner	1,096,670,666	8.20%
Wong Sun Man (Note d)	Beneficial owner and interest in a controlled corporation	1,261,895,170	9.43%
Able Expert Limited (Note d)	Beneficial owner	899,333,333	6.72%
Xia Shan	Beneficial owner	1,000,000,000	7.47%
Xue Baozhong	Beneficial owner	1,000,000,000	7.47%
Zhu Jian	Beneficial owner	1,000,000,000	7.47%

Note a: As at 31 January 2013, among such 1,632,797,593 Shares, 1,515,814,220 Shares were legally and beneficially held by Linshan Limited and 116,983,373 Shares were held in the name of Tan Cheow Teck as trustee for the benefit of Linshan Limited. Linshan Limited was solely owned by Mr. Shannon Tan Siang-tau (alias Shannon Chen Xiangdao), the son of Mr. Tan Cheow Teck.

Note b: As at 31 January 2013, Galore Wealth Limited, a company solely owned by Mr. Shen Xia, was interested in 2,152,392,000 Preference Shares

Note c: Luckpath Limited, a company solely owned by Mr. Shen Xia, was interested in 1,096,670,666 Preference Shares

Note d: Mr. Wong Sun Man is a director of Asiaone Forest Products Holdings Limited, a subsidiary of the Company. Among the 1,261,895,170 Shares, 362,561,837 Shares were legally and beneficially held by Mr. Wong, who was also interested in 899,333,333 Preference Shares which were held under the name of Able Expert, which was solely owned by Mr. Wong.

Save as disclosed above, the Company has not been notified of any persons other than the substantial shareholders who had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or recorded in the register kept by the Company pursuant to Section 336 of the SFO as at 31 January 2013.

CORPORATE GOVERNANCE

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 six months ended 31 January 2013, except for the following deviations:

Code Provision A.4.1

Under the code provision A.4.1 of the CG Code, Non-executive Directors should be appointed for a specific term and subject to re-election. However, the Non-executive Director and all the Independent Non-executive Directors of the Company are not appointed for specific terms but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Bye-Laws of the Company. The Company considers that sufficient measures have been taken to ensure good corporate governance practices of the Company are maintained.

The Board will continuously review and improve the corporate governance standards and practices of the Company.

APPOINTMENT OF EXECUTIVE DIRECTORS AND AN INDEPENDENT NON-EXECUTIVE DIRECTOR

- (i) During the period, Mr. Wen Jian Sheng has been appointed as an independent non-executive director, with effect from 6 August 2012, which is entitled to an annual directors fee of HK\$80,000, with reference to his roles, duties and responsibilities assumed in the Board.
- (ii) During the period, Mr. Lau Kwan and Mr. Shen Xia have been appointed as the Executive Directors with effect from 28 August 2012, which are entitled to an annual director's fees of HK\$480,000 each with reference to their roles, duties and responsibilities assumed in the Board.

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

Below is the changes of the director's information required to be disclosed pursuant to Listing Rules 13.51 (B).

Mr. Leung Wai Shun Wilson has been an Independent Non-executive Director ("INED") of the Company since 21 March 2012. In line with his duties and volume of work, the annual director's fee of Mr. Leung has been increased from HK\$80,000 to HK\$96,000 with effect from 1 January 2013.

In addition, to properly remunerate the INEDs attending the Company's board of directors' meeting, the Company offered to each of the INEDs a meeting fee of HK\$1,000 per meeting starting from 1 January 2013.

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 six months ended 31 January 2013.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as contained in Appendix 10 of the Listing Rules. In response to specific enquiry made by the Company, all Directors confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 31 January 2013.

AUDIT COMMITTEE

The Audit Committee was set up with the responsibilities of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee currently comprises four Independent Non-executive Directors, namely Mr. Leung Wai Shun Wilson, Mr. Zhang Xi Chu, Mr. Wen Jian Sheng and Mr. Sai Chun Yu who is the Chairman of this committee.

The unaudited interim financial statements of the Group for the six months ended 31 January 2013 have been reviewed by the Audit Committee of the Company. The Audit Committee is of the opinion that such statements comply with the applicable accounting standards, the Listing Rules and legal requirements, and that adequate disclosures have been made.

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 four Independent Non-executive Directors, namely Mr. Leung Wai Shun Wilson, Mr. Zhang Xi Chu, Mr. Wen Jian Sheng and Mr. Sai Chun Yu who is the Chairman of this committee. The Remuneration Committee has specific written Terms of Reference which follow closely with the requirement of the CG code.

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

NOMINATION COMMITTEE

On 30 March 2012, the Company established a Nomination Committee which is primarily responsible for making recommendations to the Board regarding the Group's engagement of appropriate directors and managerial personnel (including the skills, knowledge and experience) to complement the Company's corporate strategies. The Nomination Committee comprises four Independent Non-executive Directors, namely Mr. Leung Wai Shun Wilson, Mr. Zhang Xi Chu, Mr. Wen Jian Sheng and Mr. Sai Chun Yu who is the Chairman of this committee.

APPRECIATION

I would like to thank our fellow directors for their contribution and support throughout the period, and our management and employees for their dedication and hard working.

I would also like to express our sincere appreciation to our shareholders, customers, bankers and suppliers for their continuing support.

By order of the Board
Yueshou Environmental Holdings Limited
Tan Cheow Teck
Chairman

Hong Kong, 31 March 2013