

Interim Report 2015-2016



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

	<i>Pages</i>
CORPORATE INFORMATION	2
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	3
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION	5
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	7
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS	9
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS	10
INTERIM DIVIDEND	22
MANAGEMENT DISCUSSION AND ANALYSIS	22
DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES	26
SHARE OPTION SCHEME	28
INTERESTS OF SUBSTANTIAL SHAREHOLDERS	28
CORPORATE GOVERNANCE	30
PURCHASES, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES	30
MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS	31
AUDIT COMMITTEE	31
REMUNERATION COMMITTEE	31
NOMINATION COMMITTEE	32



CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Dr. Yang Zijiang
Mr. Ng Chi Lung

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wu Shiming
Mr. Lin Chaofan
Ms. Deng Chunmei

COMPANY SECRETARY

Ms. Kwan Shan

COMMITTEES

Audit Committee

Mr. Wu Shiming (*Chairman*)
Mr. Lin Chaofan
Ms. Deng Chunmei

Nomination Committee

Mr. Lin Chaofan (*Chairman*)
Mr. Wu Shiming
Ms. Deng Chunmei

Remuneration Committee

Mr. Wu Shiming (*Chairman*)
Mr. Lin Chaofan
Ms. Deng Chunmei

AUDITOR

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

PRINCIPAL BANKERS

Chiyu Banking Corporation Limited
Bank of Communications Co., Ltd.

LEGAL ADVISERS

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

On Hong Kong Law
ReedSmith Richards Butler
20th Floor Alexandra House
18 Chater Road, Central
Hong Kong

Angela Ho & Associate
Unit 1405, 14/F., Tower 1
Admiralty Centre
18 Harcourt Road, Hong Kong

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

PRINCIPAL PLACE OF BUSINESS

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

WEBSITE

<http://www.yueshou.hk>

STOCK CODE

1191

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 31 January 2016

	Note	Six months ended 31 January	
		2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Turnover		4,224	1,161
Cost of sales and services		(1,245)	(260)
Gross profit		2,979	901
Other revenue and other gains		73	7
Administrative expenses		(10,479)	(23,587)
Fair value (loss)/gain on investment properties		(11,702)	628
Fair value loss on investment held for trading		(4,981)	–
Finance costs	5	(257)	(125)
Loss before income tax		(24,367)	(22,176)
Income tax	6	2,585	(264)
Loss for the period	4	(21,782)	(22,440)



4 Yueshou Environmental Holdings Limited

Interim Report 2015/16

Six months ended 31 January

		2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
	Note		
Other comprehensive income			
<i>Item that may be reclassified subsequently to profit or loss</i>			
		1,215	(20)
Exchange differences on translation of foreign operations		1,215	(20)
Other comprehensive income for the period		1,215	(20)
Loss attributable to owners of the Company		(21,782)	(22,440)
Total comprehensive income for the period attributable to owners of the Company		(20,567)	(22,460)
Loss per share attributable to owners of the Company		HK cent	HK cent
– Basic and diluted	7	0.73	1.54

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**As at 31 January 2016**

	Note	31 January 2016 (Unaudited) HK\$'000	31 July 2015 (Audited) HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		2,302	2,505
Investment properties	8	166,768	178,470
		<hr/>	<hr/>
		169,070	180,975
		<hr/>	<hr/>
Current assets			
Properties held for sale		7,465	7,465
Properties under development		31,431	31,431
Trade and Other receivables	9	50,218	5,354
Deposits and prepayments		15,298	13,255
Investment held for trading	10	15,330	–
Restricted bank balances		730	730
Bank balances and cash		111,544	191,608
		<hr/>	<hr/>
Total current assets		232,016	249,843
		<hr/>	<hr/>
Current liabilities			
Trade and other payables	11	30,771	32,331
Accruals		2,496	4,516
Loans from shareholders	12	49,598	52,598
		<hr/>	<hr/>
Total current liabilities		82,865	89,445
		<hr/>	<hr/>



6 Yueshou Environmental Holdings Limited

Interim Report 2015/16

		31 January 2016 (Unaudited) HK\$'000	31 July 2015 (Audited) HK\$'000
	Note		
Net current assets		149,151	160,398
Total assets less current liabilities		318,221	341,373
Non-current liabilities			
Deferred taxation		24,299	26,884
Total non-current liabilities		24,299	26,884
NET ASSETS		293,922	314,489
EQUITY			
Capital and reserves attributable to the owners of the Company			
Share capital	13	29,962	29,962
Reserves		263,960	284,527
Total equity		293,922	314,489

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**For the six months ended 31 January 2016 (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	Share-based Compensation reserve HK\$'000	Accumu- lated losses HK\$'000	Total HK\$'000
(Audited)									
At 1 August 2015	29,962	1,689,752	11,613	6,852	77,033	1,080,948	-	(2,581,671)	314,489
(Unaudited)									
Comprehensive income									
Loss for the period	-	-	-	-	-	-	-	(21,782)	(21,782)
Other comprehensive income for the period - exchange differences on translation of foreign operations	-	-	-	1,215	-	-	-	-	1,215
Total comprehensive income for the period ended 31 January 2016	-	-	-	1,215	-	-	-	(21,782)	(20,567)
At 31 January 2016	29,962	1,689,752	11,613	8,067	77,033	1,080,948	-	(2,603,453)	293,922

For the six months ended 31 January 2016 (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 losses 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	14,960	6,361	-	-	-	-	-	-	21,321
Capital reorganisation (Note)	(284,636)	-	-	-	-	284,636	-	-	-
Total transactions with owners	(269,676)	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: 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.



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 January 2016

	Six months ended 31 January	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Net cash used in operating activities	(60,155)	(7,125)
Net cash (used in)/from investing activities	(21,124)	7
Net cash from financing activities	–	155,430
	<hr/>	<hr/>
(Decrease)/increase in cash and cash equivalents	(81,279)	148,312
Cash and cash equivalents		
at the beginning of the period	191,608	50,157
Effect of foreign exchange rate changes	1,215	2
	<hr/>	<hr/>
Cash and cash equivalents at the end of the period	111,544	198,471



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 January 2016

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements (the “Interim Financial Statements”) have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosure requirements set out in Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). The Interim Financial Statements 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 2015, 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 2015.

A number of new or revised Standards, Amendments and Interpretations are effective for the Group’s financial period beginning on or after 1 August 2015. 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 2015.

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. TURNOVER

Turnover represents the aggregate of sales revenue from the sales of properties in the People’s Republic of China (the “PRC”), rental and building management fee income from properties in the PRC, and interest income from money lending business.

	Six months ended 31 January	
	2016 (Unaudited) HK\$’000	2015 (Unaudited) HK\$’000
Rental income	1,150	670
Building management fee income	842	491
Interest income from money lending business	2,232	–
	<u>4,224</u>	<u>1,161</u>

3. SEGMENT INFORMATION

During the period ended 31 January 2016, the Group had two (2015: two) reportable segments, (i) financial services, and (ii) property development.

An analysis of the Group's turnover and results by business segment for the six months ended 31 January 2016 and 2015 are presented below:

	Six months ended 31 January (Unaudited)					
	Financial services		Property development		Total	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
TURNOVER	2,232	–	1,992	1,161	4,224	1,161
RESULTS						
Segment profit/(loss)	2,173	(68)	747	(400)	2,920	(468)
Fair value (loss)/gain on investment properties	–	–	(11,702)	628	(11,702)	628
Unallocated corporate Expenses					(15,328)	(22,211)
Loss from operation					(24,110)	(22,051)
Finance costs					(257)	(125)
Loss before taxation					(24,367)	(22,176)

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales on the current period (2015: Nil).



12 Yueshou Environmental Holdings Limited

Interim Report 2015/16

4. LOSS FOR THE PERIOD

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

	Six months ended 31 January	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Depreciation on owned assets	938	959
Operating leases rentals in respect of land and buildings	539	1,244
Staff costs, including directors' remuneration:		
– Retirement benefits scheme contributions	102	117
– Salaries and other benefits	3,032	3,249
– Share-based payments	–	6,960
Provision for settlement with a former director	–	7,000

5. FINANCE COSTS

	Six months ended 31 January	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Interest expenses on loans from shareholders	257	125



6. INCOME TAX

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

	Six months ended 31 January	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Current tax – PRC		
Tax for the period	–	–
Deferred tax		
Current period	(2,585)	264
	<u>(2,585)</u>	<u>264</u>

No provision for Hong Kong profits tax was made for the period ended 31 January 2016 and 2015 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.

7. 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	
	2016 HK\$'000	2015 HK\$'000
Loss attributable to owners of the Company for the purposes of basic and diluted loss per share	<u>(21,782)</u>	<u>(22,440)</u>



14 Yueshou Environmental Holdings Limited

Interim Report 2015/16

Six months ended 31 January

	2016 (Unaudited)	2015 (Unaudited)
Number of shares		
Weighted average number of ordinary shares and convertible preference shares for the purposes of basic and diluted loss per share	2,996,173,330	1,453,369,275

8. INVESTMENT PROPERTIES

	31 January 2016 (Unaudited) HK\$'000	31 July 2015 (Audited) HK\$'000
Fair value:		
Completed investment properties, in the PRC	92,136	99,828
Investment properties under construction, in the PRC	74,632	78,642
	<u>166,768</u>	<u>178,470</u>
		Total HK\$'000
Fair value:		
At 1 August 2014 (Audited)		169,721
Fair value gain		8,749
		<u>178,470</u>
At 31 July 2015 (Audited) and 1 August 2015		178,470
Fair value loss		(11,702)
		<u>166,768</u>
As at 31 January 2016 (Unaudited)		<u>166,768</u>



The fair value of the Group's investment properties as at 31 January 2016 and 31 July 2015 were determined by directors with reference to the valuation report prepared by Greater China Appraisal Limited, an independent qualified professional valuer, on an open market, existing use basis.

The fair values of investment properties were determined using direct comparison approach and investment method as appropriate. For investment properties determined by the direct comparison approach, recent market information about prices for comparable properties was used with adjustments for any differences in the characteristics of the Group's properties. For investment properties determined using the investment method, account was taken of the current passing rent and the reversionary income potential of the investment properties where applicable.

9. TRADE AND OTHER RECEIVABLES

	31 January 2016 (Unaudited) HK\$'000	31 July 2015 (Audited) HK\$'000
Trade receivable	50,000	–
Other receivables	218	5,354
	<u>50,218</u>	<u>5,354</u>

Trade receivable represents a loan of HK\$50,000,000 granted to a borrower, Huali Transportation Investment Holding Co., Limited on 29 September 2015. The loan is secured by share mortgage, bears interest at 13.2% per annum and is repayable on 29 September 2016.

The aging analysis of trade receivable, based on drawdown date of loan, is as follows:

	31 January 2016 (Unaudited) HK\$'000	31 July 2015 (Audited) HK\$'000
90 to 180 days	<u>50,000</u>	<u>–</u>



10. INVESTMENT HELD FOR TRADING

	31 January 2016 (Unaudited) HK\$'000	31 July 2015 (Audited) HK\$'000
Investment – held-for-trading		
– Equity securities listed in Hong Kong	15,330	–

The fair value of all equity securities is based on their bid prices in an active market at the end of reporting period.

11. TRADE AND OTHER PAYABLES

At 31 January 2016, included in the Group's trade and other payables of approximately HK\$30,771,000 (31 July 2015: HK\$32,331,000) were trade payables of approximately HK\$29,618,000 (31 July 2015: HK\$31,310,000) in which the whole balance represented the outstanding construction fee in dispute (please refer to note 23 of the financial statements for the year ended 31 July 2015 for details).

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

	31 January 2016 (Unaudited) HK\$'000	31 July 2015 (Audited) HK\$'000
Over 365 days	29,618	31,310

12. LOANS FROM SHAREHOLDERS

	31 January 2016 (Unaudited) HK\$'000	31 July 2015 (Audited) HK\$'000
Linshan Limited	49,598	49,598
Mr. Sun Yin Chung	–	3,000
	<u>49,598</u>	<u>52,598</u>

The loan from Linshan is unsecured, bears 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, and in January 2015, the Group received a demand letter from Linshan for the settlement of the outstanding loan and accrued interest thereon. No further action has been taken by Linshan since then. For the background and details of the dispute with Linshan, please refer to note 27 to the financial statements for the year ended 31 July 2015.

13. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Authorised:		
Ordinary shares		
31 July 2015 (Audited), 1 August 2015 and At 31 January 2016 (Unaudited), of HK\$0.01 each	<u>150,000,000,000</u>	<u>1,500,000</u>
Convertible Preference Shares		
At 31 July 2015 (Audited), 1 August 2015 and 31 January 2016 (Unaudited), of HK\$0.01 each	<u>100,000,000,000</u>	<u>1,000,000</u>
Issued and fully paid:		
Ordinary shares		
At 31 July 2015 (Audited), 1 August 2015 and 31 January 2016 (Unaudited), of HK\$0.01 each	<u>2,996,173,330</u>	<u>29,962</u>



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).

Investment held for trading of HK\$15,330,000 as at 31 January 2016 (31 July 2015: nil) represents equity securities listed in Hong Kong held for trading and they are Level 1 financial instruments.

There were no transfers between Level 1 and 2 during the period.

15. CONTINGENT LIABILITIES

The Group

- (a) The liquidators of Wing Fai Construction Company Limited (“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 in 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 was held on 19 October 2010 to hear such application and the High Court of the Hong Kong Special Administrative Region (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 January 2016, the Company's legal advisor is 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, are likely to be resolved in favour of the Group 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. Up to the date of approval of these financial statements, there has been no further development.

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 approximately HK\$12,613,000 (2014: HK\$12,613,000) in escrow with certain lawyers since 2002. These deposits are included under "deposits and prepayments" in the consolidated statement of financial position. 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 Glistler International Investments Limited ("Sino Glistler"), 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 Glistler defaulted as to approximately HK\$3,100,000 of the HK\$5,100,000 purchase price for the shares of Wing Fai Subsidiaries.

Benefit took legal action against Mr. Eric Chim for the sum of HK\$40,000,000 plus HK\$3,100,000 balance purchase price and obtained a judgment against Sino Glistler 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 Glistler 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, the directors decided not to take further action on Mr. Eric Chim since 2014.



- (c) A PRC Court (廣東省佛山市順德區人民法院) ruled in December 2013 that a wholly-owned PRC subsidiary of the Group (Shunde China Rich Properties Limited) was jointly liable with its former PRC Contractor to pay RMB3,198,013 (equivalent to HK\$4,017,536) and RMB3,961,291 (equivalent to HK\$4,976,411) to 余盛 and 張明贊 in respect of certain long outstanding construction fees. The Group appealed this decision. However, the appeal was dismissed by the People's Intermediate Court in January 2015. Following the result of the appeal, the Contractor made a further appeal to the Higher People's Court of Guangdong Province (廣東省高級人民法院) against the judgement of the appeal, but the result of the further appeal is still outstanding at the date of these financial statements. No provision for these amounts has been made as the directors consider they are fully covered by the provision for amounts due to its former PRC contractor of HK\$31,310,000 included under trade and other payables. Further details are set out in note 23 to the financial statements for the year ended 31 July 2015.

16. PLEDGE OF ASSETS

At 31 January 2016 and at 31 July 2015, 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 2016 (Unaudited) HK\$'000	31 July 2015 (Audited) HK\$'000
Operating leases which expire:		
– Within one year	539	877

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 2016 and 31 July 2015.



18. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

As set out in the announcements of Yueshou Environmental Holdings Limited (the “Company”) dated 22 May 2015, 4 June 2015, 28 July 2015 and 30 November 2015 in relation to, among other things, the proposed subscription of an aggregate of 8,300,000,000 new Shares by Classic Assets Investments Limited, Asia Pacific Resources Development Investment Limited, Gold Deal Investments Limited and Greatrise Global Limited and the Whitewash Waiver. As at the end of business of 29 February 2016, none of the conditions precedent of the Whitewash Subscription Agreement and the Other Subscription Agreement was satisfied. As no further extension of the long stop date has been agreed between the Company and the Whitewash Subscriber and the Other Subscribers respectively, the Whitewash Subscription Agreement and the Other Subscription Agreement lapsed on 29 February 2016 and the parties were released from all obligations thereunder, save for any liability arising out of any antecedent breaches.

19. APPROVAL OF INTERIM FINANCIAL REPORT

The interim financial statements were approved and authorised for issue by the Board of Directors on 23 March 2016.



INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 31 January 2016 (31 January 2015: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

CORPORATE RESULTS

For the six months period ended 31st January, 2016 (the "Period"), Yueshou Environmental Holdings Limited (the "Company", together with its subsidiaries, collectively, the "Group") recorded revenue from operations of approximately HK\$4.2 million, representing an increase of 264% as compared to the corresponding period in 2015. The Group's loss for the Period attributable to owners of the Company was approximately HK\$21.8 million (2015: HK\$22.4). The total comprehensive income of the Group for the Period was approximately a loss of HK\$20.6 million (2015: HK\$22.5 million), which was mainly due to decrease in fair value of investment property and decrease in fair value of investments of equity securities listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The basic loss per share for the Period was 0.73 HK cent (basic loss per share of 1.54 HK cent for the corresponding period in 2015).

Business Review

The Group's major business activities include financial services and property investment.

Financial Services

Turnover in this segment was made from a first advance in September 2015 in the form of a secured one-year term loan of HK\$50 million with interest at 13.2% per annum, with the approval of the Shareholders. Interest income of HK\$2,232,000 (2015: nil) was recognised during the period.

Property Development

Turnover in this segment was derived from property development and leasing of properties. During the period under review, the Group recorded the rental, management and related fee income of approximately HK\$1,992,000 (2014: HK\$1,161,000). The fair value of investment properties decreased by approximately HK\$11,702,000 (year ended 31 July 2015: Gain of HK\$8,749,000). It mainly due to a loss arising from change in fair value of investment properties located in Shunde, Guangdong Province, the PRC and depreciation in Renminbi at 31 January 2016.

**Liquidity, Financial Resources and Gearing***Gearing ratio and current ratio*

The gearing ratio and current ratio at 31 January 2016 and 31 July 2015 were as follows:

	31 January 2016 (Unaudited) HK\$'000	31 July 2015 (Audited) HK\$'000
Debt	49,598	52,598
Total equity	293,922	314,489
Gearing ratio	16.87%	16.72%
Current ratio	2.80	2.79



Use of Proceeds

The Company has conducted the following equity fund raising activities in the past twelve months during the Period:

Date of initial announcement	Event	Net proceeds (approximate)	Intended use of proceeds	Actual use of proceeds
24 October 2014	Open offer of 1,498,086,665 Shares on the basis of one offer share for every Share held	HK\$145.7 million	(a) approximately HK\$55 million for the money lending business that the Group is tapping into; (b) approximately HK\$75 million for any potential business opportunities in the property development and/or property investment business and/or financial services business (if not utilized, for the money lending business to be developed by the Group); (c) approximately HK\$16 million as working capital of the Group.	(a) approximately HK\$50 million has been utilised for money lending business; (b) approximately HK\$5 million has been utilised for financial services; (c) used as intended for general working capital; and (d) the remaining balance yet to be utilised and is placed in licensed banks in Hong Kong.

Future Plans

Since the Whitewash Subscription Agreement and the Other Subscription Agreement lapsed on 29 February 2016, the development of financial services in internet plus related services would no longer proceed. The Group intends to focus on development of security operations, loan financing operation and continue its existing property investment business in the PRC, subject to evaluation from time to time for the macro and micro economic environment as well as the prospects of the property sector to formulate appropriate investment/exit strategies for the benefit of the Company and the Shareholders as a whole.



Financial Services

Loan financing operation

In the current economic environment and outlook, the Group will take a cautious approach in growing its loan book and in its assessment of the quality of any collateral that may be available from potential borrowers.

Security Operation

The Group is working towards establishing a full service Hong Kong securities firm registered under the Securities and Futures Ordinance (“SFO”) for type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities to facilitate securities trading and investments to the extent permitted under Hong Kong law. Revenue is expected to be generated in the form of, among others, trading commissions, brokerage and margin financing fees, financial advisory fees, placing or underwriting commission/arrangement fees, fund management fees and derived from investment and trading in securities.

A wholly-owned subsidiary of the Company entered into a sale and purchase agreement during the Period with three independent third parties to buy a company registered under the SFO for type 4 and type 9 regulated activities (“Licensed Target”). Applications for the change of substantial shareholder of the Licensed Target and a responsible officer has been submitted to the Securities and Futures Commission in December 2015. The acquisition of Licensed Target does not constitute a notifiable transaction of the Company under Chapter 14 of the Listing Rules.

Property Development

As at 31 January 2016, 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) property comprising 102 commercial units and 151 car/motorbike parking spaces with a total gross floor area of approximately 26,323 sq.m..



Foreign Currency Exposure

Borrowings and sales and purchases of the Group are generally transacted in Hong Kong Dollars and Renminbi. For the six months ended 31 January 2016, 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 2016, the Group had 35 employees in Hong Kong and China (31 July 2015: about 33). Remuneration package of the employees includes monthly salary, medical claims and (if considered appropriate) share options. The remuneration policies are formulated on the basis of performance of individual employees, the prevailing industry practice and market condition. As to our investment on human resources, education subsidies would be granted to the Group's employees, with a view to reinforce the competence of all levels of our employees. Share options would be granted to respective employees with outstanding performance and contributions to the Group.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES

As at 31 January 2016, 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
Dr. Yang Zijiang (Note 1)	Beneficial owner	790,771,080	26.39%
Mr. Ng Chi Lung (Note 2)	Beneficial owner	28,000,000	0.93%
Mr. Lin Chaofan (Note 3)	Beneficial owner	600,000	0.02%

Notes:

1. Dr. Yang Zijiang ("Dr. Yang") is an executive Director. The 790,771,080 Shares included 366,771,080 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. Lin Chaofan is an independent non-executive Director.

Save as disclosed above, as at 31 January 2016, 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 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 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 2016.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

So far as was known to the Directors, as at 31 January 2016 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
Dr. Yang (<i>Note a</i>)	Beneficial owner	790,771,080	26.39%
Mr. Fong (<i>Note b</i>)	Beneficial owner	366,771,080	12.24%
Green Logic Investments Limited (<i>Note c</i>)	Beneficial owner	366,771,080	12.24%

Note a: As at 31 January 2016, among the 790,771,080 shares held by Dr. Yang Zijiang (“Dr. Yang”) include 366,771,080 shares held under Green Logic Investments Limited which is owned as to 62.40% and 37.60% by Dr. Yang and Mr. Fong, respectively.

Note b: As at 31 January 2016, 366,771,080 shares are legally and beneficially held by the name of Mr. Fong Chi Chung (“Mr. Fong”) and Dr. 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 2016, 366,771,080 Shares are legally and beneficially held by the name of Green Logic Investments Limited, which is in turn owned by Dr. Yang and Mr. Fong. See notes 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 2016.



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 2016, 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 6 January 2014 while the Company has not had a formal CEO for some time. The Company is still looking for suitable candidates to fill these two roles and will make appropriate announcements when a suitable candidate has been found.

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 January 2016, no non-executive Directors were appointed and 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.

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 2016.



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 2016.

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 2016 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

The 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, 23 March 2016