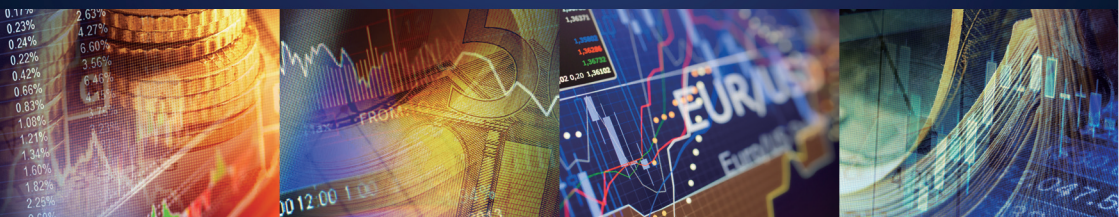


Yueshou Environmental Holdings Limited
粵首環保控股有限公司
(Incorporated in Bermuda with limited liability)
(Stock Code: 1191)



Interim Report 2014-2015

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CORPORATE INFORMATION**DIRECTORS****Executive Directors**

Mr. Yang Zijiang

(appointed on 17 July 2014)

Mr. Ng Chi Lung

(appointed on 19 September 2014)

Mr. Leung Wai Shun, Wilson

(resigned on 10 October 2014)

Mr. Tse Yuk Kong

(resigned on 10 October 2014)

Independent Non-executive Directors

Mr. Wu Shiming

(appointed on 17 July 2014)

Mr. Lin Chaofan

(appointed on 19 September 2014)

Mr. Deng Chunmei

(appointed on 19 September 2014)

Mr. Sai Chun Yu

(resigned on 10 October 2014)

Dr. Chiao Li *(resigned on 10 October 2014)*

COMPANY SECRETARIES

Ms. Kwan Shan

(appointed on 16 October 2014)

Ms. Tang Lo Nar Luler

(resigned on 10 October 2014)

PRINCIPAL PLACE OF BUSINESS

Unit 2106, 21st Floor,
China Merchants Tower,
Shun Tak Centre,
168-200 Connaught Road Central,
Sheung Wan, Hong Kong

SHARE REGISTRAR AND TRANSFER OFFICE

Bermuda

MUFG Fund Services (Bermuda) Limited

Hong Kong

Tricor Secretaries Limited

AUDITORS

BDO Limited

Certified Public Accountants

PRINCIPAL BANKERS

Hong Kong

Chiyu Banking Corporation Ltd.

Chong Hing Bank Limited

WEBSITE

<http://www.yueshou.hk>

STOCK CODE

1191

LEGAL ADVISERS

On Bermuda Law

Conyers Dill & Pearman

On Hong Kong Law

TC&Co., Solicitors

REGISTERED OFFICE

Clarendon House,
2 Church Street,
Hamilton HM11,
Bermuda

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**For the six months ended 31 January 2015**

	Note	Six months ended 31 January	
		2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Turnover	2	1,161	2,339
Cost of sales and services		(260)	(1,579)
Gross profit		901	760
Other revenue and other gain		7	25
Administrative expenses		(23,587)	(15,332)
Gain arising from changes in fair value of investment properties		628	4,584
Impairment loss recognised in amounts due from associates	8	–	(46,802)
Reclassification adjustment of translation reserve arising on reclassification of a foreign operation		–	36,511
Share of results of associates	8	–	(690,989)
Finance costs	4	(125)	(356)
Loss before income tax		(22,176)	(711,599)
Income tax	5	(264)	(1,336)
Loss for the period	3	(22,440)	(712,935)

		Six months ended 31 January	
		2015	2014
		(Unaudited)	(Unaudited)
Note		HK\$'000	HK\$'000
Other comprehensive income			
	Translation reserve realised upon lost on significant influence of associates	–	(36,511)
	Exchange difference on translating foreign operations	(20)	242
	Share of other comprehensive income of the associates	–	(10,722)
	Other comprehensive income for the period	(20)	(46,991)
	Loss attributable to owners of the Company	(22,440)	(712,935)
	Total comprehensive income for the period attributable to the owners of the Company	(22,460)	(759,926)
	Loss per share attributable to owners of the Company		
	– Basic and diluted	6 HK\$(0.01)	HK\$(0.61)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 January 2015

		31 January 2015 (Unaudited) HK\$'000	31 July 2014 (Audited) HK\$'000
	Note		
ASSETS			
Non-current assets			
Property, plant and equipment		3,430	4,389
Investment properties	7	170,349	169,721
Interests in associates	8	–	–
Amounts due from associates	8	–	–
Available-for-sale financial assets	9	–	–
		<hr/>	<hr/>
		173,779	174,110
		<hr/>	<hr/>
Current assets			
Properties held for sale		7,465	7,465
Properties under development		31,431	31,431
Other receivables		1,206	1,112
Deposits and prepayments		15,719	13,663
Bank balances and cash		198,471	50,157
		<hr/>	<hr/>
Total current assets		254,292	103,828
		<hr/>	<hr/>
Current liabilities			
Trade and other payables	10	40,006	32,740
Accruals		5,871	4,152
Loans from shareholders	11	52,806	52,680
Advances for open offer	12	134,941	–
		<hr/>	<hr/>
Total current liabilities		233,624	89,572
		<hr/>	<hr/>

	31 January 2015 (Unaudited) HK\$'000	31 July 2014 (Audited) HK\$'000
Net current assets	<u>20,668</u>	<u>14,256</u>
Total assets less current liabilities	<u>194,447</u>	<u>188,366</u>
Non-current liabilities		
Deferred taxation	<u>23,040</u>	<u>22,777</u>
Total non-current liabilities	<u>23,040</u>	<u>22,777</u>
NET ASSETS	<u>171,407</u>	<u>165,589</u>
EQUITY		
Capital and reserves attributable to the owners of the Company		
Share capital	14,981	284,657
Reserves	<u>156,426</u>	<u>(119,068)</u>
Total equity	<u>171,407</u>	<u>165,589</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**For the six months ended 31 January 2015 (Unaudited)**

	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Exchange reserve HK\$'000	Distributable reserve HK\$'000	Contributed surplus HK\$'000	Share-based Compensation reserve HK\$'000	Accumulated loss HK\$'000	Total HK\$'000
(Audited)									
At 1 August 2014	284,657	1,544,505	11,613	6,906	77,033	796,312	-	(2,555,440)	165,586
(Unaudited)									
Comprehensive income									
Loss for the period	-	-	-	-	-	-	-	(22,440)	(22,440)
Other comprehensive income for the period - exchange differences on translation of foreign operations	-	-	-	(20)	-	-	-	-	(20)
Total comprehensive income for the period ended 31 January 2015	-	-	-	(20)	-	-	-	(22,440)	(22,460)
Transactions with owners									
Equity settled share-based payments	-	-	-	-	-	-	6,960	-	6,960
Transfer of reserve upon exercise of options	-	6,960	-	-	-	-	(6,960)	-	-
Issue of new shares for exercise of options (Note 13)	14,960	6,361	-	-	-	-	-	-	21,321
Capital reorganisation (Note)	(284,636)	-	-	-	-	284,636	-	-	-
Total transactions with owners	(269,767)	13,321	-	-	-	284,636	-	-	28,281
At 31 January 2015	14,981	1,557,826	11,613	6,886	77,033	1,080,948	-	(2,577,880)	171,407

Note: As detailed in Note 13, the nominal value of the issued shares of HK\$0.20 each was reduced to HK\$0.01 each, the total reduction in issued share capital of the Company by approximately HK\$284,636,000 was credited to the contributed surplus of the Company.

For the six months ended 31 January 2014 (Unaudited)

	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Exchange reserve HK\$'000	Distri- butable reserve HK\$'000	Contri- buted surplus HK\$'000	Accumu- lated loss HK\$'000	Total HK\$'000
(Audited)								
At 1 August 2013	206,780	1,549,602	11,613	54,056	77,033	796,312	(1,775,751)	919,645
(Unaudited)								
Comprehensive income								
Loss for the period	-	-	-	-	-	-	(712,935)	(712,935)
Other comprehensive income for the period ended 31 January 2014	-	-	-	(46,991)	-	-	-	(46,991)
Total comprehensive income for the period	-	-	-	(46,991)	-	-	(712,935)	(759,926)
Transactions with owners								
Placement of new shares (Note 13)	33,877	-	-	-	-	-	-	33,877
Total transactions with owners	33,877	-	-	-	-	-	-	33,877
At 31 January 2014	240,657	1,549,602	11,613	7,065	77,033	796,312	(2,488,686)	193,596

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**For the six months ended 31 January 2015**

	Six months ended 31 January	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Net cash used in operating activities	(7,125)	(22,620)
Net cash generated from/(used in) investing activities	7	(622)
Net cash generated from financing activities	155,430	29,331
	<hr/>	<hr/>
Increase in cash and cash equivalents	148,312	6,089
Cash and cash equivalents at the beginning of the period	50,157	8,526
Effect of foreign exchange rate changes	2	74
	<hr/>	<hr/>
Cash and cash equivalents at the end of the period	<u>198,471</u>	<u>14,689</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 January 2015

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

In preparing the Interim Financial Statements, as detailed in our announcement dated 2 February 2015, our open offer of new shares became unconditional on 29 January 2015 and the gross proceeds from the Open Offer had been received by the Company. With the Group returned to a net current assets position as of 31 January 2015, the directors of the Company consider it appropriate to prepare the consolidated financial statements on a going concern basis. In the opinion of the directors, the Group will have sufficient working capital to meet its financial obligations as and when they fall due and operate as a going concern in the foreseeable future.

The unaudited condensed consolidated financial statements (the “Interim Financial Statements”) have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosure requirements set out in Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). The Interim Financial Statements do not include all the information and disclosure required in the annual consolidated financial statements of the Company and its subsidiaries (the “Group”), and should be read in conjunction with the annual consolidated financial statements for the year ended 31 July 2014, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA.

The accounting policies used in the condensed consolidated financial statements are consistent with those adopted in the preparation of the Group’s audited annual financial statements for the year ended 31 July 2014.

A number of new or revised Standards, Amendments and Interpretations are effective for the Group’s financial period beginning on or after 1 August 2014. The adoption of the new and revised Standards, Amendments and Interpretations had no material effect on how the results and financial position for the current and prior accounting periods have been prepared and presented.

The Group has not early adopted any new standards, amendments and interpretation of the Hong Kong Financial Reporting Standards which have been issued but not yet effective for the financial period beginning 1 August 2014.

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

2. SEGMENT INFORMATION

During the period ended 31 January 2015, the Group had two (2014: three) reportable segments, (i) financial services, and (ii) property development (2014 had one extra segment of forestry plantation operations which the Group exit before start of current period).

An analysis of the Group's turnover and results by business segment for the six months ended 31 January 2015 and 2014 are presented below:

	Six months ended 31 January (Unaudited)							
	Continuing operations				Discontinued operations		Total	
	Financial services		Property development		Tree plantation operations and environmental protection and forestry and logging operation			
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
TURNOVER	-	-	1,161	2,339	-	-	1,161	2,339
RESULTS								
Segment profit/(loss)	(68)	-	(400)	3,627	-	(705,210)	(468)	(701,583)
Unallocated corporate Expenses							(21,583)	(9,660)
Loss from operation							(22,051)	(711,243)
Finance costs							(125)	(356)
Loss before taxation							(22,176)	(711,599)

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales on the current period (2014: Nil).

3. LOSS FOR THE PERIOD

Loss for the period has been arrived at after charging the following items:

	Six months ended 31 January	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Depreciation on owned assets	959	1,095
Operating leases rentals in respect of land and buildings	1,244	785
Staff costs, including directors' remuneration:		
– Retirement benefits scheme contributions	117	155
– Salaries and other benefits	3,249	4,126
– Share-based payments*	6,960	–
Provision for settlement with a former director (Note 15)	7,000	–

* Share-based payments for the current period included payments to directors, employees and other parties of HK\$1,386,000, HK\$140,000 and HK\$5,434,000, respectively.

4. FINANCE COSTS

	Six months ended 31 January	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Other interest	–	–
Interest expenses on loans from shareholders	125	356
	<u>125</u>	<u>356</u>

5. INCOME TAX

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

	Six months ended 31 January	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Current tax – PRC		
Tax for the period	–	–
Deferred tax		
Current period	264	1,336
	<u>264</u>	<u>1,336</u>

No provision for Hong Kong profits tax was made for the period ended 31 January 2015 and 2014 as the Company and its respective subsidiaries in Hong Kong incurred tax losses for both periods.

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

6. LOSS PER SHARE

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

	Six months ended 31 January	
	2015 HK\$'000	2014 HK\$'000
Loss attributable to owners of the Company, for the purpose of basic loss per share calculation	<u>(22,440)</u>	<u>(712,935)</u>
Loss attributable to owners of the Company for the purpose of diluted loss per share calculation	<u>(22,440)</u>	<u>(712,935)</u>

	Six months ended 31 January	
	2015 (Unaudited)	2014 (Unaudited) (Restated)
Number of shares		
Weighted average number of ordinary shares and convertible preference shares for the purpose of diluted loss per share calculation	1,453,369,275	1,165,248,928

7. INVESTMENT PROPERTIES

	31 January 2015 (Unaudited) HK\$'000	31 July 2014 (Audited) HK\$'000
Fair value:		
Completed investment properties, in the PRC	96,158	96,105
Investment properties under construction, in the PRC	74,191	73,616
	<u>170,349</u>	<u>169,721</u>

	Total
	HK\$'000
Fair value:	
At 1 August 2013	166,928
Fair value gain	2,793
	<hr/>
At 31 July 2014 (Audited) and 1 August 2014	169,721
Fair value gain	628
	<hr/>
As at 31 January 2015 (Unaudited)	170,349
	<hr/> <hr/>

The fair value of the Group's completed investment properties and investment properties under construction at 31 January 2015 and 31 July 2014 have been arrived at on market value basis and residual site basis respectively carried out 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 investment properties being valued. The valuation was arrived at by reference to market evidence of recent rental transactions for similar properties.

8. INTERESTS IN ASSOCIATES

	31 January 2015 (Unaudited) HK\$'000	31 July 2014 (Audited) HK\$'000
Reclassified to available-for-sale financial asset (Note 9)	–	–
	<hr/> <hr/>	<hr/> <hr/>

At 6 January 2014, the amounts due from associates were considered not recoverable and were fully impaired for the reasons set out in Notes 22 (b) & (c) to the financial statements for the year ended 31 July 2014. Details of the associates before their de-recognition at 6 January 2014 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")	Corporation	Philippines	Forestry plantation operations in Philippines	40%
2010 Duran Inc.	Corporation	Philippines	Forestry plantation operations in Philippines	40%
Morton 2011 Inc.	Corporation	Philippines	Dormant	40%

* Alverna holds 60% direct equity interest in Shannalyne.



The summarised financial information in respect of the Group's associates up to the de-recognition date of 6 January 2014 is set out below:

	31 July 2014 (Audited) HK\$'000
Total revenue	–
Total loss for the period to 6 January 2014	(1,226,375)
Other comprehensive income for the period to 6 January 2014	(12,280)
Group's share of loss of associates for the period/year	(749,493)
Group's share of other comprehensive income of associates	(7,895)

Subsequent to the non-reelection of Mr. Tan Cheow Teck and Mr. Shannon Tan Siang-Tau, and the resignation of Ms. Juanita Dimla De Guzman as directors of the Company dated 6 January 2014, the Group has no longer be able to exert significant influence over the abovementioned investees. Despite that the Group continues to hold 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 was no longer fulfilled and in particular, when the Group no longer has the power to participate in the financial and operating policy decisions of the investees. Considering that these investees have ceased to allow the Group's representative to participate in the policy-making process and provide essential operating and financial information to the Group, the directors of the Company concluded that the Group has no significant influence over the investees as at the prior period end date of 31 January 2014. In view of the loss of significant influence over the abovementioned investees, the investment has been reclassified and included into available-for-sale financial assets on 6 January 2014.

9. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	31 January 2015 (Unaudited) HK\$'000	31 July 2014 (Audited) HK\$'000
Unlisted equity securities		
– Reclassified from interests in associates (Note 8)	–	–
	<u>–</u>	<u>–</u>
	<u>–</u>	<u>–</u>

The balance represented the fair value of unlisted investments reclassified from the interests in associates on 6 January 2014. Please refer to Note 8 for details.

10. TRADE AND OTHER PAYABLES

At 31 January 2015, included in the Group's trade and other payables of HK\$40,006,000 (31 July 2014: 32,740,000) were trade payables HK\$31,559,000 (31 July 2014: HK\$31,559,000) in which the whole balance represented the outstanding construction fee in dispute (please refer to note 28 of the financial statements for the year ended 31 July 2014 for details).

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

	31 January 2015 (Unaudited) HK\$'000	31 July 2014 (Audited) HK\$'000
0 to 30 days	–	–
31 to 60 days	–	–
61 to 365 days	–	–
Over 365 days	31,559	31,559
	<u>31,559</u>	<u>31,559</u>
	<u>31,559</u>	<u>31,559</u>

As detailed in Note 15, a provision of HK\$7 million was included in other payables for the settlement sum of HK\$7 million payable to Ms. Kelly Cheng.

**11. LOANS FROM SHAREHOLDERS**

Loans from shareholders comprise loan from Mr. Sun Yin Chung of HK\$3,000,000 (2014: HK\$3,000,000) and loan from Linshan Limited of HK\$49,806,000 (2014: HK\$49,680,000).

The loan from Mr. Sun Yin Chung is unsecured, bears interest at a fixed rate of 7% (2014: 7%) per annum and repayable on demand.

The loan from Linshan is unsecured, bear interest rate of 1% per annum. The Group is in dispute with Linshan on the interest and loan repayment. The loan was repayable on 31 December 2014 but there had been no legal action taken by Linshan to demand repayment from the Group up to the 31 January 2015.

12. ADVANCES FOR OPEN OFFER

Balance at 31 January 2015 represent open offer (see note 18 for more details) subscription monies received from the subscribers of the open offer. The open offer was subsequently completed on 4 February 2015.

Note:

- (i) Pursuant to the capital reorganisation as detailed in the circular dated 24 October 2014 which was effected on 2 January 2015, (a) the nominal value of the issued shares of HK\$0.20 each was reduced to HK\$0.01 each by cancelling the paid-up capital to the extent of HK\$0.19 on each of the issued share; (b) each of the authorised but unissued ordinary share of HK\$0.20 each was subdivided into 20 ordinary shares of HK\$0.01 each; and (c) each of the authorised but unissued convertible preference share of HK\$0.20 each was sub-divided into 20 convertible preference shares of HK\$0.01 each
- (ii) 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.
- (iii) On 19 November 2014, 74,800,000 shares with exercise price of HK\$0.285 were allotted pursuant to exercise of share options granted on 28 October 2014.

14. 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 (2014: nil) is Level 3 financial instruments.

No further analysis is disclosed since the Group has no financial instruments, other than available-for-sale financial asset of nil (2014: nil) at 31 January 2015, that are measured subsequent to initial recognition at fair value at the end of reporting period.

15. CONTINGENT LIABILITIES**The Group**

- 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.

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

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

- As disclosed in the announcement of the Company dated 13 February 2015, references are made to the Company’s announcements of the following dates:
 - 1) 10 December 2012;
 - 2) 28 May 2013; and
 - 3) 30 January 2015

in relation to the winding-up petitions against the Company, namely the case numbers HCCW 142/2013 and HCCW 26/2015 in the Court of First Instance of the High Court of Hong Kong Special Administrative Region (the "Court") as referred to in the above mentioned announcements of the Company and the legal proceedings between the Company and the following parties ("the Parties") in the case numbers namely HCA 2284/2012 and HCA 2503/2013 of the same Court:

- i) Cheng Kit Yin Kelly ("Ms. Kelly Cheng"), a former executive director of the Company;
- ii) Cheng Wei Ming Carmen ("Ms. Carmen Cheng"); and
- iii) Asia Land Offshore Limited ("ALOL").

On 12 February 2015, the Company, Ms. Kelly Cheng, Ms. Carmen Cheng and ALOL entered into a settlement deed ("Settlement Deed"). The terms of the Settlement Deed include, among other things, that: a) without any admission of liability, the Company shall pay Ms. Kelly Cheng HK\$7,000,000 within 7 Business Days of the Effective Date (as defined in the Settlement Deed); b) the Parties shall take all steps necessary to dismiss or withdraw (as the case may be) the HCCW 142/2013, HCCW 26/2015, HCA 2284/2012 and HCA 2503/2013 and any legal proceedings between the Parties only with no order as to costs (notwithstanding any previous orders) by way of consent summons; c) Ms. Kelly Cheng shall be debarred from making any further claim under the service agreement and deed of indemnity made between her and the Company in about 1999 and 2000 respectively; and d) the Parties, including procuring their respective affiliates, mutually discharge and release each other from all claims and actions (with exception of a claim or enforcement of the Settlement Deed). The Board considers that with a view to saving time and costs involved in the legal proceedings, the settlement contemplated under the Settlement Deed is in the interest of the Company and its shareholders as a whole.

Due to the above settlement deed, a provision of HK\$7 million (Note 3 and Note 10) is made as at 31 January 2015, and no contingent liability is considered necessary in respect of the outstanding disputes with Ms. Kelly Cheng as at 31 January 2015.

Save as disclosed above and elsewhere in the financial statements, the Group and the Company has no material contingent liabilities as at 31 January 2015.

16. PLEDGE OF ASSETS

At 31 January 2015 and at 31 July 2014, the Group has not pledged any of its assets to the banks to secure credit facilities granted to the Group.

17. COMMITMENTS**Operating lease commitment**

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:

	31 January 2015 (Unaudited) HK\$'000	31 July 2014 (Audited) HK\$'000
Operating leases which expire:		
– Within one year	808	1,648
– In the second to fifth years inclusive	404	808
	<u>1,212</u>	<u>2,456</u>

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 within fixed rentals.

The Group had no other significant commitment as at 31 January 2015 and 31 July 2014.

18. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

Subsequent to 31 January 2015, the Group had the following significant post balance sheet event:

Reference is made to the prospectus of the Company dated 12 January 2015 (the "Prospectus"). On 4 February 2015, the open offer as detailed in the Prospectus of 1,498,086,665 offer shares on the basis of one offer share for every one share held at HK\$0.01 per offer share was completed and 1,498,086,665 new shares were allotted with related gross proceeds of approximately HK\$14.98 million received by the Company

19. APPROVAL OF INTERIM FINANCIAL REPORT

The interim financial statements were approved and authorised for issue by the Board of Directors on 31 March 2015.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 31 January 2015 (31 January 2014: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Segment Information

For the six months ended 31 January 2015, the Group's total turnover decreased by 50.36% to approximately HK\$1,161,000 (2014: HK\$2,339,000). Gross profit increased by 18.55% to HK\$901,000 (2014: HK\$760,000) due to lower maintenance costs for the investment properties for the current period.

With the deemed disposal of associates completed before start of current period, no equity pick up accounting for associates during the current period was required and there were no share of loss recorded during the current period (2014: a share of loss of HK\$690,989,000 in the interests in associates). During the current period, included in administrative expenses were one-off share-based payments of HK\$6,960,000 and settlement sum of HK\$7,000,000 provided for global settlement with Ms. Kelly Cheng (see notes 10 and 15 of the financial statements), which led to loss for the current period. The loss attributable to the equity shareholders of the Group for the current period was HK\$22,440,000 (2014: HK\$712,935,000).

The entire turnover for the current period was generated from those business segments in the PRC from the property segment (2014: 100%).

Financial Services

Turnover has not been generated yet for this segment as the money lending license was not yet issued and no loan was granted up to 31 January 2015.

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 (2014: 100%).

For the six months ended 31 January 2015, there was a gain arising from change in fair value of investment properties located in Shunde, Guangdong Province, the PRC for approximately HK\$628,000 (2014: HK\$4,584,000).

Liquidity, Financial Resources and Gearing

Gearing ratio and current ratio

The gearing ratio and current ratio at 31 January 2015 and 31 July 2014 were as follows:–

	31 January 2015 (Unaudited) HK\$'000	31 July 2014 (Audited) HK\$'000
Debt	52,806	52,680
Total equity	171,407	165,589
Gearing ratio	30.81%	31.81%
Current ratio	1.09	1.16

Future Plans

Financial Services

We will carry out loan reviews and aim to bring income to this segment as soon as practical. As announced on 26 February 2015, a memorandum of understanding (the “MOU”) was entered into between the Company and 中創金融控股集團有限公司 (China Create Financial Holdings Group Co., Ltd.) (“China Create”) in relation to the possible investment by the parties in online financial services and/or wealth management businesses of China Create in the PRC. As well as following up on the possible investment under the MOU with China Create, we will continue to explore investment opportunities that can bring return to our shareholders and enrich our range of services offered under the financial services segment in addition to the money lending business.

Property Development

After the disposal of the environmental protection operation and exit from the forestry plantation operations, the Group focuses on its property development business and may seek potential property projects for investment in the future where appropriate. As at 31 January 2015, 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 4,047.68 sq.m.; (ii) a land parcel with a site area of approximately 3,799 sq.m.; (iii) a property comprises 102 commercial units and 151 car/motorbike parking spaces with a total gross floor area of approximately 26,323.17 sq.m..

Foreign Currency Exposure

Borrowings and sales and purchases of the Group are generally transacted in Hong Kong Dollar and Renminbi. For the six months ended 31 January 2015, the Group was not subject to any significant exposure to foreign exchange rates risk. Hence, no financial instrument for hedging was employed.

Pledge of Assets

Details of pledge of assets are set out in Note 16 of the interim financial statements.

Contingent Liabilities

Details of contingent liabilities are set out in Note 15 of the interim financial statements.

Employees

As at 31 January 2015, the Group hired about 35 employees both in Hong Kong and China (31 July 2014: about 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 reinforce the competence of all levels of our employees. Share options would be granted to respective employees with outstanding performance and contributions to the Group.

WINDING-UP PETITION

As disclosed in the announcement of the Company dated 30 January 2015, on 30 January 2015 the Company received a winding-up petition (the "Petition") by a former director of the Company (the "Petitioner") to the High Court ("Court") of Hong Kong against the Company. In the Petition, the Petitioner alleged (among other things) a sum of about HK\$3.3 million due to the Petitioner by the Company. The petition was withdrawn on 4 March 2015 subsequent to the settlement reached as detailed below under the heading "settlement of legal proceedings between the company, Ms. Cheng Kit Yin Kelly, a former executive director of the company and others" and as disclosed in the announcement of the Company dated 13 February 2015.

SETTLEMENT OF LEGAL PROCEEDINGS BETWEEN THE COMPANY, MS. CHENG KIT YIN KELLY, A FORMER EXECUTIVE DIRECTOR OF THE COMPANY AND OTHERS

As disclosed in the announcement of the Company dated 13 February 2015, references are made to the Company's announcements of the following dates:

- 1) 10 December 2012;
- 2) 28 May 2013; and
- 3) 30 January 2015

in relation to the winding-up petitions against the Company, namely the case numbers HCCW 142/2013 and HCCW 26/2015 in the Court of First Instance of the High Court of Hong Kong Special Administrative Region (the "Court") as referred to in the above mentioned announcements of the Company and the legal proceedings between the Company and the following parties ("the Parties") in the case numbers namely HCA 2284/2012 and HCA 2503/2013 of the same Court:

- i) Cheng Kit Yin Kelly ("Ms. Kelly Cheng"), a former executive director of the Company;
- ii) Cheng Wei Ming Carmen ("Ms. Carmen Cheng"); and
- iii) Asia Land Offshore Limited ("ALOL").



On 12 February 2015, the Company, Ms. Kelly Cheng, Ms. Carmen Cheng and ALOL entered into a settlement deed (“Settlement Deed”). The terms of the Settlement Deed include, among other things, that: a) without any admission of liability, the Company shall pay Ms. Kelly Cheng HK\$7,000,000 within 7 Business Days of the Effective Date (as defined in the Settlement Deed); b) the Parties shall take all steps necessary to dismiss or withdraw (as the case may be) the HCCW 142/2013, HCCW 26/2015, HCA 2284/2012 and HCA 2503/2013 and any legal proceedings between the Parties only with no order as to costs (notwithstanding any previous orders) by way of consent summons; c) Ms. Kelly Cheng shall be debarred from making any further claim under the service agreement and deed of indemnity made between her and the Company in about 1999 and 2000 respectively; and d) the Parties, including procuring their respective affiliates, mutually discharge and release each other from all claims and actions (with exception of a claim or enforcement of the Settlement Deed). The Board considers that with a view to saving time and costs involved in the legal proceedings, the settlement contemplated under the Settlement Deed is in the interest of the Company and its shareholders as a whole.

DIRECTORS’ AND CHIEF EXECUTIVE’S INTERESTS IN SHARES

As at 31 January 2015, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) which (a) were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (“Stock Exchange”) pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have taken under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred therein; or (c) were required, to be notified to the Company and the Stock Exchange, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Rules Governing the Listing of Securities (the “Listing Rules”) on the Stock Exchange, were as follows:

Long positions in shares of the Company

Name of shareholder	Capacity	Number of shares held	Percentage of the issued share capital in the Company
Yang Zijiang ("Mr. Yang") (Note 1)	Beneficial owner	410,385,540	27.40%
Ng Chi Lung (Note 2)	Beneficial owner	14,000,000	0.93%
Wu Shiming (Note 3)	Beneficial owner	300,000	0.02%
Lin Chaofan (Note 3)	Beneficial owner	300,000	0.02%
Deng Chunmei (Note 3)	Beneficial owner	300,000	0.02%

Notes:

1. Mr. Yang Zijiang ("Mr. Yang") is an executive Director. The 410,385,540 Shares included 183,385,540 Shares that are held under Green Logic Investments Limited, which is owned as to 62.40% and 37.60% respectively by Mr. Yang and Mr. Fong Chi Chung ("Mr. Fong").
2. Mr. Ng Chi Lung is an executive Director.
3. Mr. Wu Shiming, Mr. Lin Chaofan and Ms. Deng Chunmei are independent non-executive Directors.

Save as disclosed above, as at 31 January 2015, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have taken under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules.

SHARE OPTION 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 in the Stock Exchange's daily quotations sheets for the five business days immediately preceding to the offer date; and (iii) the nominal value of the shares. The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or Independent Non-executive Directors in excess of 0.1% of the Company's share capital and with a value in excess of HK\$5,000,000 must be approved in advance by the Company's shareholders. Options granted under the New Scheme will entitle the holder to subscribe for shares from the date of grant up to 27 July 2020. A nominal consideration of HK\$1 is payable on acceptance of the grant of an option.

74,800,000 options with exercise price of HK\$0.285 per share were granted to directors/non-directors/employees/other parties of the Company on 28 October 2014 during the six months ended 31 January 2015 (2014: Nil) pursuant to the New Scheme. On 19 November 2014, 74,800,000 new shares were allotted due to exercise of all the outstanding options and there were no outstanding options as at 31 January 2015.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

So far as was known to the Directors, as at 31 January 2015 the following shareholders had interest or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or recorded in the register kept by the Company pursuant to Section 336 of Part XV of the SFO:

Long positions in shares of the Company

Name of shareholder	Capacity	Number of shares held	Percentage of the issued share capital in the Company
Mr. Yang (<i>Note a</i>)	Beneficial owner	410,385,540	27.39%
Mr. Fong (<i>Note b</i>)	Beneficial owner	183,385,540	12.24%
Green Logic Investments Limited (<i>Note c</i>)	Beneficial owner	183,385,540	12.24%

Note a: Mr. Yang was appointed as an Executive Director of the Company on 17 July 2014. As at 31 January 2015, among the 410,385,540 shares held by Mr. Yang include 183,385,540 shares held under Green Logic Investments Limited which is owned as to 62.40% and 37.60% by Mr. Yang and Mr. Fong, respectively.

Note b: As at 31 January 2015, 183,385,540 shares are legally and beneficially held by the name of Mr. Fong and Mr. Yang via Green Logic Investments Limited. Mr. Fong is a third party independent of the Company and he is not a connected person in accordance with the Listing Rules; see note (a) above.

Note c: As at 31 January 2015, 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 (b).

Save as disclosed above, the Company has not been notified of any persons other than the substantial shareholders who had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or recorded in the register kept by the Company pursuant to Section 336 of the SFO as at 31 January 2015.

CORPORATE GOVERNANCE

The Board is committed to establish and maintain high standards of corporate governance in order to protect the interests of our shareholders. The Company has applied the principles and complied with all the code provisions of the Code on Corporate Governance Practices (“CG Code”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (“Listing Rules”) throughout the six months ended 31 January 2015, except for the following deviations:

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 3 December 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.

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

1. Mr. Yang Zijiang was appointed as an executive director with effect from 17 July 2014, and is entitled to a monthly director’s fee of HK\$30,000, with reference to this roles, duties and responsibilities assumed in the Board.
2. Mr. Wu Shiming was appointed as an independent non-executive director with effect from 14 July 2014, and is entitled to a monthly director’s fee of HK\$5,000, with reference to this roles, duties and responsibilities assumed in the Board. Upon his appointment as an Independent Non-executive Director of the Company, he was also appointed as a member of the audit, the remuneration and the nomination committees of the Company on the same day.

3. Mr. Ng Chi Lung was appointed as an executive director with effect from 19 September 2014, and is entitled to a monthly director's fee of HK\$50,000, with reference to this roles, duties and responsibilities assumed in the Board.
4. Mr. Lin Chaofan was appointed as an independent non-executive director with effect from 19 September 2014, and is entitled to a monthly director's fee of HK\$5,000, with reference to this roles, duties and responsibilities assumed in the Board. Upon his appointment as an Independent Non-executive Director of the Company, he was also appointed as a member of the audit, the remuneration and the nomination committees of the Company on the same day.
5. Ms. Deng Chunmei was appointed as an independent non-executive director with effect from 19 September 2014, and is entitled to a monthly director's fee of HK\$5,000, with reference to this roles, duties and responsibilities assumed in the Board. Upon her appointment as an Independent Non-executive Director of the Company, he was also appointed as a member of the audit, the remuneration and the nomination committees of the Company on the same day.

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

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 31 January 2015.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as contained in Appendix 10 of the Listing Rules. In response to specific enquiry made by the Company, all Directors confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 31 January 2015.

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 Mr. Lin Chaofan, Ms. Deng Chunmei and Mr. Wu Shiming who is the Chairman of this committee.

The unaudited interim financial statements of the Group for the six months ended 31 January 2015 have been reviewed by the Audit Committee of the Company. The Audit Committee is of the opinion that such statements comply with the applicable accounting standards, the Listing Rules and legal requirements, and that adequate disclosures have been made.

REMUNERATION COMMITTEE

The Remuneration Committee was set up with the responsibility for providing recommendations to the Board the remuneration policy of all the Directors and the senior management. The Remuneration Committee comprises three Independent Non- Executive Directors, namely Mr. Lin Chaofan, Ms. Deng Chunmei and Mr. Wu Shiming who is the Chairman of this committee. The Remuneration Committee has specific written Terms of Reference which follow closely with the requirement of the CG code.

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

NOMINATION COMMITTEE

On 30 March 2012, the Company established a Nomination Committee which is primarily responsible for making recommendations to the Board regarding the Group's engagement of appropriate directors and managerial personnel (including the skills, knowledge and experience) to complement the Company's corporate strategies. The Nomination Committee comprises three Independent Non- Executive Directors, namely Mr. Wu Shiming, Ms. Deng Chunmei and Mr. Lin Chaofan who is the Chairman of this committee.

APPRECIATION

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

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

By order of the Board
Yueshou Environmental Holdings Limited
Yang Zijiang
Executive Director

Hong Kong, 31 March 2015