ANNUAL REPORT 2014

YUESHOU

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

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

Contents

Corporate Information

DIRECTORS

Executive Directors

Mr. Leung Wai Shun, Wilson
Mr. Tse Yuk Kong (appointed on 26 June 2014)
Mr. Yang Zijiang (appointed on 17 July 2014)
Mr. Lau Kwan (resigned on 4 June 2014)
Mr. Shen Xia (resigned on 10 July 2014)
Mr. Tan Cheow Teck (Chairman)
(not re-elected on 6 January 2014)
Mr. Shannon Tan Siang-Tau
(not re-elected on 6 January 2014)
Ms. Juanita Dimla De Guzman
(resigned on 6 January 2014)

Non-executive Director

Mr. Pang King Sau, Nelson
(resigned on 17 July 2014)

Independent Non-executive Directors

Mr. Sai Chun Yu
Dr. Chiao Li (appointed on 6 September 2013)
Mr. Wu Shiming (appointed on 17 July 2014)
Mr. Wen Jian Sheng (resigned on 26 May 2014)
Mr. Chan Yee Ping, Michael
(resigned on 17 July 2014)

COMPANY SECRETARIES

Ms. Tang Lo Nar, Luler
Ms. Ko Mei Ying (resigned on 31 October 2013)

AUDITOR

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

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
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8 Connaught Place, Central
Hong Kong

On Hong Kong Law
Chiu & Partners
40th Floor, Jardine House
1 Connaught Place
Hong Kong

C.L.Chow & Macksion Chan, Solicitors
3rd Floor, Alliance Building
130-136 Connaught Road Central
Hong Kong

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

PRINCIPAL PLACE OF BUSINESS

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

SHARE REGISTRAR AND TRANSFER OFFICE

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

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

Letter to Shareholders

Dear Shareholders,

On behalf of the Board of Directors (the "Board"), I am pleased to present the annual results of Yueshou Environmental Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 July 2014.

BUSINESS REVIEW

For the year ended 31 July 2014, the Group's total turnover from its principal business was approximately HK$3,995,000, representing a decrease of 3.5% compared with last year, of which the entire turnover was related to the property development operation. Same as last year, the Group's principal businesses consisted of two segments, namely tree plantation, property development and investment, despite that the tree plantation operation has come to a halt and been discontinued during the year.

Tree Plantation Business

After the disposal of the forestry business in China as a result of the debt restructuring exercise last year, the Group intended to concentrate its tree plantation operations in the Philippines. The Group held certain corporate investments which had been granted the development and management rights of some forestry lands in the Philippines under the Co-Production Agreement ("CPA") entered into with the Philippine Government. However, it was only revealed to the Board until late November 2013 that the CPA were on the verge of cancellation by the Philippine Government. The uncertainty surrounding the possible cancellation of the CPA remained unresolved, and yet aggravated by the non-reelection of Mr. Tan Cheow Teck (former Chairman of the Group) and Mr. Shannon Tan Siang-Tau as executive directors of the Company in the annual general meeting held on 6 January 2014. On the same day, Ms. Juanita De Guzman also tendered her resignation as a director of the Company. These directors played a pivotal role in overseeing the tree plantation operations in the Philippines. As disclosed in the Company's announcements respectively dated 19 December 2013, 17 March, 4 July and 23 September 2014, the unforeseen management and administration problems encountered in the Philippines brought the tree plantation operations into a stalemate during the year. As a result, the Board decided to discontinue this business, write off the investment value and to invest no further time and resources in relation to this business.

Property Development

Owing to the tightened control in approving mortgage loans and granting discount in mortgage rates by the banks, it is expected that these measures would have an impact in the property market in Shunde. During the year ended 31 July 2014, the Group continues to put on hold any aggressive investment decision in the property development business while the Group has stable rental income arising from its existing Shunde property investment. The Board will keep an eye on any suitable opportunities in future where the Group can have a better return.

PROSPECTS

In view of the discontinued operation of the tree plantation business, we will continue to concentrate on the property development business and explore any suitable business opportunities taking into account the cash flow requirement and associated business risk, for example investigating the business prospect of the Group's undeveloped parcel of land situated at Lunjiao Town in Shunde District of Guangdong Province. The Board will strive to identify the optimal business opportunity and make best use of its resources for maximizing return for the shareholders.

APPRECIATION

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

Mr. Leung Wai Shun, Wilson
Director

Hong Kong, 10 October 2014

BUSINESS REVIEW AND SEGMENT INFORMATION

In the past financial year ended 31 July 2014, the Group's total turnover remained stable and decreased slightly by 3.5% to approximately HK$3,995,000 (2013: HK$4,141,000). Gross profit decreased by 17.67% to HK$1,128,000 (2013: HK$1,370,000) due to higher maintenance costs for the investment properties this year.

Due to the significant impairment in the fair value of the Philippine associates's plantation assets, the Group recorded a share of loss of HK$749,493,000 in the interests in associates during the year. The Group's investments in the associates were subsequently reclassified to available-for-sale financial assets due to the loss of significant influence over these investments in the Philippines from accounting perspectives. After the non-re-election of the former Chairman and resignation of another director of the Company overseeing the tree plantation operations in the Philippines, the tree plantation business has come to a halt during the year. In view of the significant uncertainty in the Philippine tree plantation business, the Group has written off its interest during the year and does not intend to invest any further time and resources in this business. The Philippine tree plantation operation have accordingly been treated as a discontinued operation in the current year results. Further details are explained in Note 16 and 22 to the consolidated financial statements. The loss attributable to the equity shareholders of the Group was HK$779,689,000 (2013: HK$1,027,479,000).

The entire turnover for the year was generated from those business segments in the PRC (2013: 100%).

Property Development

Turnover in this segment was derived from property development and leasing of properties and accounted for 100% of the Group's total turnover (2013: 100%).

For the financial year ended 31 July 2014, there was a gain arising from change in fair value of investment properties located in Shunde, Guangdong Province, the PRC for about HK$2,793,000 (2013: HK$32,804,000).

Tree Plantation Operation

As at the date of this report, the Group has certain corporate interests in tree plantation business including shares in some Philippine corporations, Shannalyne Inc. ("Shannalyne"), which was granted the development and management rights of certain pieces of public forestry lands in the Philippines under the Co-Production Agreement ("CPA") entered into between Shannalyne and the Department of Environmental and Natural Resources ("DENR") and a Memorandum of Agreement with Manobo tribae community.

As disclosed in the Company's announcement dated 19 December 2013, Shannalyne was invited by the Special Committee on Reforestation of the Philippine Congress to attend a Congressional meeting. During the meeting, the Special Committee on Reforestation recommended the cancellation of the CPA held by Shannalyne. No reliable information regarding the cancellation was received by the Group immediately after the aforesaid meeting.

The Committee Daily Bulletin published by the Committee Affairs Department of the House of Representatives in the Philippines subsequently revealed that DENR assured the cancellation of the CPA before the year ends and will take necessary legal action against Shannalyne for breach of contract, if warranted. The same bulletin also indicated that the stewards of the CPA, Finland and New Zealand governments, conveyed their respective concurrence with the cancellation of the CPA. However, the Group did not receive any notification from Shannalyne that an order of cancellation has been issued by DENR as at the date of this report.

Since the release of the announcement dated 19 December 2013, the Company has made numerous attempts to follow up this matter with the management of Shannalyne and the former Chairman of the Group. However, up to the date of this report, the Shannalyne management neither responded nor provided the Group with the latest status of Shannalyne when the Group reached out to them.

Following the potential cancellation of the CPA, the Company has reviewed the Memorandum of Agreement between Shannalyne and the Philippines indigenous people in Manobo ("Manobo MoA"). Although legally speaking the Manobo MoA can stand alone and execute without CPA, owing to the uncertainty brought by the CPA status and the deteriorating reputation of Shannalyne, the Company considered it very challenging, if not unfeasible, to implement the previous business plan. Thus, the Company has written off the residual value of the Philippine investment and intends to invest no further time and resources in the associate's tree plantation business.

For the preparation of the annual results of the Group the management assessed the status of the Philippine investments from a year-round perspective. From accounting perspective, the Group's Philippine investments was considered to be fully impaired since the loss of significant influence of the associates, ie. the non-reelection or resignation of some directors on 6 January 2014, after taking into account of the considerations explained in note 22(d) to the consolidated financial statements.

Status of the Philippine investments

Two former executive directors of the Company, namely Mr. Tan Cheow Teck (former Chairman of the Group) and Mr. Shannon Tan Siang-Tau, were not re-elected as directors in the annual general meeting held on 6 January 2014. Ms. Juanita Dimla De Guzman also resigned as a director of the Company immediately afterwards. Leaving of these directors brought out an implication on whether or not the Group can still be able to exert significant influence over Shannalyne and other investees in Philippines. Although the Group continues to hold more than 20 percent voting rights in Alverna and Shannalyne, the directors of the Company considered the definition of significant influence in HKAS 28 Investment in Associates cannot be fulfilled and in particular, when the Group has no the power to participate in the financial and operating policy decisions of Shannalyne and other investees. As a result, the Group's Philippine investments in the associates were subsequently reclassified to available-for-sale financial assets ("AFS financial assets") during the year. At the same time, after considering the breakdown in relationship with the management of the Philippine associate, the adverse recommendation and rulings by the Philippine Congress and regulators and the uneconomic/small size tree plantation area remaining and available to the Associate for its business, the directors considered the Philippine tree plantation business was not economically viable and have decided to exit this business. Accordingly the tree plantation business was treated as a discontinued operation for the purposes of the current year's result. Further details are set out in note 16 to the consolidated financial statement.

Subsequent to the abovementioned reclassification and up to the date of this report, the Group still has not received any update from the Shannalyne management notwithstanding the Group's repeated requests for the provision of latest information.

In view of the significant uncertainty and the potential difficulty in recovering the value of the Philippine investment, the Group fully wrote off the Philippine investment to nil amount.

LIQUIDITY, FINANCIAL RESOURCES & GEARING RATIO

The operation of the Group was mainly financed by internal resources generated. As at 31 July 2014, there was no secured bank borrowings outstanding (2013: Nil); the loan from a former substantial shareholder of the Company amounted to HK$49,860,000 (2013: HK$49,891,000) is currently in dispute.

As at 31 July 2014, the current ratio was 1.16 (2013: 1.3), whereas the gearing ratio (defined as a ratio of convertible notes, promissory notes and loans from shareholders to net asset) was 31.8% (2013: 5.8%). The shareholders' equity decreased to HK$165,589,000 (2013: HK$919,645,000).

FOREIGN CURRENCY EXPOSURE

Borrowings and sales and purchases of the Group are generally transacted in Hong Kong Dollar, Renminbi and Philippine Peso. For the year ended 31 July 2014, 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

At 31 July 2014 and 31 July 2013, the Group has not pledged any of its assets to the banks to secure credit facilities granted to the Group.

FUTURE PLANS

Tree Plantation Operations

Notwithstanding the Directors decision to exit the Philippine tree plantation business for the reasons explained above, the Group will continue trying to recover its investments and will take necessary actions, including but not limited to legal proceedings against the relevant directors and officers in Shannalyne, to seek compensation for the mismanagement of Shannalyne.

Property Development

In view of the Group's exit from the tree plantation business, the Group intends to focus on its property development project on hand, and may seek potential property projects for investment in the future where appropriate. As at 31 July 2014, the Group owned three property interests in Shunde, Guangdong Province, the PRC, including (i) 36 residential units with a total gross floor area of approximately 4,048 sq.m.; (ii) a land parcel with a site area of approximately 3,799 sq.m.; (iii) a property comprises 102 commercial units and 151 car/motorbike parking spaces with a total gross floor area of approximately 26,323 sq.m..

MATERIAL ACQUISITIONS AND DISPOSALS

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

EMPLOYEES

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

OUTSTANDING COURT CASES

As at the balance sheet date, the Company still has a few outstanding legal cases of which most all of them were directly or indirectly related to the Company's former chief financial officer, director and deputy chairman, Ms. CHENG Kit Yin Kelly ("Ms. Cheng"), who has been sentenced for 11 charges of conspiracy to defraud various banks in Hong Kong. The Company's legal counsels have reviewed the admitted facts of the above criminal case of Ms. Cheng and noted the potential loss of the Company arising therefrom. The Company has taken legal action trying to recover its loss accordingly but as of the time of this annual report, the case has not yet been settled.

Deed of Indemnity

As disclosed in last year annual report, Ms. Cheng claimed to have a Deed of Indemnity ("the Deed"), dated 1 March 2000, signed between the Company and herself, covering all the legal expenses incurred by her arising from her tenure with the Company. However, the Company cast doubt on the authenticity of the Deed and its applicability and validity according to the Company's Bye-laws. During the year, the Company has been pursuing evidence and witnesses to support its case. As of the time of this annual report, the case has not yet been settled.

Winding-up Petition

As disclosed in the Company's announcement dated 21 July 2014, the winding up petition filed by Ms. Cheng had been dismissed.

Other legal cases

During the year, the Company's subsidiary has taken legal action against Ecofor Pte Ltd (in compulsory liquidation) to wind it up for recovery of an outstanding loan of approximately HK$16,428,000 due to the Group which has been fully written off during the year ended 31 July 2013.

EXECUTIVE DIRECTORS

Mr. Leung Wai Shun Wilson, aged 41, has been an Executive Director and the Finance Director since 20 June 2013, and was an Independent Non-executive Director of the Company from 21 March 2012 to 20 June 2013. He has over 17 years experience in the accounting industry. Mr. Leung worked with one of the big four accounting firms from December 1996 to November 2008 where he worked as a senior manager before his resignation. In these 12 years of experience, Mr. Leung acquired extensive experience in accounting and auditing which he subsequently assumed a role in internal training within the firm. Mr. Leung is currently a lecturer in a prestigious financial training institute in which he specializes in providing tuition for accounting related courses. Mr. Leung is a Fellow of the Hong Kong Institute of Certified Public Accountants. Mr. Leung obtained a degree of Bachelor of Science in Business from the Indiana University Bloomington, USA with honors and distinction in 1995.

Mr. Tse Yuk Kong, aged 58, has been an Executive Director since 26 June 2014, and has been a Director of the Company's wholly-owned subsidiary since 17 January 2014. Mr. Tse is an experienced TV production professional, expert in image building, product positioning and related production. Starting from 1984, he had worked for the Art Department of Television Broadcasts Limited, followed by the Art Department of Asia Television Limited ("ATV"). He then worked as ATV Production Service Assistant Controller from year 2002 to 2007, managing various aspects of ATV Production Services. He is currently the managing director of Wealthy Port Holdings Limited, which is engaged in properties investment in Hong Kong and Mainland China. Mr. Tse was an Independent Non-executive Director of Asia Resources Holdings Limited (a company listed on the main board of the Stock Exchange, stock code: 899) from 3 February 2009 to 9 August 2011.

Mr. Yang Zijiang, aged 41, has been an Executive Director since 17 July 2014. He has 17 years of experiences in manufacturing business and management. Mr. Yang holds a Master Degree in Advanced Business Administration of Fudan University（復旦大學）in the People's Republic of China ("PRC") and is currently studying a Doctorate Degree in Business Administration at City University of Hong Kong. Since the year of 1996, Mr. Yang had been the General Manager at 臨沂市自江實業有限公司 and 山東焦化集團鑄造焦有限公司. Mr. Yang is currently the Chairman and General Manager of 上海華鎧投資股份有限公司 (a company investing in manufacturing business).

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Sai Chun Yu, aged 34, has been an Independent Non-executive Director of the Company since 21 March 2012. He is a practicing member of the Hong Kong Institute of Certified Public Accountants, and a member of the Association of Chartered Certified Accountants. He obtained a bachelor degree in business administration from the Chinese University of Hong Kong, and had worked in both local and international accounting firms before he started his own practice in 2008, with over 12 years of experience in audit, accounting and business consultancy. Mr. Sai also acts as the honorary auditors of some local charities. He is currently the Independent Non-executive Director of Best Pacific International Holdings Limited (Stock Code: 2111), which is listed on the Main Board of the Stock Exchange of Hong Kong Limited.

Dr. Chiao Li, aged 48, has been an Independent Non-executive Director of the Company since 6 September 2013. He holds a PhD in Business Policy & Strategy from Tsinghua University, China and a Master of Business Administration degree from the University of Illinois at Urbana-Champaign, USA respectively. He has over 23 years of working experiences in the fields of corporate finance, investment banking and business management. He is currently a Managing Director of AP Capital Group, an investment and corporate finance consultancy firm. From August 2004 to December 2011, he was also a Corporate Finance Director of Ming Fung Jewellery Group Limited, a company listed on the Stock Exchange of Hong Kong Limited (Stock Code: 860).

Mr. Wu Shiming, aged 38, has been an Independent Non-Executive Director of the Company since 17 July 2014, he obtained a diploma in foreign economic enterprise financial accounting at Jimei University (集美大學) in the PRC in 1995 and a degree of finance at Xidian University (西安電子科技大學) in the PRC in March 2011, which is an online learning course. Mr. Wu has been the supervisor of Xiamen Bank Company Limited (廈門銀行股份有限公司) since December 2008. He is a qualified intermediate accountant and he was awarded such qualification in December 2001 by the Ministry of Finance and the Ministry of Personnel of the PRC which covered four examination papers, of which two related to accounting practice (intermediate level), one in financial management and one in Economic Law. Mr. Wu has over 15 years of experiences in accounting and financial management. He became the deputy chief executive officer of the major operating subsidiary of Sumpo Food Holdings Limited ("Sumpo Food", together with its subsidiaries, "Sumpo Food Group"), a company listed on the Stock Exchange (Stock Code: 1089) in November 2010 overseeing its financial and operational performance (including internal control). Mr. Wu is currently an Executive Director of Sumpo Food in charge of the overall strategic management and the financial management of Sumpo Food Group. Mr. Wu was appointed as an Independent Non-executive Director of China Putian Food Holding Limited (Stock Code: 1699) on 7 February 2012.

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 Corporate Governance Code ("CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules") throughout the year ended 31 July 2014.

CODE PROVISION A.4.1

Under the code provision A.4.1 of the CG Code, Non-executive Directors should be appointed for a specific term and subject to re-election. As at 31 July 2014, all the Independent Non-executive Directors of the Company have been appointed for specific terms and subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Bye-Laws of the Company. The Company considers that sufficient measures have been taken to ensure good corporate governance practices of the Company are maintained.

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

CODE PROVISION A.2

Code provision A.2.1 of the CG Code stipulates that the roles of Chairman and Chief Executive Officer ("CEO") should be separated and should not be performed by the same person.

The Company's Chairman was not re-elected on 6 January 2014 while the Company does not have a formal CEO all along. The Company is still looking for suitable candidates to fill up the two roles and will make proper announcements accordingly.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as contained in Appendix 10 of the Listing Rules. In response to specific enquiry made by the Company, all Directors confirmed that they have complied with the required standard set out in the Model Code throughout the year ended 31 July 2014.

THE BOARD OF DIRECTORS

Composition of the Board

As at the date of this report, the Board comprises 6 Directors. There are 3 Executive Directors and 3 Independent Non-executive Directors. Detailed biographies outlining each individual Director's range of specialist experience are set out in the section entitled "Brief Biographical Details of Directors" in this Annual Report.

The Board has established three Board committees including the Nomination Committee, Audit Committee and Remuneration Committee. The Board and the Board committees meet regularly every fiscal year and additional meetings would be arranged if and when necessary. Nineteen meetings were held by the Board during the year ended 31 July 2014. 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**	**Nomination**	**Audit**	**Remuneration**	**AGM**
Executive Directors						
Mr. Leung Wai Shun Wilson		19/19	1/1	4/4	1/1	1/1
Mr. Tse Yuk Kong	*1*	2/2	N/A	N/A	N/A	N/A
Mr. Yang Zijiang	*2*	1/1	N/A	N/A	N/A	N/A
Mr. Tan Cheow Teck	*3*	8/8	N/A	N/A	N/A	0/1
Mr. Shannon Tan Siang-Tau (alias Shannon Chen Xiangdao)	*3*	7/8	N/A	N/A	N/A	0/1
Ms. Juanita Dimla De Guzman	*3*	5/8	N/A	N/A	N/A	0/1
Mr. Lau Kwan	*4*	1/15	N/A	N/A	N/A	0/1
Mr. Shen Xia	*5*	13/17	N/A	N/A	N/A	0/1
Non-executive Director						
Mr. Pang King Sau Nelson	*6*	12/13	N/A	N/A	N/A	1/1
Independent Non-executive Directors						
Mr. Sai Chun Yu		18/19	1/1	4/4	1/1	0/1
Dr. Chiao Li	*7*	14/16	1/1	4/4	1/1	1/1
Mr. Wu Shiming	*8*	1/1	1/1	1/1	1/1	N/A
Mr. Wen Jian Sheng	*9*	0/14	N/A	0/3	N/A	0/1
Mr. Chan Yee Ping Michael	*10*	11/13	N/A	2/3	N/A	1/1

THE BOARD OF DIRECTORS *(Continued)*

Composition of the Board *(Continued)*

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

One Executive Director, one Non-executive director, two Independent Non-executive directors and the external auditor of the Company attended the AGM on 6 January 2014, and the Executive Director chaired the AGM to answer questions raised by shareholders due to the absence of the Chairman of the Board. The Chairman of the Board, the Chairman of the Nomination Committee, the Chairman of the Audit Committee and the Chairman of the Remuneration Committee were unable to attend the AGM due to other commitments.

Notes:

1. Mr. Tse Yuk Kong was appointed as Executive Director on 26 June 2014.
2. Mr. Yang Zijiang was appointed as Executive Director on 17 July 2014.
3. Mr. Tan Cheow Teck and Mr. Shannon Tan Siang-Tau (alias Shannon Chen Xiangdao) were not re-elected as Executive Director on 6 January 2014, and Ms. Juanita Dimla De Guzman resigned as Executive Director on 6 January 2014.
4. Mr. Lau Kwan resigned as Executive Director on 4 June 2014.
5. Mr. Shen Xia resigned as Executive Director on 10 July 2014.
6. Mr. Pang King Sau Nelson resigned as Non-executive Director on 17 July 2014.
7. Dr. Chiao Li was appointed as Independent Non-executive Director on 6 September 2013.
8. Mr. Wu Shiming was appointed as Independent Non-executive Director on 17 July 2014.
9. Mr. Wen Jian Sheng resigned as Independent Non-executive Director on 26 May 2014.
10. Mr. Chan Yee Ping Michael resigned as Independent Non-executive Director on 17 July 2014.
11. The counting of attendance for Directors started from the joining date of the Directors or committee members and finalized as at his resignation date.

THE BOARD OF DIRECTORS *(Continued)*

Responsibilities of the Board

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

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

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

Appointment and Re-election of Directors

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

THE BOARD OF DIRECTORS *(Continued)*

Directors' Training

With effect from October 2012, all Directors are required to provide the Company with his or her training records on a yearly basis. During the year, the Company received training records from Mr. Leung Wai Shun Wilson, Mr. Yang Zijiang, Mr. Wu Shiming and Mr. Sai Chun Yu relevant to the Company's business or to Directors' duties and responsibilities, while no training records received from any of the other Directors.

Directors' Insurance

The Company has management liability insurance covering the Directors during the year.

NON-EXECUTIVE DIRECTOR AND INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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

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

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

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

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

Pursuant to Rule 3.13 of the Listing Rules, the Company received an annual independence confirmation letter from Mr. Sai Chun Yu, Dr. Chiao Li and Mr. Wu Shiming an independence confirmation letter respectively upon their appointment. The Company considers all Independent Non-executive Directors to be independent in accordance with the independence guidelines set out in the Listing Rules.

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 three Independent Non-executive Directors, namely Dr. Chiao Li, Mr. Wu Shiming and Mr. Sai Chun Yu who is the Chairman of this committee.

The Nomination Committee normally meets at least once a year for reviewing the current structure, size and composition of the Board. During the year ended 31 July 2014, one meeting was held by the Nomination Committee and it approved the resignation of Mr. Chan Yee Ping Michael and appointment of Mr. Wu Shiming.

AUDIT COMMITTEE

The Audit Committee was set up with the responsibilities of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee currently comprises three Independent Non-executive Directors, namely Dr. Chiao Li, Mr. Wu Shiming and Mr. Sai Chun Yu who is the Chairman of this committee.

The Audit Committee held four meetings during the year ended 31 July 2014 to review the annual and interim results of the year, discuss the valuation of the plantation assets, and approve the resignation of Mr. Chan Yee Ping Michael and appointment of Mr. Wu Shiming.

This Annual Report has 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 three Independent Non-executive Directors, namely Dr. Chiao Li, Mr. Wu Shiming 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. During the year ended 31 July 2014, one meeting was held by the Remuneration Committee and it approved the resignation of Mr. Chan Yee Ping Michael and appointment of Mr. Wu Shiming.

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

AUDITORS' INDEPENDENCE AND REMUNERATION

The Audit Committee is mandated to monitor the independence of the external auditor to ensure the objectivity in the financial statements. BDO Limited ("BDO") has been re-appointed as the independent auditor of the Company by shareholders at the last annual general meeting. For the year ended 31 July 2014, the fees charged to accounts of the Group for BDO's statutory audit amounted to approximately HK$935,000.

COMPANY SECRETARY

The company secretary, Ms. Tang Lo Nar Luler who is responsible for facilitating the Board meeting process, as well as communications among Board members, with shareholders and management. Ms. Ko Mei Ying was appointed as the joint company secretary on 11 January 2013 and resigned on 31 October 2013. During the year and up to the date of this report, Ms. Tang undertook not less than 15 hours of professional training to update their skills and knowledge.

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 2014, 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 heads of the finance team and the operating units of the Group, performed financial, operational compliance controls and risk management reviews of the Company and its subsidiaries. Summaries of major audit findings and control weaknesses, if any, as identified by the Board will be related to the operating units who will take the follow-up actions under the monitoring of the Board.

SHAREHOLDERS' RIGHT

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

COMMUNICATION WITH SHAREHOLDERS

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

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

CONSTITUTIONAL DOCUMENTS

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

The Directors present their annual report and the audited consolidated financial statements of Yueshou Environmental Holdings Limited (the "Company", together with its subsidiaries, the "Group") for the year ended 31 July 2014.

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 39 to the consolidated financial statements.

SEGMENT INFORMATION

An analysis to the Group's turnover and contribution to results by principal activity for the year ended 31 July 2014 is set out in Note 6 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The Group's results for the year ended 31 July 2014 and the statements of financial position of the Company and the Group as at 31 July 2014 are set out in the consolidated financial statements on pages 41 to 45.

The Directors do not recommend the payment of any dividend in respect of the year ended 31 July 2014 (2013: Nil).

FIVE YEARS FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five years is set out on pages 154 to 155.

SHARE CAPITAL

Details of movements in the share capital, including convertible preference shares of the Company during the year are set out in Notes 36 to the consolidated financial statements.

PLACING OF SHARES

(i) On 15 August 2013, the Company entered into the Placing Agreement, pursuant to which the Placing Agent has agreed to place up to 169,385,540 Placing Shares at the Placing Price of HK$0.20 per Placing Share. On 13 September 2013, the Company has successfully placed the total of 169,385,540 Placing Shares, at the placing price of HK$0.20 per Placing Shares and raised net proceed of approximately HK$29.7 million. The net proceed was used for general working capital of the Group.

(ii) On 15 May 2014, the Company entered into the Placing Agreement, pursuant to which the Placing Agent has agreed to place up to 220,000,000 Placing Shares at the Placing Price of HK$0.20 per Placing Share. On 30 May 2014, the Company has successfully placed the total of 220,000,000 Placing Shares, at the placing price of HK$0.20 per Placing Shares and raised net proceed of approximately HK$43.1 million. The net proceed was used for general working capital of the Group.

CONVERSION OF PREFERENCE SHARES

(i) Able Expert Limited ("Able Expert") is wholly-owned by Mr. Wong Sun Man ("Mr. Wong") and Mr. Wong is a director of Asiaone Forest Products Holdings Limited, a wholly-owned subsidiary of the Company. Before the completion of converting all Preference Shares by the shareholders (see (ii) and (iii) below), among the 153,286,665 Preference Shares, 152,319,999 Preference Shares were legally and beneficially held by Mr. Wong and 966,666 were held under the name of Able Expert.

(ii) On 8 August 2013, 50,000,000 Preference Shares held under the name of Mr. Wong had been converted to 50,000,000 ordinary shares of the Company at the conversion price of HK$0.20 per Preference Share. After the conversion, remaining of 102,319,999 Preference Shares were legally and beneficially held by Mr. Wong.

(iii) On 7 March 2014, 966,666 Preference Shares of which are legally and beneficially held by Able Expert had been transferred to Mr. Wong. Subsequently on 12 March 2014, a total of 103,286,665 Preference Shares held under the name of Mr. Wong had been converted to 103,286,665 ordinary shares of the Company at the conversion price of HK$0.20 per Preference Share. After the conversion, Mr. Wong and Able Expert do not hold any Preference Shares of the Company respectively.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in Note 38 to the consolidated financial statements and in the consolidated statement of changes in equity on pages 46 to 47 of the annual report respectively.

DISTRIBUTABLE RESERVES

The Company has no reserves, comprise share premium and accumulated losses, available for distribution to shareholders as at 31 July 2014 (2013: no reserves available for distribution).

Pursuant to the Companies Act 1981 of Bermuda, the Company's share premium account of HK$1,544,505,000 (2013: HK$1,549,602,000) 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 20 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

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

PLANTATION ASSETS

Details of movements in the plantation assets of the Group during the year are set out in Note 19 to the consolidated financial statements.

DIRECTORS

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

Executive Directors

Mr. Leung Wai Shun, Wilson
Mr. Tse Yuk Kong (appointed on 26 June 2014)
Mr. Yang Zijiang (appointed on 17 July 2014)
Mr. Tan Cheow Teck (Chairman) (not re-elected on 6 January 2014)
Mr. Shannon Tan Siang-Tau (not re-elected on 6 January 2014)
Ms. Juanita Dimla De Guzman (resigned on 6 January 2014)
Mr. Lau Kwan (resigned on 4 June 2014)
Mr. Shen Xia (resigned on 10 July 2014)

Non-executive Director

Mr. Pang King Sau, Nelson (resigned on 17 July 2014)

Independent Non-executive Directors

Mr. Sai Chun Yu
Dr. Chiao Li
Mr. Wu Shiming (appointed on 17 July 2014)
Mr. Wen Jian Sheng (appointed on 26 May 2014)
Mr. Chan Yee Ping, Michael (resigned on 17 July 2014)

In accordance with bye-law 86 (2), 87(1) and 87(2) of the Bye-laws of the Company, Mr. Tse Yuk Kong, Mr. Yang Zijiang, Mr. Sai Chun Yu and Mr. Wu Shiming will retire from office by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

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

Name of Directors	Position	Date of appointment	Date of resignation/termination	Monthly remuneration	Previous experience in other listed companies in Hong Kong
Mr. Tan Cheow Teck	Executive Director	29 September 2010	Not re-elected on 6 January 2014	*Note 1*	–
Mr. Shannon Tan Siang-Tau (alias Shannon Chen Xiangdao)	Executive Director	19 December 2011	Not re-elected on 6 January 2014	HK$20,000	–
Ms. Juanita Dimla De Guzman	Executive Director	3 April 2012	6 January 2014	*Note 2*	–
Mr. Lau Kwan	Executive Director	28 August 2012	4 June 2014	HK$20,000	–
Mr. Shen Xia	Executive Director	28 August 2012	10 July 2014	HK$20,000	–
Mr. Tse Yuk Kong	Executive Director	26 June 2014	–	–	Independent Non-executive Director of Asia Resources Holdings Limited (Stock code: 899) from 3 February 2009 to 9 August 2011.
Mr. Yang Zijiang	Executive Director	17 July 2014	–	HK$30,000	–
Mr. Pang King Sau Nelson	Non-executive Director	7 October 2013	17 July 2014	HK$8,000	–
Dr. Chiao Li	Independent Non-executive Director; Members of Nomination, Audit and Remuneration Committee	6 September 2013	–	HK$8,000	Corporate Finance Director of Ming Fung Jewellery Group Limited (Stock code: 860) from August 2004 to December 2011.
Mr. Wen Jian Sheng	Independent Non-executive Director; Members of Nomination, Audit and Remuneration Committee	6 August 2012	26 May 2014	HK$6,667	–
Mr. Chan Yee Ping Michael	Independent Non-executive Director; Members of Nomination, Audit and Remuneration Committee	7 October 2013	17 July 2014	HK$8,000	(i) Company secretary of China Sunshine Paper Holdings Company Limited (Stock code: 2002) since 26 September 2013. (ii) Company secretary of Northeast Electric Development Co., Limited (Stock code: 0042, a joint stock limited company listed on the Shenzhen Stock Exchange of PRC and the main board of the Stock Exchange in Hong Kong) since 22 August 2012.

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

Name of Directors	Position	Date of appointment	Date of resignation/termination	Monthly remuneration	Previous experience in other listed companies in Hong Kong
Mr. Wu Shiming	Independent Non– executive Director; Members of Nomination, Audit and Remuneration Committee	17 July 2014	–	HK$5,000	(i) Deputy chief executive officer of a subsidiary of Sumpo Food Holdings Limited (Stock code: 1089) since November 2010 and Executive Director of Sumpo Food Holdings Limited since 17 December 2010. (ii) Independent Non-executive Director of China Putian Food Holding Limited (Stock code: 1699) since 7 February 2012.

Note 1: Mr. Tan Cheow Teck was employed as Technical Consultant of a subsidiary of the Company from 1 December 2010 to 6 January 2014. During the year, the total salaries paid to him were HK$505,000.

Note 2: Ms. Juanita Dimla De Guzman was appointed as a director of an associate of the Company. During the year, the total salaries payable to her by an associate were HK$405,000 as a director of an associate.

BRIEF BIOGRAPHICAL DETAILS OF DIRECTORS

Brief biographical details of the Directors of the Company are set out on pages 10 to 11 of this annual report.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

MANAGEMENT CONTRACTS

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

DIRECTORS' SERVICE CONTRACTS

As at the date of this report, Mr. Leung Wai Shun Wilson has entered into a service contract commencing from 20 June 2013, for his appointment as a Finance Director. Mr. Leung is entitled to a basic salary, which based on the prevailing market conditions and the roles and responsibilities, and is subject to review from time to time.

Mr. Tse Yuk Kong, Mr. Yang Zijiang, Mr. Sai Chun Yu, Dr. Chiao Li and Mr. Wu Shiming have entered into the appointment letters with the Company in relation to their appointments as an Executive Director and Independent Non-executive Director as the case may be, for a term of one year unless terminated by at least one month's written notice served by either party at any time during the then existing term. Except for Mr. Tse Yuk Kong, they are entitled to the monthly/annual director's fee apart from a discretionary bonus which may be granted by reference to the Group's results and performance for the financial year concerned and his performance, roles and responsibilities.

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

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 31 July 2014, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which (a) were required to be notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, to be notified to the Company and the Stock Exchange, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES *(Continued)*

Long positions in shares of the Company

Name of Director	Number of Shares held	Percentage of the issued share capital in the Company *(Note d)*
Mr. Yang Zijiang *(Note a)*	410,385,540	28.83%
Mr. Shannon Tan Siang-Tau (alias Shannon Chen Xiangdao) *(Note b)*	81,639,880	5.74%
Mr. Shen Xia *(Note c)*	–	–%

Note a: Mr. Yang Zijiang ("Mr. Yang") was appointed as an Executive Director of the Company on 17 July 2014. As at 31 July 2014, among the 410,385,540 Ordinary Shares ("Shares") are legally and beneficially held by the name of Mr. Yang.

Note b: As at 31 July 2014, among such 81,639,880 Shares, 75,790,711 Shares are legally and beneficially held by Linshan Limited ("Linshan") and 5,849,169 Shares are held in the name of Mr. Tan Cheow Teck ("Mr. Tan") as trustee for the benefit of Linshan. Linshan is solely owned by Mr. Shannon Tan Siang-Tau (alias Shannon Chen Xiangdao, a former Executive Director) ("Mr. Shannon Tan"), the son of Mr. Tan (another former Executive Director, and former Chairman). Mr. Shannon Tan and Mr. Tan were not re-elected on 6 January 2014.

Note c: As at 27 February 2014, Mr. Shen Xia ("Mr. Shen") disposed all the Shares of the Company he beneficially held, totaling 74,028,028 Shares of which 54,028,028 Shares were held directly under his name and 20,000,000 Shares were held under Luckpath Limited, a company he beneficially owns, to independent third parties. After the disposal, Mr. Shen does not hold any Shares of the Company. Subsequently on 10 July 2014, Mr. Shen resigned as Executive Director of the Company.

Note d: Based on the number of 1,423,286,665 Shares of the Company in issue as at 31 July 2014.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES *(Continued)*

Long positions in shares of the Company *(Continued)*

Save as disclosed above, as at 31 July 2014, none of the Directors nor the chief executives of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have taken under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules.

SHARE OPTION SCHEME

Details of the Company's share option scheme is set out in Note 37 to the consolidated financial statements.

No options were granted to any Directors and employees of the Company during the two years ended 31 July 2013 and 31 July 2014 pursuant to i) the old share option scheme adopted on 10 January 2002 and terminated on 28 July 2010; and ii) the new share option scheme adopted on 28 July 2010.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Other than as disclosed in Note 41 to the consolidated financial statements, 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 being known to the Directors, as at 31 July 2014, the following shareholders had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or recorded in the register kept by the Company pursuant to Section 336 of the SFO:

Long positions in shares of the Company

Name of shareholders	Capacity	Number of Shares held	Percentage of the issued share capital in the Company *(Note e)*
Mr. Yang Zijiang ("Mr. Yang") *(Note a)*	Beneficial owner	410,385,540	28.83%
Ample Cheer Limited *(Note b)*	Beneficial owner	349,385,540	24.54%
Best Forth Limited (Note b)	Beneficial owner	349,385,540	24.54%
Ms. Chu Yuet Wah ("Ms. Chu") *(Note b)*	Beneficial owner	349,385,540	24.54%
Kingston Finance Limited *(Note b)*	Beneficial owner	349,385,540	24.54%
Mr. Fong Chi Chung ("Mr. Fong") *(Note c)*	Beneficial owner	183,385,540	12.88%
Green Logic Investments Limited *(Note d)*	Beneficial owner	183,385,540	12.88%

SUBSTANTIAL SHAREHOLDERS *(Continued)*

Long positions in shares of the Company *(Continued)*

Note a: Mr. Yang was appointed as an Executive Director of the Company on 17 July 2014. As at 31 July 2014, among the 410,385,540 Ordinary Shares ("Shares") include 183,385,540 Shares are held under Green Logic Investments Limited which is owned as to 62.40% and 37.60% by Mr. Yang and Mr. Fong Chi Chung ("Mr. Fong"), respectively. The 349,385,540 Shares out of the 410,385,540 Shares are pledged to Kingston Finance Limited.

Note b: As at 31 July 2014, among the 349,385,540 Shares are legally and beneficially held by the name of Ms. Chu. The 349,385,540 Shares are pledged to Kingston Finance Limited, which is owned 80% indirectly by Ms. Chu via her attributable interests in Best Forth Limited and Ample Cheer Limited. Kingston Finance Limited is owned 100% by Ample Cheer Limited, which in turn is owned 80% by Best Forth Limited, Best Forth Limited is owned 100% by Mr. Chu. Ms. Chu is a third party independent of the Company and its connected person in accordance with the Listing Rules.

Note c: As at 31 July 2014, among the 183,385,540 Shares are legally and beneficially held by the name of Mr. Fong and Mr. Yang via Green Logic Investment Limited. Mr. Fong is a third party independent of the Company and he is not a connected person in accordance with the Listing Rules; see note (a) above.

Note d: As at 31 July 2014, among the 183,385,540 Shares are legally and beneficially held by the name of Green Logic Investments Limited, which is in turn owned by Mr. Yong and Mr. Fong. See notes (a) and (c).

Note e: Based on the number of 1,423,286,665 Shares of the Company in issue as at 31 July 2014.

Save as disclosed above, the Company has not been notified of any persons other than substantial shareholders who had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or recorded in the register kept by the Company pursuant to Section 336 of the SFO as at 31 July 2014.

CONNECTED TRANSACTIONS

For the year ended 31 July 2014, the Company did not have any connected transactions or continuing connected transactions as stipulated in the Listing Rules.

INVESTMENT IN ASSOCIATES OF THE COMPANY

Alyshan Limited ("Alyshan"), an indirect wholly-owned subsidiary of the Company, entered into an Agreement for Subscription and Further Deposits with Juanita Dimla De Guzman, the beneficial owner of all the preferred shares in Alverna Dynamic Developments Inc. ("Alverna") which was the associate of the Company. In the view of the loss of significant influence over the associates, the investment in associates has been reclassified to available-for-sale financial assets during the year. Details of the reclassification of investment in associates is set out in Note 22 and 23 to the consolidated financial statements.

MAJOR SUPPLIERS AND CUSTOMERS

The aggregate amount of turnover attributable to the Group's five largest customers represented less than 30% of the Group's total turnover.

The aggregate amount of purchases (not including the purchases of items which are of a capital nature) attributable to the Group's five largest suppliers represented less than 30% of the Group's total purchases.

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

PRE-EMPTIVE RIGHTS

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

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

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 July 2014.

SUFFICIENCY OF PUBLIC FLOAT

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

CORPORATE GOVERNANCE

Particulars of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 12 to 19 of the annual report.

AUDITORS

The consolidated financial statements of the Group for the year ended 31 July 2014 were audited by BDO Limited ("BDO") whose term of office will expire upon the forthcoming annual general meeting. BDO was re-appointed as the auditors of the Company by shareholders of the Company at the last annual general meeting and to hold office until the conclusion of the next annual general meeting of the Company. A resolution for the appointment of BDO as the auditors of the Company for the subsequent year is to be proposed at the forthcoming annual general meeting.

The consolidated financial statements of the Group for the years ended 31 July 2012 and 2013 were audited by HLB Hodgson Impey Cheng and BDO respectively.

On Behalf of the Board

Leung Wai Shun Wilson
Executive Director

Hong Kong, 10 October 2014

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

We were engaged to audit the consolidated financial statements of Yueshou Environmental Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 41 to 153, which comprise the consolidated and company statements of financial position as at 31 July 2014, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

Except for the inability to obtain sufficient appropriate audit evidence as explained below, we conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. Because of the matters described in the Basis for Disclaimer of Opinion on the Group's performance and cash flows paragraphs below, we were not able to obtain sufficient appropriate audit evidence to provide a basis for our audit opinion.

BASIS FOR DISCLAIMER OF OPINION ON THE GROUP'S PERFORMANCE AND CASH FLOWS

1. Limitation of scope – Limitation of audit work on carrying value of interests in associates at 31 July 2013 with a consequential effect on Group's performance for the year ended 31 July 2014

As explained in note 22, during the year on 6 January 2014 the Directors concluded that full impairment was necessary against plantation assets held by its associates who were responsible for its Philippine tree plantation business and consequentially the carrying value of its interest in associates was written down to nil. The Group has accordingly reflected a share of loss of associates of HK$749,493,000 for the year ended 31 July 2014.

However, for the year ended 31 July 2013, we were unable to satisfy ourselves whether the carrying value of interest in associates were fairly stated for the reasons set out in (i), (ii) & (iii) below and we disclaimed our opinion on the consolidated financial statements for the year ended 31 July 2013. These limitations remained as of 6 January 2014 and our uncertainty as to whether the Group's interest in associates as reported last year at 31 July 2013 was fairly stated remained unresolved. Any adjustment to the Group's interest in associates at 31 July 2013 would have a consequential impact on the Group's share of the associates' results for the year ended 31 July 2014.

We were unable to determine whether any adjustments were necessary to be made to the Group's share of results of associates for the year ended 31 July 2014 which might have had a significant effect on the Group's loss for the year ended 31 July 2014.

i) As explained in note 22 to the consolidated financial statements, the Group's interest in associates is largely represented by its interest in certain plantation assets and forest concession rights held by one of its associates (the "Associate"), Shannalyne, Inc. in the Caraga region of Mindanao, the Philippines for the purpose of tree plantation business. The carrying value of the Group's interest in associates at 31 July 2013 was HK$757,388,000 and represented over 82% of the Group's net assets at that date. In respect of the Associate's total assets, its plantation assets made up virtually 100% of its total assets. Plantation assets are stated at fair value less costs to sell.

As further detailed in note 22(a)(iii), the Philippine President issued Executive Order 23 ("EO23") on 1 February 2011, which set out a moratorium on the cutting and harvesting of timber in natural and residual forests in the Philippines, as well as creating an anti-illegal logging task force. As EO23 had a potentially significant impact on the Associate's tree plantation business, management of the Associate met with DENR (government regulator in Philippines of natural resource matters) to negotiate some concessions/waivers from EO23. Arising from these discussions the Associate and DENR signed a Memorandum of Agreement ("MoA") on 17 November 2011. Under the MoA, the Associate would receive not more than 60% of the volume of logs cut from areas delineated for tree plantation business, with the proviso that tree plantation business may only be carried out in "degraded forest areas" and open land. In late 2013, the Company became aware of a further memorandum ("Memorandum") from DENR dated 3 June 2013. Under this Memorandum, the Company's then Chairman, Mr. CT Tan was of the view that EO23 (and consequently MoA) was not applicable to the Associate and in essence under the Memorandum would revert to the same position before EO23 was issued.

The Directors obtained legal opinions from a number of lawyers based in the Philippines on EO23, MoA and Memorandum, but received conflicting legal opinions and views. To finalise the 31 July 2013 annual report, the Board opted to take a conservative approach and assumed EO23 and MOA were effective for the purposes of the valuation of the Associate's plantation assets and forest concession rights as at 31 July 2013 and assumed the Memorandum had no effect on EO23 and MoA. The Board had resolved to seek a meeting with DENR to clarify this matter. Pending this clarification with DENR, there were no alternative audit procedures we could have performed that would have enabled us to determine whether EO23 and MoA were in force and applicable to the Associate at 31 July 2013. This could have had a significant effect on the valuation of the Associate's plantation assets as at 31 July 2013 and 2012 and would have had a consequential effect on the Group's share of Associate's results for the year ended 31 July 2013. We were unable to quantify this effect.

As explained above, under the MoA, the tree plantation business could only be carried out in "degraded forest areas" and open land. However the regulations do not define what is meant by "degraded forest area". As set out in note 22(a)(v), management have concluded the area available for tree plantation operations of approximately 125,000 hectares referred to in the Company's Very Substantial Acquisition Circular dated 30 June 2010 ("VSA Circular") and the area under the Comprehensive Development Management Plans ("CDMP") previously agreed with DENR in fact comprises degraded forest and open areas envisaged under the MoA. However, this is by no means certain as the MoA was signed some years after the forest concession area agreements were concluded with the Associate. Pending clarification from DENR on this term, we were unable to determine if the correct areas have been used in the determination of the fair value of the Associate's plantation assets at 31 July 2013.

ii) As set out in note 22(a)(iv), the Associate has used the sawn timber business model to value its plantation assets at 31 July 2013. However, management of the Company encountered difficulty obtaining accurate market prices in the Philippines for sawn timber produced from tree species found in the Associate's forest areas. As there was no transparent active market in Philippines due to the cessation of forestry businesses in general and because of EO23, the Board have used prices from Indonesia from an international timber trade journal as reference for its estimated selling price. In addition, under this business model, the Associate will subcontract out the processing of the logs to a third party for an all-in processing charge. As there was no active market in Philippines for this service, management were unable to secure any actual contract or fee quotation by an independent subcontractor. They had estimated this subcontractor charge with reference to a Bhutan research report, which management estimate was issued around 2000.

The selling price and subcontractor charges were key drivers under the sawn timber business model. The source of certain data used by management for their estimation was in parts quite old and are likely out of date and none of the source data was specific to the Philippines. We were not able to obtain other satisfactory evidence to satisfy ourselves whether these estimates were fair and reasonable. If the Associate was unable to achieve the estimated selling prices and/or the estimated subcontractor charges, it would have had a significant negative effect on the valuation of the Associate's plantation assets at 31 July 2013. In addition, no adjustment was made for the additional profit arising from the processing of raw timber logs into sawn timber. We were unable to quantify these effects.

iii) As explained in note 22(a)(vii), the independent valuers engaged by the Group, BMI Appraisals were unable to complete certain parts of their valuation exercise during a site visit in September 2013 as part of the 2013 Annual Report audit exercise. This was due to an escalation in the conflict at that time between militant factions in Mindanao and Philippine government forces. In addition, BMI Appraisals were also unable to obtain an updated satellite image of the forest area, a key requirement of the valuation exercise owing to persistent cloud cover over the relevant forest area. BMI Appraisals therefore used data from the June 2010 valuation exercise (which was used in the VSA Circular) to complete their valuation of the plantation assets at 31 July 2013. As we were not the reporting accountants at the time of the VSA Circular, we were unable to rely on such a valuation as we did not attend any onsite inspections, nor observe any sample counts with the valuers on which the valuation was based. As an updated satellite image on or after the 31 July 2013 could not be provided to us, we were accordingly unable to satisfy ourselves the trees in the forest areas covered by the Associate's concession rights existed at 31 July 2013.

In view of the matters raised (i) (ii) and (iii) above, when we completed the audit last year we were unable to rely on the valuation report prepared by BMI Appraisals Limited for the year ended 31 July 2013 and accordingly could not determine whether the Associate's plantation assets were fairly stated and therefore whether the Group's interests in associates were fairly stated at 31 July 2013. There were no other satisfactory alternative audit procedures we could perform. These matters caused us to disclaim our audit opinion on the consolidated financial statements for the year ended 31 July 2013.

2. Disagreement over incorrect equity accounting for interest in associates

In addition to the limitation on information and documentation we required to determine the fair value of the associates' plantation assets (and consequentially the carrying value of interests in associates) as explained in section (1) above, last year we also disagreed with the way the Group had equity accounted for its share of associates' performance and interest in its associates as explained below. The Group consistently applied their basis to equity account for the associates up to 6 January 2014 (the point of time when the Group lost significant influence over these associates). Therefore, we also disagree with the way the Group determined its share of the associates' results for period to 6 January 2014.

The Group's tree plantation operations in the Philippines were acquired by way of purchase of 100% of the equity interest of Asiaone Forest Products Holdings Limited ("Asiaone") on 9 August 2010. Asiaone, which became a wholly owned subsidiary of the Group, held interests in two Philippine associates, Shannalyne whose main business is tree plantation business in the Caraga region, Mindanao, Philippines, and Alverna Dynamic Developments, Inc. ("Alverna"), an investment holding company incorporated in the Philippines and whose major asset is a 60% interest in Shannalyne. Details of the acquisition, organisational structure and background of the tree plantation operations were set out in the VSA Circular.

In respect of Alverna, the Group acquired 100% of Alverna's issued common shares whilst a Philippine national holds 100% of Alverna's issued preferred shares. Under the acquisition agreement, the number of issued common shares to the number of preferred shares shall always remain in the ratio 40:60 in compliance with the Foreign Investments Act of 1991 and Anti-Dummy Law in the Philippines. Pursuant to Alverna's Articles of Association ("Articles"), the common shares and preferred shares carry equal voting rights. The common shares and preferred shares therefore carry 40% and 60% of the total voting rights of Alverna respectively. As such, the Group does not have control over either Alverna or Shannalyne and both have accordingly been accounted for as associates in the consolidated financial statements since their acquisition up to 6 January 2014 when the associates were reclassified as AFS as explained in note 22(b).

Under Alverna's Articles of Association and as explained in the VSA Circular, Alverna's preferred shares are entitled to a cumulative fixed preference dividend of 8% p.a. based on the issued preferred share capital. The preferred dividend is only payable if Alverna has made profits. Once the preferred share dividend is paid, the common shareholders may declare dividends from the remaining profits. The Articles state the preferred shareholders may not deprive the common shareholders their rights to receive dividends (once the preferred dividend has been paid/accrued). Based on the above, the voting and dividend (and therefore in substance profit) entitlement of the preferred shareholders and common shareholders are not the same.

In prior years and since the date when the Group acquired its interests in Alverna, the Group has accounted for its interest in Alverna by equity accounting using 64%. In our view the Group should have equity accounted for its interest in Alverna using 100% to account for its share of net assets and profits/losses after deducting the preferred dividend. If Alverna had been correctly equity accounted for at 100%, the goodwill on acquisition of Asiaone would have been HK$189,371,000, not HK$842,618,000 as presented in the Company's consolidated financial statements in prior years.

The Group fully impaired the goodwill during the year ended 31 July 2013. We noted that in prior years the Group had assessed goodwill impairment based on the value-in-use of the tree plantation operations. If the assessment had been properly performed, in our view the goodwill would have been fully impaired in the year ended 31 July 2011.

A summary of the required material adjustments to reflect this are set out below.

	As reported	Adjustments required	As corrected
	HK$'000	*HK$'000*	*HK$'000*
Consolidated statement of profit or loss and other comprehensive income for the year ended 31 July 2014			
Share of results of associates	**(749,493)**	**(476,882)**	**(1,226,375)**
Recognition of accumulated exchange reserve in profit or loss arising from deemed disposal of associates	**39,238**	**22,196**	**61,434**
Consolidated statement of financial position as at 31 July 2013			
Goodwill on acquisition	–	–	–
Interest in associates	757,388	428,697	1,186,085
Accumulated losses	(1,775,751)	5,314	(1,770,437)
Exchange reserve	54,056	26,581	80,637
Consolidated statement of profit or loss and other comprehensive income for the year ended 31 July 2013			
Impairment loss recognised in respect of goodwill on acquisition of subsidiaries	(842,618)	842,618	–
Share of results of associates	(166,799)	(94,273)	(261,072)
Consolidated statement of financial position as at 1 August 2012			
Goodwill of forestry and logging operations	842,618	(842,618)	–
Interest in associates	944,684	534,604	1,479,288
Accumulated losses	(1,227,485)	(346,228)	(1,573,713)
Exchange reserve	106,203	38,214	144,417

DISCLAIMER OF OPINION ON THE GROUP'S PERFORMANCE AND CASH FLOWS

Because of the significance of the matters described in the Basis for Disclaimer of Opinion on the Group's performance and cash flows paragraphs, we have not been able to obtain sufficient appropriate evidence to provide a basis for an audit opinion on the Group's performance and cash flows for the year ended 31 July 2014. Accordingly we do not express an opinion on the Group's performance and cash flows for the year ended 31 July 2014.

OPINION ON THE FINANCIAL POSITION

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 2014 in accordance with Hong Kong Financial Reporting Standards.

In all other respects, in our opinion the consolidated financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

OTHER MATTERS

Had we not disclaimed our opinion on the Group's performance and cash flows, we would have issued an adverse opinion in respect of our disagreement with the way the Group has equity accounted for its associates as set out in section (2) of the Basis for Disclaimer of Opinion on the Group's performance and cash flows paragraphs above.

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

Hong Kong, 10 October 2014

Consolidated Statement of Profit or Loss and Other Comprehensive income

for the year ended 31 July 2014

	Notes	2014 HK$'000	2013 HK$'000 (Represented)
Continuing operations			
Turnover	*7*	**3,995**	4,141
Cost of sales and services		**(2,867)**	(2,771)
Gross profit		**1,128**	1,370
Other revenue and other gain	*8*	**25**	7,644
Administrative expenses		**(20,495)**	(11,334)
(Impairment loss)/reversal of impairment loss on other receivables		**(273)**	414
Fair value gains on investment properties	*20*	**2,793**	32,804
Finance costs	*13*	**(706)**	(31,755)
Loss before income tax	*9*	**(17,528)**	(857)
Income tax	*14*	**(1,173)**	(21,194)
Loss for the year from continuing operations		**(18,701)**	(22,051)
Discontinued operations			
Loss for the year from discontinued operations	*16*	**(760,988)**	(1,005,428)
Loss for the year		**(779,689)**	(1,027,479)

Consolidated Statement of Profit or Loss and Other Comprehensive income

for the year ended 31 July 2014

	Notes	2014 HK$'000	2013 HK$'000 (Represented)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Exchanges differences on translation of foreign operations		**(14)**	237
Share of other comprehensive income of associates		**(7,895)**	(20,497)
Items reclassified to profit or loss			
Recognition of accumulated exchange reserve in profit or loss arising from disposal of subsidiaries	*42*	**–**	(31,887)
Recognition of accumulated exchange reserve in profit or loss arising from deemed disposal of associates	*22(d)*	**(39,238)**	–
Other comprehensive income for the year		**(47,147)**	(52,147)
Loss attributable to owners of the Company		**(779,689)**	(1,027,479)
Total comprehensive income for the year attributable to owners of the Company		**(826,836)**	(1,079,626)
Loss per share from continuing and discontinued operations		***HK cents***	*HK cents*
– Basic and diluted	*17*	**(63.7)**	(110.7)
Loss per share from continuing operations			
– Basic and diluted	*17*	**(1.5)**	(2.4)
Loss per share from discontinued operations			
– Basic and diluted	*17*	**(62.2)**	(108.3)

Consolidated Statement of Financial Position

as at 31 July 2014

	Notes	2014 HK$'000	2013 HK$'000
Non-current assets			
Property, plant and equipment	18	**4,389**	6,461
Investment properties	20	**169,721**	166,928
Goodwill	21	**–**	–
Interests in associates	22	**–**	757,388
Amounts due from associates	22	**–**	46,178
Available-for-sale financial asset	23	**–**	–
		174,110	976,955
Current assets			
Properties held for sale	25	**7,465**	7,465
Properties under development	28	**31,431**	31,431
Other receivables		**1,112**	427
Deposits and prepayments	26	**13,663**	13,886
Bank balances and cash	29	**50,157**	8,526
Total current assets		**103,828**	61,735
Current liabilities			
Trade and other payables	30	**32,740**	35,581
Accruals		**4,152**	8,969
Loans from shareholders	31	**52,680**	3,000
Total current liabilities		**89,572**	47,550
Net current assets		**14,256**	14,185
Total assets less current liabilities		**188,366**	991,140

	Notes	2014 HK$'000	2013 HK$'000
Non-current liabilities			
Loan from a shareholder	31	–	49,891
Deferred tax liabilities	35	**22,777**	21,604
Total non-current liabilities		**22,777**	71,495
NET ASSETS		**165,589**	919,645
Capital and reserves attributable to owners of the Company			
Share capital	36	**284,657**	206,780
Reserves		**(119,068)**	712,865
TOTAL EQUITY		**165,589**	919,645

The financial statements were approved and authorised for issue by the Board of Directors on 10 October 2014.

Mr. Leung Wai Shun, Wilson
Director

Mr. Tse Yuk Kong
Director

Statement of Financial Position

as at 31 July 2014

	Notes	2014 HK$'000	2013 HK$'000
Non-current assets			
Investments in subsidiaries	39	–	737,115
Current assets			
Other receivables		1,018	–
Other deposits	26	9,803	10,163
Amounts due from subsidiaries	39	86,647	52,855
Bank balances and cash	29	1,045	2,653
Total current assets		98,513	65,671
Total assets		98,513	802,786
Current liabilities			
Other payables		313	313
Accruals		4,088	8,969
Loan from a shareholder	31	3,000	3,000
Amounts due to subsidiaries	39	385	385
Total current liabilities		7,786	12,667
Net current assets		90,727	53,004
Total assets less current liabilities		90,727	790,119
NET ASSETS		90,727	790,119
Capital and reserves			
Share capital	36	284,657	206,780
Reserves	38	(193,930)	583,339
TOTAL EQUITY		90,727	790,119

The financial statements were approved and authorised for issue by the Board of Directors on 10 October 2014.

Mr. Leung Wai Shun, Wilson	**Mr. Tse Yuk Kong**
Director	*Director*

Consolidated Statement of Changes in Equity

for the year ended 31 July 2014

	Share capital HK$'000 (Note 36)	Share premium HK$'000 (Note (i))	Capital reserve HK$'000	Exchange reserve HK$'000 (Note (ii))	Distributable reserve HK$'000 (Note (iii))	Contributed surplus HK$'000 (Note (iv))	Convertible notes reserve HK$'000 (Note (v))	Statutory reserves HK$'000 (Note (vi))	Accumulated losses HK$'000	Total HK$'000
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
Loss for the year	–	–	–	–	–	–	–	–	(1,027,479)	(1,027,479)
Other comprehensive income for the year:										
Recognition of accumulated exchange reserve in profit or loss arising from disposal of subsidiaries *(Note 42)*	–	–	–	(31,887)	–	–	–	–	–	(31,887)
Exchange differences on translation of foreign operations	–	–	–	237	–	–	–	–	–	237
Share of other comprehensive income of associates *(Note 22)*	–	–	–	(20,497)	–	–	–	–	–	(20,497)
Other comprehensive income for the year	–	–	–	(52,147)	–	–	–	–	–	(52,147)
Total comprehensive income for the year	–	–	–	(52,147)	–	–	–	–	(1,027,479)	(1,079,626)
Convertible notes surrendered and delivered up upon disposal of subsidiaries	–	–	–	–	–	–	(61,991)	–	61,991	–
Waiver of promissory notes *(Note 34)*	–	–	–	–	–	–	–	–	396,801	396,801
Conversion of convertible notes to ordinary shares *(Note 36)*	4,507	85,630	–	–	–	–	–	–	–	90,137
Placing of ordinary shares, net of transaction costs *(Note 36)*	33,000	22,323	–	–	–	–	–	–	–	55,323
Release of statutory reserve upon disposal of subsidiaries	–	–	–	–	–	–	–	(20,421)	20,421	–
At 31 July 2013 and 1 August 2013	206,780	1,549,602	11,613	54,056	77,033	796,312	–	–	(1,775,751)	919,645
Loss for the year	–	–	–	–	–	–	–	–	(779,689)	(779,689)
Other comprehensive income for the year:										
Exchange differences on translation of foreign operations	–	–	–	(14)	–	–	–	–	–	(14)
Share of other comprehensive income of associates *(Note 22)*	–	–	–	(7,895)	–	–	–	–	–	(7,895)
Recognition of accumulated exchange reserve in profit or loss arising from deemed disposal of associates *(Note 22(d))*	–	–	–	(39,238)	–	–	–	–	–	(39,238)
Other comprehensive income for the year	–	–	–	(47,147)	–	–	–	–	–	(47,147)
Total comprehensive income for the year	–	–	–	(47,147)	–	–	–	–	(779,689)	(826,836)
Placing of ordinary shares, net of transaction costs *(Note 36)*	77,877	(5,097)	–	–	–	–	–	–	–	72,780
At 31 July 2014	284,657	1,544,505	11,613	6,909	77,033	796,312	–	–	(2,555,440)	165,589

Notes:

(i) Share premium

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

(ii) Exchange reserve

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

(iii) Distributable reserve

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

(iv) Contributed surplus

The Company passed a special resolution on 13 February 2012 for a capital reduction and 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.

(v) Convertible notes reserve

Convertible notes reserve represents the equity component of outstanding convertible notes issued by the Company recognised in accordance with the accounting policy adopted for convertible notes in Note 4(k)(iv).

(vi) Statutory reserves

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.

Consolidated Statement of Cash Flows

for the year ended 31 July 2014

	Notes	2014 HK$'000	2013 HK$'000 (Represented)
Operating activities			
Loss before income tax from continuing operations		**(17,528)**	(857)
Loss before income tax from discontinued operations	*16*	**(760,988)**	(1,005,428)
		(778,516)	(1,006,285)
Adjustments for:			
Amortisation of intangible assets		**–**	1,690
Depreciation of property, plant and equipment		**2,268**	2,150
Loss on disposal of property, plant and equipment		**–**	34
Write-off of amounts due to former directors		**–**	(6,486)
Fair value gains on investment properties	*20*	**(2,793)**	(32,804)
Recognition of accumulated exchange reserve in profit or loss arising from deemed disposal of associates	*22(d)*	**(39,238)**	–
Impairment loss on amounts due from associates	*22*	**46,802**	–
Impairment loss on goodwill	*21*	**–**	842,618
Impairment loss on loan receivables	*27*	**–**	11,963
Impairment loss/(reversal of impairment loss) on other receivables		**273**	(395)
Interest income		**(19)**	(1)
Finance costs		**706**	31,755
Gain on disposal of subsidiaries	*42*	**–**	(28,914)
Share of results of associates	*16*	**749,493**	166,799
Operating loss before movements in working capital		**(21,024)**	(17,876)
Decrease in properties held for sale		**–**	148
Increase in properties under development		**–**	(30,982)
Decrease in inventories		**–**	2,506
Increase in other receivables		**(879)**	(204)
Increase in deposits and prepayments		**(214)**	(2,508)
Decrease/(increase) in other deposits		**360**	(729)
(Decrease)/increase in trade and other payables		**(2,869)**	35,901
(Decrease)/increase in accruals		**(5,027)**	3,540
Cash used in operations		**(29,653)**	(10,204)
Income taxes paid		**–**	(2,370)
Interest paid		**(496)**	(290)
Net cash used in operating activities		**(30,149)**	(12,864)

Consolidated Statement of Cash Flows

for the year ended 31 July 2014

	Notes	2014 HK$'000	2013 HK$'000
Investing activities			
Disposals of subsidiaries	42	–	(6,480)
Interest received		**19**	1
Purchase of property, plant and equipment		**(189)**	(184)
Purchase of plantation assets		–	(584)
Increase in amounts due from associates		**(624)**	(2,528)
Net cash used in investing activities		**(794)**	(9,775)
Financing activities			
Proceeds from issue of ordinary shares, net of transaction costs	36(iv)	**72,780**	55,323
Redemption of principal of convertible notes		–	(30,000)
Repayment of loans from shareholders		**(211)**	(291)
Increase in amount due to a director		–	992
Decrease in amount due to a shareholder		–	(2,000)
Net cash from financing activities		**72,569**	24,024
Net increase in cash and cash equivalents		**41,626**	1,385
Cash and cash equivalents at beginning of year		**8,526**	7,090
Effect of foreign exchange rate changes		**5**	51
Cash and cash equivalents at end of year, representing bank balances and cash		**50,157**	8,526

1. GENERAL

Yueshou Environmental Holdings Limited (the "Company", together with its subsidiaries, the "Group") was incorporated in Bermuda on 29 June 1994 as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The principal place of business of the Company is located at 22/F., Hip Shing Hong Centre, No. 55 Des Voeux Road Central, Hong Kong.

The principal activity of the Company is investment holding. Its subsidiaries and associates are principally engaged in property development in the People's Republic of China (the "PRC") and tree plantation operations in the Philippines respectively. The Company considered the tree plantation business held by its Philippine associates as an operating segment ever since its acquisition in 2010. However, during the year, as explained in Note 16, the Directors considered this business to be a discontinued operation.

During the prior year, the Group ceased its operations in provision of installation services, sales of chemical agents and petroleum chemical products, provision of technical services of environmental protection operations in the PRC and forestry operations in the PRC. These operations constituted a discontinued operation, further details of which are set out in Notes 16 and 42.

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

(a) Adoption of new/revised HKFRSs – effective 1 August 2013

HKFRSs (Amendments)	Annual Improvements 2009-2011 Cycle
HKFRSs (Amendments)	Annual Improvements 2010-2012 Cycle
Amendments to HKFRS 7	Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 19 (2011)	Employee Benefits
HKAS 27 (2011)	Separate Financial Statements
HKAS 28 (2011)	Investments in Associates and Joint Ventures
HK(IFRIC) – Interpretation 20	Stripping Costs of the Production Phase of a Surface Mine

Except as explained below, the adoption of the new/revised HKFRSs has no material impact on the Group's financial statements.

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

(a) Adoption of new/revised HKFRSs – effective 1 August 2013 *(Continued)*

HKFRSs (Amendments) – Annual Improvements 2009-2011 Cycle

HKAS 1 has been amended to clarify that an opening statement of financial position is required only when a retrospective application of an accounting policy, a retrospective restatement or reclassification has a material effect on the information presented in the opening position. Further, this opening statement of financial position does not have to be accompanied by comparative information in the related notes. This is consistent with the Group's existing accounting policy.

HKFRSs (Amendments) – Annual Improvements 2010-2012 Cycle

The Basis of Conclusions for HKFRS 13 Fair Value Measurement was amended to clarify that short-term receivables and payables with no stated interest rate can be measured at their invoice amounts without discounting, if the effect of discounting is immaterial. This is consistent with the Group's existing accounting policy.

Amendments to HKFRS 7 – Offsetting Financial Assets and Financial Liabilities

HKFRS 7 is amended to introduce disclosures for all recognised financial instruments that are set off under HKAS 32 and those that are subject to an enforceable master netting agreement or similar arrangement, irrespective of whether they are set off under HKAS 32.

The adoption of the amendments has no impact on these financial statements as the Group has not offset financial instruments, nor has it entered into a master netting agreement or a similar arrangement.

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

(a) Adoption of new/revised HKFRSs – effective 1 August 2013 *(Continued)*

HKFRS 10 – Consolidated Financial Statements

HKFRS 10 introduces a single control model for consolidation of all investee entities. An investor has control when it has power over the investee (whether or not that power is used in practice), exposure or rights to variable returns from the investee and the ability to use the power over the investee to affect those returns. HKFRS 10 contains extensive guidance on the assessment of control. For example, the standard introduces the concept of "de facto" control where an investor can control an investee while holding less than 50% of the investee's voting rights in circumstances where its voting interest is of sufficiently dominant size relative to the size and dispersion of those of other individual shareholders to give it power over the investee. Potential voting rights are considered in the analysis of control only when these are substantive, i.e. the holder has the practical ability to exercise them.

The standard explicitly requires an assessment of whether an investor with decision making rights is acting as principal or agent and also whether other parties with decision making rights are acting as agents of the investor. An agent is engaged to act on behalf of and for the benefit of another party and therefore does not control the investee when it exercises its decision making authority. The accounting requirements in HKAS 27 (2008) on other consolidation related matters are carried forward unchanged. The Group accordingly has changed its accounting policy in determining whether it has control of an investee and therefore is required to consolidate that interest (see Note 4(b).

The adoption of HKFRS 10 has not resulted in any change of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 August 2013.

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

(a) Adoption of new/revised HKFRSs – effective 1 August 2013 *(Continued)*

HKFRS 13 – Fair Value Measurement

HKFRS 13 provides a single source of guidance on how to measure fair value when it is required or permitted by other standards. The standard applies to both financial and non-financial items measured at fair value and introduces a fair value measurement hierarchy. The definitions of the three levels in this measurement hierarchy are generally consistent with HKFRS 7 "Financial Instruments: Disclosures". HKFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). The standard removes the requirement to use bid and ask prices for financial assets and liabilities quoted in an active market. Rather the price within the bid-ask spread that is most representative of fair value in the circumstances should be used. It also contains extensive disclosure requirements to allow users of the financial statements to assess the methods and inputs used in measuring fair values and the effects of fair value measurements on the financial statements. HKFRS 13 is applied prospectively.

HKFRS 13 did not materially affect any fair value measurements of the Group's assets and liabilities and therefore has no effect on the Group's financial position and performance. The standard requires additional disclosures about fair value measurements and these are in respect of the Group's investment properties which are located in the PRC, and which are carried at fair value. Comparative disclosures have not been presented in accordance with the transitional provisions of the standard.

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

(a) Adoption of new/revised HKFRSs – effective 1 August 2013 *(Continued)*

HKAS 19 (2011) – Employee Benefits

HKAS 19 (2011) distinguishes between short-term and long-term employee benefits based on the expected date of settlement. The previous standard used the term "due to be settled". HKAS 19 (2011) provides additional guidance on the definition of termination benefits. Benefits that are conditional on future service being provided including those that increase if additional service is provided are not termination benefits. The revised standard requires that a liability for termination benefits is recognised on the earlier of the date when the entity can no longer withdraw the offer of those benefits and the date the entity recognises any related restructuring costs.

The Group has amended its accounting policies for short-term employee benefits and termination benefits, however the adoption of the revised standard has no effect on the Group's financial position or performance.

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

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

Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKAS 36	Recoverable Amount Disclosure for Non-Financial Assets[1]
HKFRS 9 (2014)	Financial Instruments[3]
HKFRS 15	Revenue from Contracts with Customers[2]

1 *Effective for annual periods beginning on or after 1 January 2014*
2 *Effective for annual periods beginning on or after 1 January 2017*
3 *Effective for annual periods beginning on or after 1 January 2018*

Amendments to HKAS 32 – Offsetting Financial Assets and Financial Liabilities

The amendments clarify the offsetting requirements by adding appliance guidance to HKAS 32 which clarifies when an entity "currently has a legally enforceable right to set off" and when a gross settlement mechanism is considered equivalent to net settlement.

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

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

Amendments to HKAS 36 – Recoverable Amount Disclosure for Non-Financial Assets

The amendments limit the requirements to disclose the recoverable amount of an asset or cash generating unit (CGU) to those periods in which an impairment loss has been recognised or reversed, and expand the disclosures where the recoverable amount of impaired assets or CGUs has been determined based on fair value less costs of disposal. The amendments are effective for annual periods commencing on or after 1 January 2014.

HKFRS 9 (2014) – Financial Instruments

HKFRS 9 "Financial instruments" (2014) adds to the existing HKFRS 9. HKFRS 9 (2014) introduces new impairment requirements for all financial assets that are not measured at fair value through profit or loss and amendments to the previously finalised classification and measurement requirements.

A new "expected loss" impairment model in HKFRS 9 (2014) replaces the "incurred loss" model in HKAS 39 Financial Instruments: Recognition and Measurement. For financial assets at amortised cost or fair value through other comprehensive income, an entity will now always recognise (at a minimum) 12 months of expected losses in profit or loss. For trade receivables, there is a practical expedient to calculate expected credit losses using a provision matrix based on historical loss patterns or customer bases.

HKFRS 9 (2014) also introduces additional application guidance to clarify the requirements for contractual cash flows of a financial asset to give rise to payments that are Solely Payments of Principal and Interest (SPPI), one of the two criteria that need to be met for an asset to be measured at amortised cost, which may result in additional financial assets being measured at amortised cost.

A third measurement category has also been added for debt instruments - fair value through other comprehensive income which applies to debt instruments that meet the SPPI contractual cash flow characteristic test.

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

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

HKFRS 15 – Revenue from Contracts with Customers

HKFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach: (i) identify the contract(s) with customer; (ii) identify separate performance obligations in a contract; (iii) determine the transaction price; (iv) allocate transaction price to performance obligations; and (v) recognise revenue when performance obligation is satisfied. The core principle is that a company should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an 'earnings processes' to an 'asset-liability' approach based on transfer of control.

HKFRS 15 provides specific guidance on capitalisation of contract cost and licence arrangements. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

HKFRS 15 replaces the previous revenue standards: HKAS 18 "Revenue" and HKAS 11 "Construction Contracts", and the related Interpretations on revenue recognition: HK(IFRIC) 13 "Customer Loyalty Programmes", HK(IFRIC) 15 "Agreements for the Construction of Real Estate", HK(IFRIC) 18 "Transfers of Assets from Customers" and SIC-31 "Revenue – Barter Transactions Involving Advertising Services".

3. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (hereinafter collectively referred to as the "HKFRSs") and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

3. BASIS OF PREPARATION *(Continued)*

(b) Basis of measurement

The financial statements have been prepared under the historical cost basis, except for investment properties, plantation assets and certain financial instruments, which are measured at fair values as explained in the accounting policies set out below.

(c) Functional and presentation currency

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

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Business combination and basis of consolidation

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

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

(b) Subsidiaries

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

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

(c) Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies.

Associates are accounted for using the equity method whereby they are initially recognised at cost and thereafter, their carrying amount are adjusted for the Group's share of the post-acquisition change in the associates' net assets except that losses in excess of the Group's interest in the associate are not recognised unless there is an obligation to make good those losses.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Associates *(Continued)*

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate. Where unrealised losses provide evidence of impairment of the asset transferred they are recognised immediately in profit or loss.

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate. Where there is objective evidence that the investment in an associate has been impaired, the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

(d) Goodwill

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Plantation assets

Plantation assets comprise forest in the PRC.

Plantation assets are stated at fair value less costs to sell, with any resulting gain or loss recognised in profit or loss. Costs of disposal include all costs that would be necessary to sell the assets, excluding costs necessary to get the assets to market.

The fair value of plantation assets is determined independently by professional valuers.

(f) Property, plant and equipment

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

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

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

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

Buildings	Over the shorter of the term of the leases, or 20 years
Furniture, fixtures and equipment	10 – 20%
Motor vehicles	20 – $33\frac{1}{3}$%
Plant and machinery	10%
Leasehold improvement	50%

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

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

(g) Investment properties

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

(h) Leasing

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

The Group as lessor under operating leases

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

The Group as lessee under operating leases

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Intangible assets

(i) Acquired intangible assets

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

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

Patent	20 years
Timber concession and plantation licenses	Over the remaining terms of the licenses

(ii) Impairment

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

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

Intangible assets with finite lives are tested for impairment when there is an indication that an asset may be impaired.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) 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 reporting 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.

(k) Financial instruments

(i) Financial assets

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

Loans and receivables

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Financial instruments *(Continued)*

(i) Financial assets (Continued)

Available-for-sale financial assets

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

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

(ii) Impairment loss on financial assets

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

– significant financial difficulty of the debtor;

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Financial instruments *(Continued)*

(ii) ***Impairment loss on financial assets*** *(Continued)*

For loans and receivables

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

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

For Available-for-sale financial assets

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Financial instruments *(Continued)*

(iii) Financial liabilities

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

Financial liabilities at amortised cost

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

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

(iv) Convertible notes

Convertible notes issued by the Group that contain both the liability and conversion option components are classified separately into their respective items on initial recognition. Conversion option that 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 instruments is classified as an equity instrument.

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Financial instruments *(Continued)*

(iv) ***Convertible notes*** *(Continued)*

In subsequent periods, the liability component of the convertible notes is carried at amortised cost using the effective interest method. The equity component, represented by the option to convert the liability component into ordinary shares of the Company, will remain in convertible notes reserve until the embedded option is exercised (in which case the balance stated in convertible notes reserve will be transferred to share premium). Where the option remains unexercised at the expiry dates, the balance stated in convertible notes reserve will be released to the retained profits. No gain or loss is recognised upon conversion or expiration of the option.

(v) Effective interest method

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

(vi) Equity instruments

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

(vii) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contact at the higher of: (i) the amount determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 Revenue.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Financial instruments *(Continued)*

(viii) Derecognition

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

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

(l) Cash and cash equivalents

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

(m) Revenue recognition

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

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

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

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

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

Income from installation service is recognised based on the percentage of completion.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) Income tax

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) Foreign currency

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(p) Employee benefits

(i) Short term employee benefits

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

(ii) Defined contribution retirement plan

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

(iii) Termination benefits

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

(q) Impairment of other assets

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) Capitalisation of borrowing costs

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

(s) Government grants

Government grants are recognised when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

(t) Provisions and contingent liabilities

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(u) Related parties

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(u) Related parties *(Continued)*

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

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

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

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

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

(a) Impairment of loan receivables, trade and other debtors

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

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

(b) Carrying amount of investment in associates/available-for-sale financial asset

The major underlying assets of the associates/available-for-sale financial assets are plantation assets in the Philippines. The determination of fair value of plantation assets involves a number of variables, estimates and associated assumptions which are set out in Note 22.

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

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

(d) 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 it probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

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

(e) Fair value measurement

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

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

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

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

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

The Group measures a number of items at fair value:

- Investment property (note 20);
- Plantation assets held by an associate (note 22); and
- Available-for-sale financial asset (note 23);

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

6. SEGMENT REPORTING

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

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

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

(ii) the tree plantation operations segment involves the development, management and processing of agricultural lands and forest lands for the planting, cultivation and production of industrial and fruit bearing trees and other agricultural forest products in the Caraga region of Mindanao in the Philippines. The tree plantation business in the Philippines is carried out through an associate, further details of which are set out in Note 22. For the year ended 31 July 2014, these operations were considered a discontinued operation, further details of which are set out in Notes 16 and 22(b).

6. SEGMENT REPORTING *(Continued)*

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

(a) Operating segments

	Continuing operations		Discontinued operations							
	Property development		Tree plantation operations in Philippines		Environmental protection and forestry and logging operations in the PRC		Total		Total	
	2014 HK$'000	2013 HK$'000	**2014 HK$'000**	2013 HK$'000	**2014 HK$'000**	2013 HK$'000	**2014 HK$'000**	2013 HK$'000	**2014 HK$'000**	2013 HK$'000
Reportable segment revenue	**3,995**	4,141	**–**	–	**–**	33,038	**–**	33,038	**3,995**	37,179
Reportable segment profit/(loss)	**863**	29,684	**(760,988)**	(187,736)	**–**	(3,988)	**(760,988)**	(191,724)	**(760,125)**	(162,040)
Unallocated corporate income									**4**	7,627
Unallocated corporate expense									**(17,689)**	(6,413)
Fair value gains on investment properties	**2,793**	32,804	**–**	–	**–**	–	**–**	–	**2,793**	32,804
Impairment loss on goodwill	**–**	–	**–**	(842,618)	**–**	–	**–**	(842,618)	**–**	(842,618)
Impairment loss on amounts due from associates	**–**	–	**(46,802)**	–	**–**	–	**(46,802)**	–	**(46,802)**	–
(Impairment loss)/reversal of impairment loss on other receivables	**–**	414	**–**	(19)	**–**	–	**–**	(19)	**–**	395
Impairment loss on loan receivables	**–**	–	**–**	(11,963)	**–**	–	**–**	(11,963)	**–**	(11,963)
Amortisation of intangible assets	**–**	–	**–**	–	**–**	(1,690)	**–**	(1,690)	**–**	(1,690)
Depreciation of property, plant and equipment	**(2,088)**	(1,868)	**(136)**	(271)	**–**	(11)	**(136)**	(282)	**(2,224)**	(2,150)
Reportable segment assets	**218,788**	217,797	**–**	804,821	**–**	–	**–**	804,821	**218,788**	1,022,618
Additions to non-current assets	**180**	178	**–**	6	**–**	584	**–**	590	**180**	768
Reportable segment liabilities	**(32,327)**	(32,207)	**–**	(52,852)	**–**	–	**–**	(52,852)	**(32,327)**	(85,059)

6. SEGMENT REPORTING *(Continued)*

(b) Geographical information

The following table provides an analysis of the Group's revenue from external customers from continuing and discontinued operations and its non-current assets other than financial instruments, deferred tax assets and post-employment benefit assets ("specified non-current assets").

	Revenue from external customers		**Specified non-current assets**	
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
The People's Republic of China (the "PRC")	**3,995**	37,179	**174,064**	173,170
Hong Kong	**–**	–	**46**	219
Philippines	**–**	–	**–**	757,388
	3,995	37,179	**174,110**	930,777

(c) Information about a major customer

No single customer exceeded 10% of the Group's turnover arising from both property development or tree plantation operations during the current or prior year.

6. SEGMENT REPORTING *(Continued)*

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

	2014 HK$'000	2013 HK$'000 (Represented)
Loss before income tax and discontinued operations:		
Reportable segment loss	**(760,125)**	(162,040)
Segment loss from discontinued operations	**760,988**	191,724
Unallocated corporate income	**4**	7,627
Unallocated corporate expenses*	**(17,689)**	(6,413)
Finance costs	**(706)**	(31,755)
Consolidated loss before income tax from continuing operations	**(17,528)**	(857)

* *Legal and professional fees of HK$7,493,000 (2013: HK$2,526,000) are included in unallocated corporate expenses.*

6. SEGMENT REPORTING *(Continued)*

(d) Reconciliation of reportable segment profit, assets and liabilities *(Continued)*

	2014 HK$'000	2013 HK$'000 (Represented)
Assets:		
Reportable segment assets	**218,788**	1,022,618
Unallocated corporate assets		
Bank balance and cash	**44,522**	2,707
Other corporate assets	**14,628**	13,365
	59,150	16,072
Consolidated total assets	**277,938**	1,038,690
Liabilities:		
Reportable segment liabilities	**32,327**	85,059
Unallocated corporate liabilities		
Loan from shareholders	**52,608**	3,000
Other corporate liabilities	**4,637**	9,382
	57,245	12,382
Deferred tax liabilities	**22,777**	21,604
Consolidated total liabilities	**112,349**	119,045

7. TURNOVER

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

7. TURNOVER *(Continued)*

Turnover from discontinued operations represents the sales of chemical agents and petroleum chemical products and the service income from the provision of technical and installation services.

	2014	2013
	HK$'000	*HK$'000*
Continuing operations:		
Sales of properties in the PRC	**–**	378
Rental income	**2,255**	2,092
Management fee income	**1,740**	1,671
	3,995	4,141
Discontinued operations:		
Sales of chemical agents and petroleum chemical products	**–**	33,038

8. OTHER REVENUE AND OTHER GAIN

	2014	2013
	HK$'000	*HK$'000*
Continuing operations:		
Other revenue:		
Interest income	**19**	1
Sundry income	**2**	7,643
	21	7,644
Other gain:		
Exchange gain, net	**4**	–
	25	7,644
Discontinued operations:		
Sundry income	**–**	149

9. LOSS BEFORE INCOME TAX

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

	2014 HK$'000	2013 HK$'000 (Represented)
Continuing operations:		
Cost of sales and services recognised as expenses	2,867	2,771
Staff costs *(Note 10)*	4,942	3,992
Depreciation of property, plant and equipment*	2,131	1,868
Operating lease rentals in respect of land and buildings	709	–
Auditors' remuneration	935	1,235
Compensation to a former director *(Note 47(d))*	1,788	–
Exchange (gain)/loss, net	(4)	69
Impairment loss/(reversal of impairment loss) on other receivables	273	(414)
Loss on disposal of property, plant and equipment	–	34
Discontinued operations:		
Cost of sales and services recognised as expenses	–	31,104
Staff costs *(Note 10)*	2,259	6,107
Depreciation of property, plant and equipment	137	282
Operating lease rentals in respect of land and buildings	657	1,371
Impairment loss on other receivables	–	19
Amortisation of intangible assets (included in administrative expenses) *(Note 24)*	–	1,690

* *Cost of sales and services includes HK$1,907,000 (2013: HK$1,868,000) relating to depreciation of property, plant and equipment.*

10. STAFF COSTS

	2014	2013
	HK$'000	*HK$'000*
		(Represented)
Continuing operations:		
Staff costs (including directors' emoluments) comprise:		
Salaries and other benefits	**4,636**	3,805
Contributions to defined contribution retirement plans	**306**	187
	4,942	3,992
Discontinued operations:		
Staff costs (including directors' emoluments) comprise:		
Salaries and other benefits	**2,223**	6,039
Contributions to defined contribution retirement plans	**36**	68
	2,259	6,107

11. DIRECTORS' EMOLUMENTS

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

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

11. DIRECTORS' EMOLUMENTS *(Continued)*

	Fees *HK$'000*	Salaries and other benefits *HK$'000*	Contributions to defined contribution plans *HK$'000*	Total *HK$'000*
2013:				
Executive directors:				
Mr. CT Tan	–	2,128	–	2,128
Mr. Yu Hong (resigned on 1 March 2013)	–	229	1	230
Mr. Li Bin (resigned on 15 April 2013)	–	138	1	139
Mr. Shannon Tan Siang-Tau	–	480	–	480
Mr. Lau Kwan	445	–	1	446
Mr. Shen Xia	445	–	1	446
Mr. Leung Wai Shun Wilson (re-designated as executive director on 20 June 2013)	93	125	3	221
Ms. Juanita Dimla De Guzman	–	–	–	–
Mr. Alberto Alducente Encomienda (resigned on 6 August 2012)	–	–	–	–
Mr. Anastacia JR Agustin (resigned on 6 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. Sai Chun Yu	112	–	–	112
Mr. Wen Jian Sheng	79	–	–	79
Mr. Zhang Xi Chu (resigned on 15 March 2013)	43	–	–	43
	1,217	3,100	7	4,324

None of the directors waived or agreed to waive any emolument during the year ended 31 July 2014 and 2013.

12. FIVE HIGHEST PAID INDIVIDUALS

Of the five individuals with highest emoluments in the Group, two (2013: two) were directors of the Company, whose emoluments are included in the disclosures in Note 11 above. The emoluments of the remaining three (2013: three) individuals were as follows:

	2014 **HK$'000**	2013 HK$'000
Salaries and other benefits	**2,215**	2,715
Contributions to defined contribution plans	**47**	38
	2,262	2,753

Their emoluments were within the following bands:

	2014 **Number of individuals**	2013 Number of individuals
Nil to HK$1,000,000	**3**	2
HK$1,500,001 and HK$2,000,000	**–**	1
	3	3

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

	2014 **Number of individuals**	2013 Number of individuals
Nil to HK$1,000,000	**16**	13
HK$1,000,001 and HK$1,500,000	**1**	–
HK$2,000,001 and HK$2,500,000	**–**	1
	17	14

13. FINANCE COSTS

	2014 HK$'000	2013 HK$'000
Continuing operations:		
Interest expenses on loans from shareholders	**706**	628
Imputed interest expenses on convertible notes *(Note 33(a) & (b))*	**–**	2,434
Imputed interest expenses on promissory notes *(Note 34)*	**–**	27,520
Interest expenses on loans from former shareholders	**–**	637
Interest expenses on other loans	**–**	536
	706	31,755

14. INCOME TAX

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

	2014 HK$'000	2013 HK$'000
Continuing operations:		
Deferred tax *(Note 35)*		
– current year	**1,173**	10,624
– under provision in prior years	**–**	10,570
Income tax	**1,173**	21,194

No provision for Hong Kong Profits Tax was made for the years ended 31 July 2014 and 2013 as the Company and its respective subsidiaries in Hong Kong incurred tax losses for both years.

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

14. INCOME TAX *(Continued)*

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

	2014 **HK$'000**	2013 HK$'000 (Represented)
Loss before income tax from continuing operations	**(17,528)**	(857)
Loss before income tax from discontinued operations	**(760,988)**	(1,005,428)
Loss before income tax (including continuing and discontinued operations)	**(778,516)**	(1,006,285)
Tax credit calculated at Hong Kong Profits Tax rate of 16.5% (2013: 16.5%)	**(128,455)**	(166,037)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(162)**	(816)
Tax effect of expenses not deductible for tax purpose	**133,399**	180,325
Tax effect of income not taxable for tax purpose	**(5,763)**	(6,122)
Tax effect of tax losses not recognised	**2,095**	3,655
Tax effect of other deductible temporary differences not recognised	**59**	(381)
Under-provision in prior years	**–**	10,570
Income tax for the year	**1,173**	21,194
Attributable to:		
Continuing operations	**1,173**	21,194
Discontinued operations *(Note 16)*	**–**	–
	1,173	21,194

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

Loss for the year attributable to owners of the Company is approximately HK$779,689,000 (2013: HK$1,027,479,000) of which HK$772,172,000 (2013: HK$702,854,000) has been dealt with in the financial statements of the Company.

16. DISCONTINUED OPERATIONS

i. Tree plantations operation in the Philippines

As explained in note 22 (b) & (c), the Company has written down its interest in associates to nil during the year and reclassified this investment as an Available-for-sale financial asset ("AFS") due to the breakdown in relationship with the associates' management team and some adverse rulings/consequences arising from actions taken by the Philippine Congress and Philippine regulators. In addition, as set out in note 22(d), the Directors have considered what additional issues and consideration need to be taken/allowed for in order to make the tree plantation operation economically viable.

Based on this assessment, the Directors consider this business has no future economic value and has ceased devoting any further time and resources to it. The fair value of the AFS at the date it was reclassified and as at 31 July 2014 was considered to be nil. As mentioned in note 22(b), the Company has lost all contact with the associates and in March 2014 discovered that the associates' office was empty and all its staff, documents and books and records could not be located. The team in Hong Kong which was dedicated to look after this project has been since reassigned to other projects.

Accordingly the Directors consider this business to have been 'abandoned' as defined under HKFRS 5 'Non-current Assets held for Sale and Discontinued Operations', and have treated the results of the Philippine tree plantation operations as a discontinued operation for the year ended 31 July 2014. The comparative figures for the previous year have been represented accordingly.

ii. Environmental protection and forestry and logging operations in the PRC

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 and forestry and logging operations in the PRC, Bestco Worldwide Investment Limited and its subsidiaries ("Bestco group"). The disposal of the environmental protection and forestry and logging operations in the PRC is consistent with the Group's long-term policy to focus its activities on the property development and tree plantation operations. The disposal was completed on 15 January 2013, the date on which the control of Bestco Group was passed to the acquirer. There were no transactions or losses related to these operations in the current year.

16. DISCONTINUED OPERATIONS *(Continued)*

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

	2014	2013		
	Tree plantation operations in the Philippines	Tree plantation operations in the Philippines	Environmental protection and forestry and logging operations in the PRC	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	**–**	–	33,038	33,038
Cost of sales	**–**	–	(31,104)	(31,104)
Gross profit	**–**	–	1,934	1,934
Other revenue	**–**	–	149	149
Amortisation of intangible assets	**–**	–	(1,690)	(1,690)
Impairment loss on loan receivables *(Note 27)*	**–**	(11,963)	–	(11,963)
Impairment loss on other receivables	**–**	(19)	–	(19)
Impairment loss on goodwill *(Note 21)*	**–**	(842,618)	–	(842,618)
Impairment loss on amount due from associates *(Note 22)*	**(46,802)**	–	–	–
Administrative expenses	**(3,931)**	(8,955)	(4,381)	(13,336)
Share of results of associates *(Note 22)*	**(749,493)**	(166,799)	–	(166,799)
Loss before income tax	**(800,226)**	(1,030,354)	(3,988)	(1,034,342)
Income tax *(Note 14)*	**–**	–	–	–
	(800,226)	(1,030,354)	(3,988)	(1,034,342)
Gain on disposal of subsidiaries *(Note 42)*	**–**	–	28,914	28,914
Recognition of accumulated exchange reserve in profit or loss arising from deemed disposal of associates *(Note 22(d))*	**39,238**	–	–	–
(Loss)/profit for the year from discontinued operations	**(760,988)**	(1,030,354)	24,926	(1,005,428)
Operating cash outflows	**(6,849)**	(10,901)		
Investing cash outflows	**(624)**	(2,528)		
Financing cash outflows	**–**	–		
Total cash (outflows)/inflows	**(7,473)**	(13,429)	1,164	(12,265)

16. DISCONTINUED OPERATIONS *(Continued)*

A gain of HK$28,914,000 arose on the disposal of Bestco Group, being the proceeds of disposal less the carrying amount of Bestco Group's net assets. No tax charge or credit arose from the disposal.

17. LOSS PER SHARE

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

From continuing and discontinued operations

	2014	2013
	HK$'000	*HK$'000*
		(Represented)
Loss		
Loss attributable to owners of the Company for the purposes of basic and diluted loss per share:		
From continuing operations	**(18,701)**	(22,051)
From discontinued operations	**(760,988)**	(1,005,428)
	(779,689)	(1,027,479)

	2014	2013
Number of shares		
Weighted average number of ordinary shares and convertible preference shares after taking into account the effect of the share consolidation for the purposes of basic and diluted loss per share	**1,224,659,491**	928,157,686

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

17. LOSS PER SHARE *(Continued)*

Diluted loss per share for the year ended 31 July 2013 was the same as the basic loss per share as the effects of the Company's outstanding convertible notes during the year ended 31 July 2013 were anti-dilutive.

During the year ended 31 July 2014, there were no instruments with potential dilutive shares issued by the Group. Therefore, the basic and diluted loss per share are the same for the year ended 31 July 2014.

18. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold improvements	Furniture, fixtures and equipment	Motor vehicles	Plant and Machinery	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost					
At 1 August 2012	9,706	6,250	13,440	1,097	30,493
Exchange adjustments	275	–	–	–	275
Additions	179	5	–	–	184
Disposals	–	(3,681)	(274)	–	(3,955)
Disposal of subsidiaries *(Note 42)*	(100)	(1,665)	(12,289)	(1,097)	(15,151)
At 31 July 2013 and 1 August 2013	10,060	909	877	–	11,846
Exchange adjustments	9	–	–	–	9
Additions	–	9	180	–	189
Written off	–	–	(267)	–	(267)
At 31 July 2014	10,069	918	790	–	11,777

18. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Group *(Continued)*

	Leasehold improvements	Furniture, fixtures and equipment	Motor vehicles	Plant and Machinery	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Accumulated depreciation and impairment					
At 1 August 2012	1,524	6,106	7,978	1,097	16,705
Exchange adjustments	114	–	–	–	114
Depreciation	2,119	31	–	–	2,150
Eliminated on disposals	–	(3,647)	(274)	–	(3,921)
Disposal of subsidiaries *(Note 42)*	(99)	(1,640)	(6,827)	(1,097)	(9,663)
At 31 July 2013 and 1 August 2013	3,658	850	877	–	5,385
Exchange adjustments	2	–	–	–	2
Depreciation	2,066	22	180	–	2,268
Written off	–	–	(267)	–	(267)
At 31 July 2014	5,726	872	790	–	7,388
Net book value					
At 31 July 2014	**4,343**	**46**	**–**	**–**	**4,389**
At 31 July 2013	6,402	59	–	–	6,461

19. PLANTATION ASSETS

Group

	2013
	HK$'000
At 1 August 2012	41,929
Plantation expenditure incurred	584
Exchange alignment	103
Disposal of subsidiaries *(Note 42)*	(42,616)
At 31 July 2013 and 2014	–

During the prior year, the plantation assets in the PRC were derecognised upon disposal of Bestco group. Details of the disposal are disclosed in Note 42.

20. INVESTMENT PROPERTIES

Group

	2014	2013
	HK$'000	*HK$'000*
Fair value:		
Completed investment properties, in the PRC	**96,105**	92,877
Investment properties under construction, in the PRC	**73,616**	74,051
	169,721	166,928

20. INVESTMENT PROPERTIES *(Continued)*

Group

	2014	2013
	HK$'000	*HK$'000*
Fair value:		
At beginning of year	**166,928**	134,124
Fair value gain	**2,793**	32,804
At end of year	**169,721**	166,928

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

The Group's investment properties were revalued on 31 July 2014 by Peak Vision Appraisals Limited, an independent qualified professional valuer, on an open market, existing use basis.

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

Fair values as at 31 July 2014 are determined using direct comparison approach, investment method and residual site method as appropriate. Fair values determined by direct comparison approach are based on recent market information about prices for comparable properties with significant adjustments for any differences in the characteristics of the Group's properties. Fair value determined using investment method takes account of the current passing rent and the reversionary income potential of the investment property where applicable. Fair value determined by residual site method is based on the market value of completed development of the land minus the costs and profit of development.

20. INVESTMENT PROPERTIES *(Continued)*

Details about the valuation inputs are as follows:

Property	Location	Level	Valuation technique	Unobservable inputs	Relationship of unobservable inputs to fair value
Property held for further development	The PRC	3	Residual site method	Estimated gross development value: RMB5,176 per square meter	The higher the estimated gross development value, the higher the fair value
				Estimated outstanding construction cost: RMB2,303 per square meter	The higher the estimated outstanding construction cost, the lower the fair value
				Developer's profit ratio: 25%	The higher the developer's profit ratio, the lower the fair value
				Period to completion: 1.75 years	The longer the period to completion, the lower the fair value
				Discount Rate: 10%	The higher the discount rate, the lower the fair value

20. INVESTMENT PROPERTIES *(Continued)*

Property	Location	Level	Valuation technique	Unobservable inputs	Relationship of unobservable inputs to fair value
Retail shops – level 1	The PRC	3	Investment method	Market rent per month: RMB34 to RMB45 per square meter	The higher the market rent, the higher the fair value
				Term yield: 5.25% per annum	The higher the term yield, the lower the fair value
				Reversionary yield: 5.50% per annum	The higher the reversionary yield, the lower the fair value
Retail shops – level 2	The PRC	3	Investment method	Market rent per month: RMB12 per square meter	The higher the market rent, the higher the fair value
				Term yield: 8.50% per annum	The higher the term yield, the lower the fair value
				Reversionary yield: 9.00% per annum	The higher the reversionary yield, the lower the fair value
Car park space	The PRC	3	Direct comparison approach	Estimated market price per car park space: RMB100,000	The higher the market price, the higher the fair value

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

	2014 **HK$'000**	2013 *HK$'000*
Land in the PRC:		
– Long-term lease	**169,721**	166,928

20. INVESTMENT PROPERTIES *(Continued)*

Property rental income earned during the year was HK$2,255,000 (2013: HK$2,092,000) and the related direct operating expenses were approximately HK$960,000 (2013: HK$1,047,000). The property held had committed tenants for 1 to 2 years. At the end of reporting period, the Group contracted with tenants for the following future minimum lease receivables:

	2014	2013
	HK$'000	*HK$'000*
Within one year	**2,266**	2,205
In the second to fifth year inclusive	**1,896**	3,848
	4,162	6,053

21. GOODWILL

Group

	2014	2013
	HK$'000	*HK$'000*
Cost		
At beginning of year	**842,618**	1,558,486
Derecognised on disposal of subsidiaries	**–**	(715,868)
At end of year	**842,618**	842,618
Accumulated impairment losses		
At beginning of year	**842,618**	715,868
Impairment loss recognised	**–**	842,618
Derecognised on disposal of subsidiaries	**–**	(715,868)
At end of year	**842,618**	842,618
Carrying amount:		
At end of year	**–**	–

21. GOODWILL *(Continued)*

Impairment testing on goodwill

For the purpose of impairment testing, goodwill is allocated to the cash generating units ("CGU") identified as follows:

	2014	2013
	HK$'000	*HK$'000*
Tree plantation operations in the Philippines	–	842,618

Tree plantation operations

At 31 July 2013, the recoverable amounts of the CGU had been determined from value in use calculations based on cash flow projections from approved budgets covering a five-year period. Cash flow beyond the five-year period were extrapolated using an estimated growth rate of 0%, which was projected long-term average growth rate for the tree resources until the expiry date of corresponding licences.

	2013
Discount rate	27.41%
Growth rate within the five-year period	0%

At 31 July 2013, the management took a conservative approach and assumed a zero growth rate since the valuation exercise could not be completed because of political issue. Satellite image was not available for supporting because of unstable weather condition in the Philippines. Therefore, a prudent valuation was taken that the management, as agreed by the tree valuation expert, did not take the natural growth rate into account and assumed growth rate as zero.

The key assumptions used in the value in use calculations for the tree plantation operations:

Budgeted sales and gross margins	Average sales and gross margins planned to achieve, which was consistent with management plan and market reference for operations in the industry.

21. GOODWILL *(Continued)*

Tree plantation operations *(Continued)*

At 31 July 2013, the discount rate used was post-tax and reflected specific risks relating to the relevant CGU. Please refer to Note 22 for details of specific risk relating to the tree plantation operations.

As a result of the risks and uncertainties highlighted in Note 22, the goodwill generated from the acquisition of the Philippine tree plantation business (held via an associate) in 2010 suffered a significant impairment of HK$842,618,000 for the year ended 31 July 2013. The goodwill was fully impaired as at 31 July 2013 and 2014.

22. INTERESTS IN ASSOCIATES

Group

	6/1/2014 *HK$'000*	31/7/2013 *HK$'000*
Unlisted shares, at cost	**1,154,359**	1,154,359
Share of post-acquisition loss	**(1,193,597)**	(444,104)
Share of changes in other comprehensive income	**39,238**	47,133
	–	757,388
Reclassified to available-for-sale financial asset *(Note 22 (b) & (d) and Note 23)*	**–**	–
	–	757,388
Amounts due from associates	**46,802**	46,178
Less: Allowance for impairment loss *(Note 16)*	**(46,802)**	–
	–	46,178

22. INTERESTS IN ASSOCIATES *(Continued)*

The amounts due from Associates are unsecured, interest-free and were for the purpose of deposits for future subscriptions for share capital. At 6 January 2014, the amounts due from associates were considered not recoverable and were fully impaired in the current year for the reasons set out below in Notes 22 (b) & (c).

Details of the associates before their de-recognition at 6 January 2014 and for the prior year are set out in the table below. Background details of the associates' main business of tree plantation business in the Philippines, key management and their organisational structure are set out in the Very Substantial Acquisition Circular ("VSA Circular") issued on 30 June 2010.

Name	Form of business structure	Place of incorporation	Place of operation and principal activity	Percentage of direct voting rights held by the Group
Alverna Dynamic Developments Inc* ("Alverna")	Corporation	Philippines	Investment holding in Philippines	40%
Shannalyne Inc. ("Shannalyne" or "Associate")	Corporation	Philippines	Tree plantation operations in Philippines	40%
2010 Duran Inc.	Corporation	Philippines	Tree plantation operations in Philippines	40%
Morton 2011 Inc.	Corporation	Philippines	Dormant	40%

* Alverna holds 60% direct equity interest in Shannalyne.

22. INTERESTS IN ASSOCIATES *(Continued)*

The summarised financial information in respect of the Group's associates is set out below:

	2014 **HK$'000**	2013 HK$'000
Current assets		364
Non-current assets		1,737,687
Total assets		1,738,051
Current liabilities		56,587
Non-current liabilities		498,157
Total liabilities		554,744
Included in the above amounts are:		
Plantation assets *(Note (a))*		1,737,380
Forestry concession rights *(Note (e))*		–
Cash and cash equivalent		229,840
Deferred tax liabilities		498,157
Total revenue for the period to 6 January 2014/ year	**–**	–
Total loss for the period to 6 January 2014/ year	**(1,226,375)**	(261,072)
Other comprehensive income for the period to 6 January 2014/ year	**(12,280)**	(32,103)
Included in the above amounts are:		
Depreciation and amortisation	**3**	650
Interest income	**–**	–
Interest expense	**–**	–
Income tax expense/(income)	**–**	–
Group's share of loss of associates for the period to 6 January 2014/ year *(Notes (b) and (c))*	**(749,493)**	(166,799)
Group's share of other comprehensive income of associates period to 6 January 2014/ year	**(7,895)**	(20,497)

22. INTERESTS IN ASSOCIATES *(Continued)*

(a) Determination of fair value of plantation assets at 31 July 2013

(i) Valuation basis

Plantation assets comprise forest crop covered by the forest concession areas held by Shannalyne Inc. (or "Associate"), an associate of the Group in the Caraga region of Mindanao, the Philippines. The total gross area of standing timber acquired, planted and managed by the Associate covers an area of approximately 223,124 hectares. Of this, forest area with expected harvest value is approximately 125,381 hectares, representing around 56.22% of the Associate's total forest land area. Plantation assets are measured at fair value less costs to sell, with any change therein recognised in the Associate's profit or loss. Costs to sell include all costs that would be necessary to sell the assets. Standing timber, if any, is transferred to inventory at its fair value less estimated costs to sell at the date of harvest.

The fair value of plantation assets at 31 July 2013 was determined by the Associate with the assistance of BMI Appraisals Limited ("BMI Appraisals"), an independent professional valuer, which has assisted the Associate to value its plantation assets and forest concession rights since the Group acquired its interest in the Associate in 2010. BMI Appraisals has over 6 years experience in valuing similar assets or companies engaged in similar activities as those of the Associate worldwide.

For the purposes of determining the fair value of plantation assets at 31 July 2013, the Associate used the net present value approach which requires a number of key assumptions and estimates. Management of the Associate reviews these assumptions and estimates periodically to identify any significant change in fair values. For 2013, in view of the non-availability of market value for trees in the Philippines, the Associate and BMI Appraisals had applied the net present value approach by projecting future net cash flows based on its assessment of current sawn timber prices. These were discounted at the rate of 27.41% for plantation assets for 2013 and applied to post-tax cash flows to provide a current market value of the plantation assets.

22. INTERESTS IN ASSOCIATES *(Continued)*

(a) Determination of fair value of plantation assets at 31 July 2013 *(Continued)*

(i) ***Valuation basis*** *(Continued)*

Other critical aspects of the valuation exercise, as well as key changes in assumptions and metrics adopted in 2013 are set out below.

(ii) ***Movement in plantation assets for the 2013***

	HK$'000
At 1 August 2012	2,155,084
Additions	726
Loss arising from changes in fair values less costs to sell	(418,844)
Exchange adjustment	414
At 31 July 2013	1,737,380

The additions represent the value of tree saplings planted during 2013.

The loss in fair value less costs to sell for 2013 represents the aggregate of the difference between the value of the existing plantation assets as of the beginning and end of the year. As far as the Company is aware, the Associate did not legally harvest any forest crop during 2013 (nor up to the date of this announcement).

(iii) ***Impact of Executive Order 23 ("EO23") and Memorandum of Agreement ("MoA") for the year ended 31 July 2013***

On 1 February 2011, the Philippine President issued Executive Order 23. This order effectively meant a moratorium on the cutting and harvesting of timber in natural and residual forests in the Philippines, as well as creating an anti-illegal logging task force. On 27 March 2011, the Associate obtained a legal opinion on the impact of EO23. According to the said legal opinion, the Associate can claim exemption from and/or challenge EO23.

22. INTERESTS IN ASSOCIATES *(Continued)*

(a) Determination of fair value of plantation assets at 31 July 2013 *(Continued)*

(iii) Impact of Executive Order 23 ("EO23") and Memorandum of Agreement ("MoA") for the year ended 31 July 2013 (Continued)

In order to have more options to choose from, politically and operationally, the management of the Associate also held discussions with the Philippine Department of Environmental & Natural Resources ("DENR") to ask for some concessions and/or waivers from EO23, as the potential impact of EO23 could significantly reduce the value of the Group's Philippine tree plantation operations. The outcome of these discussions was the signing of a Memorandum of Agreement ("MoA") dated 17 November 2011 between the Associate and DENR.

Under the MoA, the Associate is allowed to continue its tree plantation operations but with two major limitations (i) the Associate may only receive up to 60% of the cleared materials in areas which are delineated for the establishment of tree plantation and (ii) tree plantation can be established only on forests land classified as open land and degraded forest land. Several board members of the Group were unofficially informed of the MoA in June 2013.

Subsequently, a further Memorandum ("Memorandum") was issued by DENR on 3 June 2013, for which the Board became aware of in late September 2013. Under this Memorandum, the Group's then Chairman, Mr. CT Tan was of the view that the EO23 (and consequently the MoA) was not applicable to the Associate. In essence under the Memorandum, the Associate would revert to the same position before EO23 was issued. Mr. CT Tan was also a consultant to the Associate, as he is an expert in tree plantation operations and has many years of experience in this field in the Philippines.

However, in order to seek additional comfort in view of the significance of this matter, a second legal opinion was sought. This second opinion had a different result and essentially opined that the EO23 and MoA were of full force and effect.

22. INTERESTS IN ASSOCIATES *(Continued)*

(a) Determination of fair value of plantation assets at 31 July 2013 *(Continued)*

(iii) Impact of Executive Order 23 ("EO23") and Memorandum of Agreement ("MoA") for the year ended 31 July 2013 (Continued)

In view of these quite conflicting legal opinions, the Board decided to take a conservative view and assume that EO23 and MoA were effective for the purposes of the valuation of the Associate's plantation assets and forest concession rights for the year ended 31 July 2013. In the meantime the Board had taken steps to look further into this issue and sought a direct meeting with DENR to clarify this matter, although ultimately no such meeting was arranged. Further details of this matter were set out in the Company's announcement dated 18 October 2013.

(iv) Change in business model in 2013 from that used in 2012

Owing to the potential restrictions on the development of its tree plantation business noted in Note 22(a)(iii) above, and the resulting potential significant adverse effect on its business, management decided to change its business model from selling trees in unprocessed log form to sawn timber. The former does not require any further processing and requires the Associate to essentially sell the timber in its raw log form once it has been harvested. In the new business model, the Associate is required to process the cut trees into sawn timber. The benefit of doing so is a significantly better selling price.

Since there is no transparent active market in Philippines due to the cessation in tree plantation business as discussed in Note 22(a)(iii) above, management made reference to the international tropical timber market report to support the assumption of the selling price. By comparison, under the old business model, the Associate assumed it would only sell unprocessed logs to the subcontractor at a lower price under an offtake agreement.

22. INTERESTS IN ASSOCIATES *(Continued)*

(a) Determination of fair value of plantation assets at 31 July 2013 *(Continued)*

(iv) Change in business model in 2013 from that used in 2012 (Continued)

Under this new business model, management assumed the processing and harvesting of these logs would be subcontracted out to an independent third party. Management have estimated the additional cost of cutting these logs and converting them to sawn timber by referencing to a research report on sawmilling from external sources. Due to the lack of an active market in Philippines, management has not been able to secure any actual contract or fee quotation by an independent subcontractor. Under this plan, little or no capital expenditure is expected as all the capital/heavy equipment is meant to be provided by the subcontractor as part of the price they charge per cubic meter.

After the completion of tree plantation establishment on open land and degraded forest land, management had intended carrying on the land clearing and tree plantation business progressively, as was planned under the original business model.

(v) Meaning and allowance for "degraded forest area"

As explained in Note 22(a)(iii) above, the Associate is restricted to cutting and harvesting of timber in degraded forest areas and open land only under the MoA.

According to the Comprehensive Development Management Plans ("CDMP"), which was prepared by Shannalyne Inc. and approved by DENR, the forest is classified into three types of lands: 1) Scrub/open land 2) degraded area and 3) Steep land and protection forest. As defined in the CDMP, degraded forest area is an area of one hectare with less than 5 square meter of basal area of commercial tree species.

On the other hand, according to the VSA Circular dated 30 June 2010, the forest land available for harvesting and plantation is approximately 125,000 hectares. Since the harvesting of trees in steep land and protection forest is prohibited in accordance with CDMP, the remaining types of forest lands available for harvesting and plantation can only be the Scrub/open land and degraded area.

22. INTERESTS IN ASSOCIATES *(Continued)*

(a) Determination of fair value of plantation assets at 31 July 2013 *(Continued)*

(v) Meaning and allowance for "degraded forest area" (Continued)

Although the term "degraded forest area" mentioned in the MoA has not been explicitly referred to in the VSA Circular, the management can reasonably infer that the "degraded forest area" in the MoA allowing for land clearing effectively means the term "harvesting and plantation area" used in the VSA Circular of 125,000 hectares.

(vi) Discount rate

The Weighted Average Cost of Capital was adopted as the discount rate. In 2013 BMI Appraisal estimated this discount rate to be 27.41%.

(vii) On-site inspection and other issues experienced during valuation exercise for 2013

As mentioned in the Company's announcement of 19 September 2013, during the week of 9 September 2013, the Company had arranged for BMI Appraisals to conduct the 2013 year end valuation of the plantation assets and forestry concession rights, which was also attended by the Group's auditor, BDO Limited. Unfortunately on the second day of this site visit, the valuation exercise had to be stopped owing to a significant escalation in the conflict between the Philippine Government forces and various militant anti-government factions in the island of Mindanao.

The best known of these factions include the Moro National Liberation Front ("MNLF"), New People's Army ("NPA") and the Moro Islamic Liberation Front ("MILF"). There has been much local and international media coverage of this conflict in the Philippines. Much of the media focus was on Zambonga City, which is a city south west of Butuan, and where most of the casualties were reported. However, local law enforcement officers have indicated to management that the Group's forest areas have been used by these militant factions as a means of traversing from one area of Mindanao to another and was not safe to travel. The conflict has unfortunately had some direct impact on the Group, with militants torching some heavy equipment belonging to the Group including several bulldozers and pay loaders in June 2013. Local media report that up to five people related to a paramilitary group were killed/executed in the Group's forest areas also in June 2013.

22. INTERESTS IN ASSOCIATES *(Continued)*

(a) Determination of fair value of plantation assets at 31 July 2013 *(Continued)*

(vii) On-site inspection and other issues experienced during valuation exercise for 2013 (Continued)

As a result of the above, the valuation exercise for 2013 could not be completed and only very limited data was obtained. For the purposes of the 2013 valuation exercise, BMI Appraisals were therefore forced to use data they previously obtained in their first full valuation in June 2010 as part of the VSA Circular exercise.

In addition, due to persistent bad weather and/or heavy cloud cover over the associate's forest areas in Mindanao, Philippines in mid to late 2013, BMI Appraisals were unable to obtain a clear updated satellite image for the forests in 2013 for the purposes of the 2013 year end valuation exercise. They accordingly had to use the satellite image taken in June 2010 for the purposes of the 2013 year end valuation exercise.

No further onsite inspection visits for valuation purposes have been arranged by the Associate since the last aborted attempt in September 2013.

In addition to the above, the Associate is exposed to a number of risks related to its tree plantation assets:

Regulatory and environmental risks

The Associate is subject to environmental laws and regulations in Philippines in which it operates. The Associate has established environmental policies and procedures aimed at compliance with local environmental and other laws. The management of the Associate performs regular reviews to identify environmental risks and to ensure that the systems in place are adequate to manage those risks.

22. INTERESTS IN ASSOCIATES *(Continued)*

(a) Determination of fair value of plantation assets at 31 July 2013 *(Continued)*

(vii) On-site inspection and other issues experienced during valuation exercise for 2013 (Continued)

Supply and demand risk

The Associate is exposed to risks arising from fluctuations in the price and sales volume of wood. When possible the management of the associate manages this risk by aligning its harvest volume to market supply and demand. The management of the Associate performs regular industry trend analyses to ensure that the Associate's pricing structure is in line with the market and to ensure that projected harvest volumes are consistent with the expected demand when the domestic market becomes active.

Climate and other risks

The Associate's plantation assets are exposed to the risk of damage from climatic changes, diseases, forest fires and other natural forces. The Associate has extensive processes in place aimed at monitoring and mitigating those risks, including regular forest health inspections and industry pest and disease surveys. The Associate also insures itself against natural disasters such as floods and hurricanes.

Political and social risks

The Associate's plantation assets and its forestry business are exposed to policy changes as a result of political unforeseen reasons and instability in the political and social environment in Philippines. The Associate management mitigates this risk by meeting with government officials and relevant stakeholders regularly to manage their expectations.

22. INTERESTS IN ASSOCIATES *(Continued)*

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

As notified to shareholders in the Company's announcement dated 13th January 2014, the Company's Chairman and executive director, Mr. CT Tan and his son and fellow executive director, Mr. Shannon Tan Siang-Tau were not re-elected as directors to the Board at the Company's AGM held on 6 January 2014. In addition, another executive director of the Board, Ms Juanita De Guzman resigned with effect from the same date to pursue other personal business. Ms De Guzman is a Philippine national and is the controlling shareholder of Alverna, further details of which are set out in the VSA Circular.

The Company had stopped all funding to the Associate as of November 2013 since the potential cancellation of the CPA first became known to the Company. After the non re-election of Mr. CT Tan and his son and the resignation of Ms. De Guzman from the Board in early January 2014, the relationship with the Associate management team (which included Mr. CT Tan and Ms. De Guzman) deteriorated. Since then the Company has been unable to obtain any information, documents or financial accounts from the associates and lost contact altogether with the associates' management team based in Manila. The Company has tried to convene a board meeting of the associates on a number of occasions but with no success. In March 2014 the Company sent its Philippines lawyers in Manila to find out what was happening but found the associates' office was empty and none of its staff, documents, books and records could be located.

In light of the above, the Directors are of the view that the Company has no significant influence over the associates as it has been unable to participate in the financial and operating policy decisions of the associates. The Directors also consider this position is unlikely to change in the near future. Accordingly, as of 6 January 2014 the Company has ceased equity accounting for its interests in the associates as required under HKAS 28 'Investment in Associates', and has reclassified its interest as an available-for-sale financial asset ("AFS"). After taking into account of the latest development, at the date the investment in associates was reclassified as an AFS, its carrying value (and fair value) was considered to be nil as further explained below in Note 22(d). No information regarding the (former) associates' assets and liabilities at 31 July 2014 has been provided above, as it had been reclassified as an AFS as of 6 January 2014.

22. INTERESTS IN ASSOCIATES *(Continued)*

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

After taking into account the reasons set out in Note 22(d), further legal advice on the recommendation by the Philippine Congress to cancel the Associates' CPA agreement, the meaning and effect of EO23, MoA and Memorandum of Agreement with Manobo tribal community ("Manobo MOA") (as further explained in Note 22(c)(i), (ii) & (iii) below), the Directors are of the view all of the plantation assets held by the Associates are fully impaired. Plantation assets makeup virtually all of the Associates' total assets and full impairment of these assets has reduced the financial position of the Associates to a net liability/capital deficiency position. Accordingly, the Directors consider The Company's share of Associates' loss for the period to 6 January 2014 to be HK$749,493,000, resulting in the carrying value of the Company's interest in Associates at 6 January 2014 to be reduced to nil. As part of this assessment, the amounts due from Associates of HK$46,802,000 at 6 January 2014 were also considered unrecoverable and have been fully impaired in the current year.

(i) Recommendation by Philippine Congress to cancel the Associates' CPA agreement

As further detailed in the VSA Circular, one of the associates, Shannalyne Inc (or "Associate") signed three agreements entitling it to carry out tree plantation business within a defined forest concession area in the Caraga region of Mindanao in the Philippines. The three agreements were the Co-Production Agreement, IFMA and Manobo MOA. In March 2005 the Co-Production Agreement and IFMA were amalgamated under one agreement, which hereafter is referred to as the CPA agreement. The total forest concession area covered by these agreements is approximately 223,124 hectares, of which approximately 125,381 hectares can be used for tree plantation business. The CPA agreement covers 86% of this total area.

22. INTERESTS IN ASSOCIATES *(Continued)*

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

(i) ***Recommendation by Philippine Congress to cancel the Associates' CPA agreement*** *(Continued)*

On 10 December 2013, the Philippine Congress ("Congress") recommended the cancellation of the Associate's CPA agreement based on various government reports which concluded there was poor performance in plantation establishment, that clearance work was carried out without the necessary permits, and violation of various laws and regulations set down by the Philippine Department of Environmental & Natural Resources ("DENR"). Further details of this development and background information of the above agreements are set out in the Company's announcements of 19 December 2013 and 19 February 2014 and the VSA Circular.

Based on legal advice obtained by the Company, Congress has made its recommendation based on due process as evidenced by two government agency reports showing poor performance and non-compliance by the Associate of various laws and contracts signed with DENR. The reports also indicated the Associate was given ample opportunity to rectify these matters and/or to rebut the allegations made in the said reports. Although Congress has the power to enact laws, it is the Philippine President who has the power to execute laws enacted by Congress.

Up to the present date, as per the latest legal opinion, the cancellation has not been executed but there is no concrete evidence to suppose the Philippine President will not carry out/execute the recommendations made by Congress. As such, the legal advice obtained by the Company is that it would be correct to assume the CPA will be cancelled in the near future.

As regards compensation, the legal advice obtained by the Company is that the Associate cannot claim any form of damages or compensation from the Philippine government. The Company's latest legal opinion arrived at this conclusion based on the numerous violations of the terms and conditions of the CPA by the Associate cited in the reports by the Philippine regulators and the failure to rectify these violations and/or rebut these allegations. In fact Congress also recommended the government proceed to file charges against the Associate where possible/appropriate, although to date the Directors are not aware such charges have been filed.

22. INTERESTS IN ASSOCIATES *(Continued)*

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

(ii) Updated legal advice on meaning and effect of Executive Order 23 ("EO23") and Memorandum of Agreement ("MoA")

Given the uncertainty over the effect EO23 and the MoA had on the Associate's operations as explained in Note 22(a)(iii), the Company obtained two further legal advices in this area in the current year.

Based on the latest legal advice, to the extent the Associate has to clear indigenous forest land and standing trees incidental to establishing a tree plantation, this is governed by the MoA. Under the MoA, the Associate may provide services to the DENR "to undertake the handling, hauling and transport of all logs cut incidental to site preparation in pursuance to the plantation establishment subject to actual and reasonable reimbursement of the cost incurred". According to the Company's latest legal opinion in September 2014, the reimbursement the Associate may claim is "only up to 60%" and relates to the actual and reasonable cost to clear the land to establish the site for plantation business. In his opinion this means the Associate cannot earn any 'profit' from clearing any standing trees and that the 60% figure only sets an upper limit on how much in cost it can claim.

Based on this legal interpretation, the Associate's plantation assets (standing trees) covered by CPA may have negligible value, as previously it was assumed 60% of any profit derived from clearing the plantation sites of its standing trees would accrue to the Associate. The Directors note that the Company received a number of legal opinions on this matter in the previous year, none of which came to this conclusion.

In the previous year it was noted that DENR issued a further memorandum dated 3 June 2013 (the "Memorandum") after EO23 and MoA were issued. The Group's former Chairman, Mr. CT Tan was of the view the Memorandum would override EO23 (and therefore MoA). The latest legal advice obtained by the Company is that the Memorandum far from negating the effects of the MoA, actually complements it insofar as it allows the cutting of trees in natural and residual forest which is incidental to the preparation of sites for tree plantation operations.

22. INTERESTS IN ASSOCIATES *(Continued)*

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

(ii) Updated legal advice on meaning and effect of Executive Order 23 ("EO23") and Memorandum of Agreement ("MoA") *(Continued)*

Overall, after taking into account the recommendation by Congress to cancel the CPA and the latest legal interpretation on the meaning of how the Associate may share/recover its costs from trees cleared to establish sites for tree plantation business under the MoA, the Directors are of the view that full impairment is necessary for plantation assets derived from the CPA agreement. As noted above, the CPA agreement covers approximately 86% of the total forest concession area held by the Associate.

(iii) Effect of EO23, MoA and recommendation by Congress to cancel CPA on Manobo MOA

As mentioned above, the Associate's forest concession area in Philippines is covered by three agreements. Two of those agreements are covered by the discussion on the CPA in Note 22(c)(i) & (ii) above. This leaves Manobo MOA. Manobo MOA covers an area of around 51,000 hectares, of which the area available for tree plantation operations is approximately 17,200 hectares or about 14% of the Associate's total forest concession plantation area.

In the Philippines, its various indigenous people, including the Manobo tribal community, are afforded much greater protection and rights due to their past history of exploitation and poor social economic situation. Typically the indigenous people have greater rights to self-government and empowerment and the right to develop lands and natural resources. Their property rights within their ancestral domains are also heavily protected under Philippine law. These rights are enshrined under "The Indigenous Peoples Rights Act of 1997" ("IPRA Law").

22. INTERESTS IN ASSOCIATES *(Continued)*

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

(iii) Effect of EO23, MoA and recommendation by Congress to cancel CPA on Manobo MOA (Continued)

Based on the latest legal advice obtained by the Company, under IPRA Law neither EO23 nor the MoA has an effect on Manobo MOA. This is because the rights of the indigenous people and their right to self determination are respected (which includes the right to develop their own land and resources on that land), and these rights would take precedence over EO23 and MoA. The Philippine Congress recommendation to cancel the CPA would also have no effect on Manobo MOA.

It should be noted however that unlike the CPA, under Manobo MOA 30% of the stumpage value generated from standing trees has to be shared with the Manobo tribe and thereafter 5% stumpage value has to be shared with them from the harvesting of plantation trees.

The Directors have considered the viability of continuing its tree plantation operations based on the reduced area under Manobo MOA only, and have come to the conclusion it is not economically viable. A total plantation area of only 17,200 hectares means with a seven year growth cycle for commercial trees, a very small annual harvestable area of only around 2,500 hectares per annum as compared to the original estimated annual harvestable area of around 18,000 hectares per annum. After taking into account of Note 22(d) and latest development of Philippines investment, high level estimates of the value of the tree plantation business based on Manobo MOA area only (including the value of standing trees) was negative or that is to say loss-making. The reduced area is simply not big enough to sustain sufficient economies of scale to run a tree plantation operation on a commercial basis.

22. INTERESTS IN ASSOCIATES *(Continued)*

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

In addition to the significant matters referred to in Note 22(c)(i), (ii) & (iii) above which include the recommendation by Congress to cancel the Associate's CPA agreement, the inability to profit from the clearing of standing trees under the MoA (for CPA area) and the uneconomic size of area under Manabo MOA to develop a tree plantation business, the Directors have also considered other matters which need to be resolved in order for the Philippine tree plantation business to be economically viable:

- Significant lobbying effort required to persuade Congress and/or Philippine President to not cancel CPA and/or renegotiate a new "CPA" agreement with DENR to enable tree plantation operations to resume, which is likely to take some time and money to achieve, with no guarantee of success;

- Reestablish significant influence over the Associate, which will entail either taking legal action or rebuilding a working relationship with Ms De Guzman and/or Mr. CT Tan and/or reorganising the Associate to affect a change in its controlling shareholder to another Philippine national that the Company can work with;

- If an alternative local Philippine partner option is chosen, the person needs to be someone who is familiar with the industry, is someone who they can trust and has the necessary connections to facilitate the smooth operations of the tree plantation business. The Directors believe that may take some time to achieve;

- Recover all the Associates' books and records, hire appropriate staff and reestablish an office in Philippines to run the tree plantation business;

- A recognition that the risk underlying the Philippine tree plantation business is generally higher than originally thought and that raising additional funds from new investors and/or current shareholders for this business will not be easy

22. INTERESTS IN ASSOCIATES *(Continued)*

(d) Gain on deemed disposal of Interest in associates on reclassification to Available-for-sale financial asset ("AFS") *(Continued)*

Given all of the above issues, the Directors are of the view the tree plantation business held by the associates is not viable in the present circumstances. Accordingly the Directors consider the fair value of its interest in the (former) associates, now reclassified as AFS to be nil. Although the carrying value of the interest in associates was already written down to nil (as explained in Note 22(b) & (c) above), there was a gain on the deemed disposal of associates (as a result of their reclassification to AFS) arising from the reversal of the accumulated credit balance on Exchange Reserves related to the associates of HK$39,238,000. This gain has been recognised in profit or loss in the current year.

(e) Forest concession rights

	Forest concession rights *HK$'000*
Cost:	
At 1 August 2012	31,938
Exchange adjustment	(944)
At 31 July 2013	30,994
Accumulated amortisation and impairment:	
At 1 August 2012	20,388
Charge for the year	318
Impairment loss recognised for 2013	11,410
Exchange adjustments	(1,122)
At 31 July 2013	30,994
Carrying amount:	
At 31 July 2013	–

22. INTERESTS IN ASSOCIATES *(Continued)*

(e) Forest concession rights *(Continued)*

The concession rights represent the rights granted to the Associate to harvest, sell and utilise such trees and crops, as well as to cut, process and export logs and other forest products harvested from the plantations in the forests located in the Caraga Region in Mindanao, Philippines ("CARAGA").

The Associate owns eleven concession rights in CARAGA, which have common terms of 25 years, and renewable for another 25 years. These concession rights fall under three agreements comprising (in abridged form) the (i) the IFMAs (ii) the Co-Production Agreement and (iii) Manobo MOA. Further details of these agreements and concession rights are set out in the VSA Circular.

23. AVAILABLE-FOR-SALE FINANCIAL ASSET

	HK$'000
Balance at 1 August 2012, 31 July 2013 and 1 August 2013	–
Reclassification of interests in associates as AFS (at fair value) as of 6 January 2014 *(Note 22 (b) & (d))*	–
Balance at 31 July 2014	–

Details of individual investments making up the AFS held at 31 July 2014 are set out in Note 22.

24. INTANGIBLE ASSETS

Group

	Patent	Timber concession and plantation license	Total
	HK$'000	*HK$'000*	*HK$'000*
Cost			
At 1 August 2012	70,397	48,059	118,456
Exchange adjustments	(132)	(89)	(221)
Disposal of subsidiaries *(Note 42)*	(70,265)	(47,970)	(118,235)
At 31 July 2013, 1 August 2013 and 31 July 2014	–	–	–
Amortisation and impairment			
At 1 August 2012	70,397	9,175	79,572
Exchange adjustments	(132)	(17)	(149)
Amortisation	–	1,690	1,690
Disposal of subsidiaries *(Note 42)*	(70,265)	(10,848)	(81,113)
At 31 July 2013, 1 August 2013 and 31 July 2014	–	–	–
Net carrying value			
At 31 July 2013 and 2014	–	–	–

During the prior year, the intangible assets relating to environmental protection operations were derecognised upon disposal of Bestco group. Details of the disposal are disclosed in Note 42.

25. PROPERTIES HELD FOR SALE

Group

	2014	2013
	HK$'000	*HK$'000*
Properties held for sale	**7,465**	7,465

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

26. DEPOSITS AND PREPAYMENTS

	Group		**Company**	
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Deposit paid for legal claim	**13,002**	13,362	**9,803**	10,163
Deposits paid	**560**	446	**–**	–
Prepayment	**101**	78	**–**	–
	13,663	13,886	**9,803**	10,163

Included in the Group's deposits paid for legal claim is a sum of approximately HK$12,613,000 (2013: HK$12,613,000) relating to 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. The deposit is for any judgement that may be obtained by the Provisional Liquidators and subsequent liquidators of Wing Fai of any action commenced within twelve months from 14 July 2002 and thereafter until the determination of the legal proceedings with the Company and/or any of the wholly owned subsidiaries of the Company in existence as at 14 July 2002. Further details of this case are set out in Note 47(a).

27. LOAN RECEIVABLES

Group

	2014	2013
	HK$'000	*HK$'000*
Loan receivables	**16,428**	16,428
Less: Allowance for impairment loss	**(16,428)**	(16,428)
	–	–

In January 2011, the Group, as lender, entered into a loan agreement with a subcontractor to provide a 18-month non-revolving term loan facility to the extent of US$2,600,000 to the subcontractor. The subcontractor was engaged to provide services to the tree plantation operations carried out by the Group's associates in the Philippines. The loan carried an interest rate of 8% per annum and was secured by the subcontractor's machineries and equipment and the shares of the subcontractor held by its shareholder.

As at 31 July 2013, the loan receivables were determined to be fully impaired. The impaired loan receivables related to the above financing arrangement that the subcontractor has breached the repayment terms. Management assessed that only the amount to the extent of the recoverable amount of machineries and equipment and the shares of subcontractor held by its shareholder could be recovered. However, such secured machineries and equipment were damaged during the prior year. Thus, an impairment loss of approximately HK$11,963,000 had been recognised in profit or loss in the prior year.

On 16 May 2013, the High Court of the Republic of Singapore ("High Court") concluded that the Group is entitled to receive the sum of US$2,234,000, S$24,000 and HK$172,000 (equivalent to total HK$17,664,000 at that date) from the subcontractor. During the current year, due to the failure of repayment, the subcontractor is in the process of liquidation. Up to the date of approval of these financial statements, the liquidation has not yet been completed. As the subcontractor does not have any significant realisable assets, management does not expect any significant recovery of the loan and accordingly full impairment provision was still considered necessary notwithstanding the favourable High Court decision.

28. PROPERTIES UNDER DEVELOPMENT

Group

	2014	2013
	HK$'000	*HK$'000*
Properties under development	**31,431**	31,431

As at 31 July 2014, the carrying amount of properties under development of HK$31,431,000 (2013: HK$31,431,000) represented the deemed cost of 169 identified units of properties ("Properties") which had been specifically set aside for the settlement of an outstanding construction fee in accordance with 清付工程款項協議書 dated 15 August 2005 ("Settlement Agreement") in prior years.

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

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

28. PROPERTIES UNDER DEVELOPMENT *(Continued)*

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

During the current year, the Subcontractor has not issued any further demand letters nor raised any formal proceedings against the Group to claim the outstanding amount. In addition, two individuals, 余盛 and 張明贊, have raised litigations in the PRC against the Group (being the property developer), the Subcontractor (being the primary outsourcer), and another two companies (being the subcontractors of the primary outsourcer and being the direct outsourcers of the two individuals) to claim certain outstanding construction fee in relation to the property development project. The PRC court ruled on this matter and concluded that the Subcontractor is liable to settle the principal amount of RMB3,198,013 (equivalent to HK$4,017,536) and RMB3,961,291 (equivalent to HK$4,976,411) plus overdue interest to 余盛 and 張明贊 respectively. The PRC court also concluded that the Group has a joint liability to settle the said principal amounts to 余盛 and 張明贊 to the extent that the amount is within the outstanding amount payable by the Group to the Subcontractor. All parties appealed against this judgement, but the result of the appeal is still outstanding at the date of this report. As at the date of approval of these financial statements, no settlement to the Subcontractor has been made.

In view of the dispute and the uncertainty in enforcing the settlement arrangement under both Agreements, management considers it is appropriate to separately recognise the Properties and the corresponding liabilities at 31 July 2013 and 2014 as the previous offset arrangement may no longer be achievable.

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

As at 31 July 2014, the fair value of the Properties was estimated to be approximately HK$71,481,000 (2013: HK$71,290,000) by Peak Vision Appraisals Limited, an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the properties being valued.

29. BANK BALANCES AND CASH

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash and bank balances	**50,157**	8,526	**1,045**	2,653

As at 31 July 2014, cash and bank balances of the Group included currencies denominated in RMB amounting to approximately HK$5,567,000 (2013: HK$5,395,000) which is not freely convertible into other currencies.

30. TRADE AND OTHER PAYABLES

At 31 July 2014, included in the Group's trade and other payables of HK$32,740,000 (2013: HK$35,581,000) were trade payables of HK$31,559,000 (2013: HK$31,843,000), of which HK$31,431,000 (2013: HK$31,431,000) represented the outstanding construction fee in dispute as explained Note 28.

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

	2014	2013
	HK$'000	*HK$'000*
Over 365 days	**31,559**	31,843

31. LOANS FROM SHAREHOLDERS

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Non-current				
Linshan Limited	**–**	49,891	**–**	–
Current				
Mr. Sun Yin Chung	**3,000**	3,000	**3,000**	3,000
Linshan Limited	**49,680**	–	**–**	–
	52,680	3,000	**3,000**	3,000

The loan from Mr. Sun Yin Chung is unsecured, bears interest at a fixed rate of 7% (2013: 7%) per annum and repayable on demand.

During the prior year, an assignment of deed was entered into between the Linshan Limited ("Linshan"), a substantial shareholder of the Company, and Corporate King Limited ("Corporate King") such that the shareholder's loan with accrued interest amounting to approximately HK$49,891,000 was assigned from Corporate King to Linshan.

The loan from Linshan is unsecured, bears interest rate of 1% per annum and is repayable on 31 December 2014.

32. DEFERRED INCOME

Group

	2014 *HK$'000*	2013 *HK$'000*
At beginning of year	–	4,745
Exchange realignment	–	11
Disposal of subsidiaries *(Note 42)*	–	(4,756)
At end of year	–	–

33. CONVERTIBLE NOTES

(a) On 28 June 2007, the Company issued zero-coupon convertible notes (the "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 reserve.

The Convertible Notes 1 recognised in the statement of financial position is calculated as follows:

	HK$'000
Nominal value of convertible notes issued on 28 June 2007	256,000
Liability component	(117,899)
Equity component	138,101

33. CONVERTIBLE NOTES *(Continued)*

(a) *(Continued)*

Group and Company

	HK$'000
Liability component at 1 August 2012	5,574
Convertible notes surrendered and delivered up upon disposal of subsidiaries	(5,574)
Liability component at 31 July 2013, 1 August 2013 and 31 July 2014	–

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.

(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 reserve.

The Convertible Notes 2 recognised in the statement of financial position is calculated as follows:

	HK$'000
Nominal value of convertible notes issued on 30 October 2007	384,000
Liability component	(307,570)
Equity component	76,430

33. CONVERTIBLE NOTES *(Continued)*

(b) *(Continued)*

Group and Company

	HK$'000
Liability component at 1 August 2012	225,566
Imputed interest expense *(Note 13)*	2,434
Convertible notes surrendered and delivered up upon disposal of subsidiaries	(107,863)
Redemption of convertible notes	(30,000)
Conversion of convertible notes to ordinary shares	(90,137)
Liability component at 31 July 2013, 1 August 2013 and 31 July 2014	–

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.

During prior year, Convertible Notes 1 and Convertible Notes 2 were fully derecognised upon the Completion of CN Restructuring Plan. Details of which are set out in the Company's Circular dated 20 December 2012.

34. PROMISSORY NOTES

Group

	HK$'000
At 1 August 2012	369,281
Imputed interest expense *(Note 13)*	27,520
Waiver of promissory notes upon the completion of the Convertible Notes Plan	(396,801)
At 31 July 2013, 1 August 2013 and 31 July 2014	–

On 9 August 2010, the Group issued promissory notes with a principal amount of HK$500,000,000 due on 8 August 2015 in connection with the acquisition of the entire share capital of Asiaone. The promissory notes are interest free and the effective interest rate is 10.55%.

34. PROMISSORY NOTES *(Continued)*

Under the undertakings of promissory notes holders, the holders of promissory notes agreed to waive the entire principal amounts of the promissory notes in the aggregate principal sum of HK$500,000,000, subject to such wavier taking place simultaneously with the Completion of CN Restructuring Plan. The CN Restructuring Plan was successfully completed on 15 April 2013. In such connection, the entire principal amounts of the promissory notes in the aggregate sum of HK$500,000,000 were waived. Further details of this transaction were set out in an announcement by the Company on 15 January 2013 and 15 April 2013.

35. DEFERRED TAX LIABILITIES

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

Group

	Revaluation of investment properties	Convertible notes	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1 August 2012	–	410	410
Charge/(credit) to profit or loss *(Note 14)*	21,604	(410)	21,194
At 31 July 2013 and 1 August 2013	21,604	–	21,604
Charge to profit or loss *(Note 14)*	1,173	–	1,173
At 31 July 2014	22,777	–	22,777

At 31 July 2014, the Group has estimated unused tax losses of HK$110,521,000 (2013: HK$97,822,000) available for offsetting against future profits, which are subject to the agreement of the relevant tax authority. No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future profit streams.

35. DEFERRED TAX LIABILITIES *(Continued)*

Company

	Convertible notes *HK$'000*
At 1 August 2012	410
Credit to profit or loss	(410)
At 31 July 2013, 1 August 2013 and 31 July 2014	–

36. SHARE CAPITAL

	Number of shares	**Amount** *HK$'000*
Authorised:		
Ordinary shares		
At 1 August 2012, of HK$0.01 each	150,000,000,000	1,500,000
Share consolidation *(ii)*	(142,500,000,000)	–
At 31 July 2013, 1 August 2013 and 31 July 2014, of HK$0.2 each	7,500,000,000	1,500,000
Convertible preference shares (the "CPS")		
At 1 August 2012, of HK$0.01 each	100,000,000,000	1,000,000
Share consolidation *(ii)*	(95,000,000,000)	–
At 31 July 2013, 1 August 2013 and 31 July 2014, of HK$0.2 each	5,000,000,000	1,000,000

36. SHARE CAPITAL *(Continued)*

	Number of shares	Amount HK$'000
Issued and fully paid:		
Ordinary shares		
At 1 August 2012, of HK$0.01 each	5,122,079,999	51,221
Conversion of convertible notes	450,689,220	4,507
Conversion of convertible preference shares	8,739,520,000	87,395
Share consolidation *(Note ii)*	(16,731,674,759)	–
Placing of ordinary shares *(Note iii)*	3,300,000,000	33,000
At 31 July 2013 and 1 August 2013, of HK$0.2 each	880,614,460	176,123
Conversion of convertible preference shares	153,286,665	30,657
Placing of ordinary shares *(Note iv)*	389,385,540	77,877
At 31 July 2014, of HK$0.2 each	1,423,286,665	284,657
Convertible preference shares (the "CPS")		
At 1 August 2012, of HK$0.01each	11,805,253,333	118,052
Conversion to ordinary shares	(8,739,520,000)	(87,395)
Share consolidation *(Note ii)*	(2,912,446,668)	–
At 31 July 2013 and 1 August 2013, of HK$0.2 each	153,286,665	30,657
Conversion to ordinary shares	(153,286,665)	(30,657)
At 31 July 2014, of HK$0.2 each	–	–

Note:

(i) 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.

36. SHARE CAPITAL *(Continued)*

Note: (Continued)

(ii) Pursuant to the ordinary resolution passed in the special general meeting of the Company held on 17 April 2013, the share consolidation implemented whereby each twenty issued and unissued existing ordinary shares and convertible preference shares of HK$0.01 each was consolidated into one consolidated 1 share of HK$0.2 each. The authorised ordinary shares remained at HK$1,500,000,000 but consolidated into 7,500,000,000 new shares. The authorised convertible preference shares remained at HK$1,000,000,000 but consolidated into 5,000,000,000 new shares.

(iii) On 27 December 2012, 800,000,000 shares of HK$0.01 were placed at a price of HK$0.012 per placing share. A share premium of approximately HK$1,302,000 was credited to share premium account. The net proceeds of approximately HK$9,301,000 are intended to be applied by the Group as the working capital for its ordinary business and operations.

On 24 February 2013, another 2,500,000,000 shares of HK$0.01 were placed at a price of HK$0.019 per placing share. A share premium of approximately HK$21,021,000 was credited to share premium account. The net proceeds of approximately HK$45,600,000 are intended to be applied by the Group to settle the cash payment for redemption of HK$30,000,000 and the remaining balance as the working capital for its ordinary business and operations.

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

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

The related share issue expense of HK$5,097,000 for these two share placements has been charged directly against the Company's share premium.

(v) On 4 June 2010, the Company issued 240,000,000 CPSs at a total nominal value of HK$360,000,000 as part of the consideration for the business combinations. The conversion price of the CPS is fixed at HK$1.5 per ordinary share and can be converted into ordinary shares without a maturity date. Neither the Company nor the holder of the CPS shall have any right to redeem the CPS, other than for the purpose of conversion of the CPS pursuant to the terms thereof. The CPS shall at all times rank (a) in priority to the ordinary shares of the Company and any other shares of the Company as to return of capital; and (b) pari passu with ordinary shares of the Company in issue as to dividends. The gross fair value of the CPS, at the initial recognition, was HK$249,084,000. An amount of HK$248,579,000, net of professional issue expenses of HK$505,000, was credited to the convertible preference shares reserve.

37. SHARE OPTION SCHEME

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

Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital and with a value in excess of HK$5,000,000 must be approved in advance by the Company's shareholders. Options granted under the New Scheme will entitle the holder to subscribe for shares from the date of grant up to 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 directors and employees of the Company during the two years ended 31 July 2014 and 31 July 2013 pursuant to the New Scheme.

38. RESERVES OF THE COMPANY

	Share premium HK$'000	Contributed surplus HK$'000 (Note (a))	Distributable reserve HK$'000 (Note (b))	Convertible notes reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 August 2012	1,441,649	796,312	77,033	61,991	(1,198,745)	1,178,240
Convertible notes surrendered and delivered up upon disposal of subsidiaries	–	–	–	(61,991)	61,991	–
Conversion of convertible notes to ordinary shares	85,630	–	–	–	–	85,630
Placing of ordinary shares, net of transaction cost	22,323	–	–	–	–	22,323
Loss for the year	–	–	–	–	(702,854)	(702,854)
At 31 July 2013 and 1 August 2013	1,549,602	796,312	77,033	–	(1,839,608)	583,339
Share issue expenses related to placement of shares *(Note 36 (iv))*	(5,097)	–	–	–	–	(5,097)
Loss for the year	–	–	–	–	(772,172)	(772,172)
At 31 July 2014	**1,544,505**	**796,312**	**77,033**	**–**	**(2,611,780)**	**(193,930)**

Notes:

(a) The Company passed a special resolution on 13 February 2012 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.

(b) 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.

39. INTERESTS IN SUBSIDIARIES

	The Company	
	2014	2013
	HK$'000	*HK$'000*
Unlisted shares, at cost	**1,720,000**	1,720,000
Less: Impairment loss	**(1,720,000)**	(982,885)
	–	737,115
Amounts due from subsidiaries	**122,935**	68,784
Less: Allowance for impairment loss	**(36,288)**	(15,929)
	86,647	52,855
Amounts due to subsidiaries	**(385)**	(385)

During the prior year, the Company disposed of subsidiaries comprised of the Bestco Group as explained in Note 42 with carrying amount of nil after accumulated allowance for investments in subsidiaries of HK$384,000,000 at the disposal date.

The significant increase in provision for impairment loss against investment cost of subsidiaries for the current year of HK$737,115,000 arises from the significant impairment and write down of interest in associates held via a wholly-owned subsidiary, Sunshine Phonenix Limited. Further details behind the full impairment in the investment in the Company's Philippine associates engaged in the tree plantation business is set out in Note 22.

The amounts due from/(to) subsidiaries are unsecured, interest-free and repayable on demand. The increase in allowance for impairment loss on amounts due from subsidiaries of HK$20,359,000 in the current year arises mainly because a wholly-owned subsidiary, Green Oasis Limited, suffered significant loss during the year and was in a net liability position as at 31 July 2014. As at 31 July 2014, the amount due from Green Oasis Limited to the extent of HK$27,445,000 was not considered recoverable and therefore impaired.

39. INTERESTS IN SUBSIDIARIES *(Continued)*

The following list contains only the particulars of the principal subsidiaries as at 31 July 2014 which principally affect the results, assets or liabilities of the Group as the directors are of the opinion that a full list of all the subsidiaries would be of excessive length.

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

Note:

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

40. LEASES

Operating lease – lessee

The Group paid minimum lease payments of HK$1,366,000 (2013: HK$1,371,000) under operating leases in respect of rented premises.

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

Group

	2014	2013
	HK$'000	*HK$'000*
Within one year	**1,648**	771
In the second to fifth years inclusive	**808**	–
	2,456	771

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

41. RELATED PARTY TRANSACTIONS

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

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

	2014 **HK$'000**	2013 *HK$'000*
Interest paid to shareholders:		
Mr. Sun Yin Chung	**210**	210
Linshan Limited	**496**	418
	706	628

The associates of the Group paid consultancy fee to the directors of the Company as follows:

	2014 **HK$'000**	2013 *HK$'000*
Ms. Juanita Dimla De Guzman	**–**	699

(b) Other transaction with related party

During the prior year, the Group disposed of Bestco Worldwide Investment and its subsidiaries (the "Bestco Group") to Give Power Technology Limited, a related company wholly owned by a former director of the Group. Further details of the transaction are included in note 42.

41. RELATED PARTY TRANSACTIONS *(Continued)*

(c) Compensation of key management personnel

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

	2014 **HK$'000**	2013 HK$'000
Short-term benefits	**4,425**	7,931
Post-employment benefits	**60**	52
	4,485	7,983

(d) Amounts with related parties are summarised below:

		2014 **HK$'000**	Maximum amount outstanding during the year HK$'000	2013 HK$'000
(i)	Amounts due from associates	**–**	46,802	46,178
(ii)	Loans from shareholders	**52,680**		52,891

The terms of amounts due from associates and loans from shareholders are set out in notes 22 and 31 respectively. The amounts due from associates of HK$46,802,000 were fully impaired during the year as its recoverability is doubtful as explained in note 22. The interest in associates were reclassified as available-for-sale financial assets as of 6 January 2014.

As at 31 July 2013, there was a total sum of HK$3,058,000 due to a former director, Ms. Juanita De Guzman, by the associates, Alverna Dynamic Developments, Inc. and Shannalyne, Inc.

(e) Members of key management during the year comprised only the directors whose remuneration is set out in Note 11.

42. DISPOSAL OF SUBSIDIARIES

On 15 January 2013, the Group entered into a sales and purchase agreement ("CN Restructuring Agreement") to dispose 100% interest of Bestco Worldwide Investment Limited and its subsidiaries (the "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$113,462,000 which shall be satisfied by GPT surrendering and delivering up convertible notes in the aggregate principal amount of HK$113,462,000 to the Company at the first completion; (b) the Company shall redeem part of convertible notes in the principal amount of HK$30,000,000 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$90,137,000 at the conversion price of HK$0.20 per conversion share in accordance with the convertible notes terms at second completion. The first completion and second completion of the CN Restructuring Agreement took place on 15 January 2013 and 15 April 2013 respectively. The disposal was completed on 15 January 2013.

The principal activities of the Bestco Group are the installation services, sales of chemical agents and petroleum chemical products and the provision of technical services in the PRC and development, management and processing of agricultural lands for the planting, cultivation and production of industrial and fruit bearing trees and other agricultural forest products in the PRC.

42. DISPOSAL OF SUBSIDIARIES *(Continued)*

The net liabilities of the Bestco Group at the date of disposal and the gain on disposal were as follows:

	HK$'000
Plantation assets *(Note 19)*	42,616
Property, plant and equipment *(Note 18)*	5,488
Intangible assets *(Note 24)*	37,122
Trade and other debtors	20,520
Deposits and prepayments	8,543
Inventories	12,576
Cash and cash equivalents	2,612
Deferred income *(Note 32)*	(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)
Tax payable	(22)
Net liabilities disposed of	(704,328)
Assignment of amount due to the holding company	816,895
	112,567
Release of exchange reserve	(31,887)
Transaction costs attributable to disposal of subsidiaries	3,868
Gain on disposal *(Note 16)*	28,914
Consideration	113,462
Net cash outflow arising on disposal:	
Bank balances and cash disposed of	2,612
Transaction costs attributable to disposal of subsidiaries	3,868
	6,480

43. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

Group

	2014 *HK$'000*	2013 *HK$'000*
Financial assets		
Loans and receivables (including bank balances and cash), at amortised cost	**64,932**	69,017
Financial liabilities		
Financial liabilities, amortised cost	**89,572**	97,441

44. SIGNIFICANT NON-CASH TRANSACTION

During the prior year, included in the total consideration for the redemption of convertible notes, is the amount of HK$90,137,000 which was settled by set-off of conversion rights attaching to part of the convertible notes having aggregate principal amount of HK$90,137,000 at the conversion price of HK$0.20 per conversion share in accordance with the convertible notes terms at second completion.

45. FINANCIAL RISK MANAGEMENT

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

45. FINANCIAL RISK MANAGEMENT *(Continued)*

Market risk

Interest rate risk

The Group has no significant interest-bearing assets and liabilities except for loans from shareholders, details of which have been disclosed in Note 31. The Group's income and operating cash flows are substantially independent of changes in market interest rate.

The Group and the Company has no significant interest rate risk as at 31 July 2014.

Credit risk

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

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

Liquidity risk

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

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

45. FINANCIAL RISK MANAGEMENT *(Continued)*

Liquidity risk *(Continued)*

The Group

	Within 1 year or on demand *HK$'000*	More than 1 year but less than 2 years *HK$'000*	More than 2 years but less than 5 years *HK$'000*	More than 5 years *HK$'000*	Total contractual undiscounted cash flows *HK$'000*	Carrying amount *HK$'000*
2014						
Non-derivative financial liabilities						
Trade and other payables	**32,740**	**–**	**–**	**–**	**32,740**	**32,740**
Accruals	**4,152**	**–**	**–**	**–**	**4,152**	**4,152**
Loans from shareholders	**52,680**	**–**	**–**	**–**	**52,680**	**52,680**
	89,572	**–**	**–**	**–**	**89,572**	**89,572**
2013						
Non-derivative financial liabilities						
Trade and other payables	35,581	–	–	–	35,581	35,581
Accruals	8,969	–	–	–	8,969	8,969
Loans from shareholders	3,000	49,891	–	–	52,891	52,891
	47,550	49,891	–	–	97,441	97,441

45. FINANCIAL RISK MANAGEMENT *(Continued)*

Liquidity risk *(Continued)*

The Company

	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000	Total contractual undiscounted cash flows HK$'000	Carrying amount HK$'000
2014						
Non-derivative financial liabilities						
Other payables	**313**	**–**	**–**	**–**	**313**	**313**
Accruals	**4,088**	**–**	**–**	**–**	**4,088**	**4,088**
Loan from a shareholder	**3,000**	**–**	**–**	**–**	**3,000**	**3,000**
Amounts due to subsidiaries	**385**	**–**	**–**	**–**	**385**	**385**
	7,786	**–**	**–**	**–**	**7,786**	**7,786**
2013						
Non-derivative financial liabilities						
Other payables	313	–	–	–	313	313
Accruals	8,969	–	–	–	8,969	8,969
Loan from a shareholder	3,000	–	–	–	3,000	3,000
Amounts due to subsidiaries	385	–	–	–	385	385
	12,667	–	–	–	12,667	12,667

Currency risk

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

45. FINANCIAL RISK MANAGEMENT *(Continued)*

Currency risk *(Continued)*

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

Group

	Increase/ (decrease) in exchange rate *%*	Increase/ (decrease) in profit before income tax *HK$'000*
2014		
If the RMB weakens against the HK$	**5%**	**1,334**
If the PHP weakens against the HK$	**5%**	**–**
2013		
If the RMB weakens against the HK$	5%	1,339
If the PHP weakens against the HK$	5%	160

Fair value

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

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

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

45. FINANCIAL RISK MANAGEMENT *(Continued)*

Fair value *(Continued)*

Fair value measurements recognised in the consolidated statement of financial position

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

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

The available-for-sale financial asset of nil (2013: none) is Level 3 financial instruments. Details of the fair value measurement of the available-for-sale financial asset is set out in note 22 and 23.

No further analysis is disclosed since the Group has no financial instruments, other than available-for-sale financial asset of nil (2013: none) at 31 July 2014, that are measured subsequent to initial recognition at fair value at the end of reporting period.

46. CAPITAL RISK MANAGEMENT

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

46. CAPITAL RISK MANAGEMENT *(Continued)*

The capital structure of the Group consists of debt (which includes loans from shareholders) and equity attributable to owners of the Company, comprising issued share capital and reserves. The directors of the Company review the capital structure on a continuous basis. As part of this review, the directors consider the cost of capital and the risks associated with capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends and issuance of new shares as well as the addition of new borrowings. The gearing ratios of the Group at 31 July 2014 and 2013 were as follows:

	2014	2013
	HK$'000	*HK$'000*
Debt	**52,680**	52,891
Total capital	**165,589**	919,645
Gearing ratio	**31.8%**	5.8%

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

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

47. CONTINGENT LIABILITIES

(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 intragroup indebtedness and incidental transactions and arrangements upon the Group's sale of its interest in Wing Fai, Wai Shun and Zhukuan Wing Fai Construction Company Limited (the "Wing Fai Subsidiaries") on 22 April 2002. As a result, the liquidators have taken up legal action against the Company and several of its subsidiaries. Notices of Intention to Proceed have been filed by the solicitors for the liquidators 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 and the appeal is pending in the Court of Appeal.

At 31 July 2013, the Company's legal advisor was of the opinion that the Group had a good defence on all the claims on the remaining legal action which, on the balance of probabilities, were likely to be resolved in favour of the Group companies and thus there would not be any material contingent liability except that part of the legal costs incurred by the Group may not be recoverable. There were no new development on this case during the year.

In the opinion of the directors, the Group has valid grounds to defend the actions and as such, no provision has been made in the consolidated financial statements of the Group for its exposure to the above actions. In connection with these legal actions, the Group has placed deposits for legal claims of HK$12,613,000 (2013: HK$12,613,000) at the end of reporting period (Note 26). The directors consider these deposits are fully recoverable.

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

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

47. CONTINGENT LIABILITIES *(Continued)*

(b) *(Continued)*

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. The judgment was later set aside on the basis that he was not served with the original proceedings. On 28 December 2004, a defence was filed by Mr. Eric Chim. Mr. Eric Chim was examined in his capacity as a director of Sino Glister in relation to its assets in May 2005. Up to the date of approval of these financial statements, no further action has taken place.

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

(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.

The writs were served on Ms. Kelly Cheng on 29 May 2013.

The Company has wrongfully recorded HK$16,438,748.42 as at 31 July 2005 in its accounts as amount due to Ms. Kelly Cheng, as valid reimbursement of legal expenses claimed by her under the Deed of Indemnity when at that time she was the deputy chairman, executive director and chief financial officer of the Company; and further wrongfully recorded by the former Company Secretary and Financial Controller, Mr. Wan Hon Keung another HK$1,304,347.05 as at 31 July 2011 without proper verification.

The Company has filed a writ to the High Court against its former Auditors, HLB Hodgson Impey Cheng Limited ("HLB"), and the former Company Secretary and Financial Controller, Mr. Wan Hon Keung on 26 July 2013 for professional negligence causing losses to the Company in this regard. The case with HLB lapsed during the year.

47. CONTINGENT LIABILITIES *(Continued)*

(c) *(Continued)*

Besides, in August 2013, Ms. Kelly Cheng tried to lodge further claims for reimbursement of the alleged legal expenses incurred by her from the Company under the Deed of Indemnity for the sum of HK$20,948,543.97. The Company has not recorded this amount in its financial statements as the directors consider the whole claim has no basis.

The Company is now waiting for a court session to proceed.

In the opinion of the directors and legal advisors of the Company, the Company has good grounds in this case as the Deed of Indemnity is void with defects and the Company is not allowed by laws to indemnify directors in a way as now claimed by Ms. Kelly Cheng. Furthermore, the Company might be able to recover the losses by taking a separate legal action against its former legal professional, for misleading the Company and professional negligence. Accordingly, no provision has been made in respect of this case.

(d) On 28 May 2013, the petitioner, Ms. Kelly Cheng, filed a winding up petition to the High Court for winding up of the Company the alleged sum of HK$2,805,586.97, which was a balance of unpaid legal expenses she tried to reimburse from the Company under the Deed of Indemnity in dispute under HCA 2284/2012.

The Company has voluntarily paid to the court a full sum of HK$2,805,586.97 on 18 September 2013 to prove its solvency.

During the year, the Hong Kong Court of First Instance ordered that a payment of HK$1,788,000 should be made by the Company to Ms. Kelly Cheng and this amount has been charged to the Group's profit or loss for the year under administrative expenses.

The winding up petition was dismissed on 21 July 2014.

48. AUTHORISATION FOR ISSUE OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 10 October 2014.

RESULTS

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

	2010 *HK$'000*	2011 *HK$'000*	2012 *HK$'000*	2013 *HK$'000*	**2014** ***HK$'000***
Revenue					
– continuing operations	8,156	17,887	4,285	4,141	**3,995**
– discontinued operations	93,470	109,715	135,513	33,038	**–**
	101,626	127,602	139,798	37,179	**3,995**
Profit/(loss) before tax					
– continuing operations	(22,265)	(106,134)	(321,004)	(1,031,211)	**(17,528)**
– discontinued operations	(502,449)	(92,873)	(240,845)	24,926	**(760,988)**
	(524,714)	(199,007)	(561,849)	(1,006,285)	**(778,516)**
Income tax credit/(expense)					
– continuing operations	2,305	1,668	1,718	(21,194)	**(1,173)**
– discontinued operations	1,279	440	(2,369)	–	**–**
	3,584	2,108	(651)	(21,194)	**(1,173)**
Profit/(loss) for the year					
– continuing operations	(19,960)	(104,466)	(319,286)	(1,052,405)	**(18,701)**
– discontinued operations	(501,170)	(92,433)	(243,214)	24,926	**(760,988)**
	(521,130)	(196,899)	(562,500)	(1,027,479)	**(779,689)**
Attributable to:					
Owners of the Company	(521,130)	(196,899)	(562,500)	(1,027,479)	**(779,689)**
Non-controlling interests	–	–	–	–	**–**
	(521,130)	(196,899)	(562,500)	(1,027,479)	**(779,689)**

ASSETS AND LIABILITIES

	2010 *HK$'000*	2011 *HK$'000*	2012 *HK$'000*	2013 *HK$'000*	**2014** ***HK$'000***
Total assets	697,554	2,659,262	2,141,372	1,038,690	**277,938**
Total liabilities	(304,202)	(651,349)	(684,362)	(119,045)	**(112,349)**
	393,352	2,007,913	1,457,010	919,645	**165,589**
Attributable to:					
Owners of the Company	393,352	2,007,913	1,457,010	919,645	**165,589**
Non-controlling interests	–	–	–	–	**–**
	393,352	2,007,913	1,457,010	919,645	**165,589**

Particulars of Major Properties

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