Annual Report **2007**

# GREEN ENERGY GROUP LIMITED

# 綠 色 能 源 科 技 集 團 有 限 公 司

(Incorporated in Bermuda with limited liability)

Stock Code: 979

# Contents

# Corporate Information

## DIRECTORS

**Executive Directors**

Mr. Yip Wai Leung Jerry *(Chairman)*
Mr. Ming Kar Fook Charles
(Deceased on 2 March 2008)

**Independent Non-Executive Directors**

Mr. Chan Kai Yung Ronney
Mr. So Yin Wai
Ms. Zhu You Chun

## AUDIT COMMITTEE

Mr. So Yin Wai *(Chairman)*
Mr. Chan Kai Yung Ronney
Ms. Zhu You Chun

## REMUNERATION COMMITTEE

Mr. Chan Kai Yung Ronney *(Chairman)*
Mr. So Yin Wai
Ms. Zhu You Chun

## NOMINATION COMMITTEE

Ms. Zhu You Chun *(Chairwoman)*
Mr. Chan Kai Yung Ronney
Mr. Yip Wai Leung Jerry

## COMPANY SECRETARY

Mr. Tam Pei Qiang

## QUALIFIED ACCOUNTANT

Mr. Tam Pei Qiang

## AUDITORS

Deloitte Touche Tohmatsu

## LEGAL ADVISORS

Chiu & Partners
Conyers Dill & Pearman

## PRINCIPAL BANKERS

The Hong Kong and Shanghai Banking
Corporation Limited
Wing Hang Bank Limited

## REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

21 New Henry House
10 Ice House Street
Central
Hong Kong

## PRINCIPAL SHARE REGISTRARS AND TRANSFER OFFICE

The Bank of Bermuda Limited
6 Front Street,
Hamilton HM 11
Bermuda

## HONG KONG BRANCH SHARE REGISTRARS AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Room 1901-5, 19th Floor
Hopewell Centre
183 Queen's Road East
Hong Kong

## STOCK CODE

0979

# Chairman's Statement



On behalf of the board of directors (the "Board") of Green Energy Group Limited (the "Company") and its subsidiaries (collectively, the "Group"), I am pleased to present the annual report of the Group for the financial year ended 31 December 2007 ("FY2007").

## FINANCIAL PERFORMANCE

During FY2007 the Group's turnover dropped 67.1% to approximately HK$18.7 million from HK$56.9 million in the financial year ended 31 December 2006 ("FY2006"). The significant decreased in turnover mainly due to a downturn in construction business in the People's Republic of China ("PRC"). The net loss increased to HK$42.1 million during FY2007 from HK$29.0 million in FY2006. The increase in such loss arose because of impairment loss on goodwill and other intangible assets of approximately HK$20.6 million, which acquired by the Group in previous year.

## BUSINESS REVIEW

**Construction contractor**

In FY2007 the main sources of income of the Group continued to derive from construction project in the Guangdong Province, PRC where the Group had developed over the last few years. However, in view of the Group's new business direction and in anticipations of the adverse impact of the austerity measures adopted by the authorities of the PRC to curb overheating of the economy, and the Board has reduced our emphasis in the construction sector and expand its business in the recycling and waste-to-energy projects. It is expected that less revenue will be generated from this business segment in the coming year.

**Trading of recyclable plastic materials**

In FY2007 the Group has developed a new business in the trading of recyclable plastic materials, such as PET, LDPE, PP and used washed X-ray flakes. Such goods will be imported from Europe, America and Canada for resale to the PRC and other Asian territories where the demands for such materials remain strong.

**Trading of bio-cleaning products**

In FY2007 the turnover of this business is not very satisfactory, but it has made significant improvement in the succeeding year. More and more customers recognise the advantage of our products. The property and facility managements in Hong Kong have become increasingly concerned at the requirement to undertake maintenance with cleaning agents that are recognised or certified as more environmental preferable such as our products to which green labels have been awarded by Green Council. The revenue is expected to multiply in the succeeding year.

# Chairman's Statement

## APPRECIATION

On behalf of the Board, I would like to thank the management and staff members for their continued dedication and contribution. I would also like to express our gratitude to our shareholders for their support of the Group.

**Yip Wai Leung Jerry**
*Chairman*

Hong Kong, 25 April 2008

# Biographical Details of Directors and Senior Management



**Executive Directors**

**Yip Wai Leung Jerry**, aged 50, is a solicitor and a partner in the firm of J. Chan, Yip, So & Partners, of which he is one of the founding partners. Mr. Yip graduated from University of London with a Bachelor Degree in Laws. He has 19 years of legal professional experience and his principal areas of practice include commercial work, property, finance and litigation. Mr. Yip was one of the independent directors and the chairman of the Audit, Nominating and Remuneration Committees of Bio-Treat Technology Limited, a company listed on the Main Board of Singapore Exchange Securities Trading Limited, until his resignation in July 2007.

Mr. Yip is the directors of all the Company's subsidiaries except those subsidiaries incorporated in the People's Republic of China. The subsidiaries of the Company were stated in note 35 of the financial statements. Mr. Yip is also the authorised representative of the Company.

**Ming Kar Fook Charles**, aged 73, was a chartered architect and a director of Charles Ming & Associates Limited that provides architectural advice and consultancy services. Mr. Ming graduated from University of New South Wales (School of Architecture) with a Bachelor Degree in Architecture. He had business and professional experience in the construction industry. Mr. Ming had been a director of Magnum d'Or Resources Inc., a company quoted on the OTC Bulletin Board in the United States of America, until his resignation in October 2005. He deceased on 2 March 2008.

**Independent non-executive Directors**

**So Yin Wai**, aged 45, graduated from Hong Kong Polytechnic University in 1986 and has been in the accounting profession for nearly 20 years. He is a member of the Association of Chartered Certified Accountants in the United Kingdom and the Hong Kong Institute of Certified Public Accountants. He had previously worked for Peat Marwick, Mitchell & Co. and Messrs. Kwan Wong Tan & Fong and been involved in the audit of a number of international and local engagements and listed companies. He is currently the sole practitioner of his own firm known as Alex So & Co (Certified Public Accountants). Apart from his auditing experiences, Mr. So also specializes in company secretarial work, tax planning and management consultancy matters. Mr. So is currently the Vice-Chairman of China Business Association. He is the Honorary Auditor of a number of voluntary organizations, including Hong Kong Parkinson's Disease Foundation, Life Currents and Caring Centre Foundation Limited. Mr. So is one of the independent non-executive directors of Uni-Bio Science Group Limited (formerly known as New Spring Holdings Limited), a company listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange").

**Chan Kai Yung Ronney**, aged 67, was the chairman of the Area Committee of Shatin from November 1994 to March 1998 and had remained as a member of the above Area Committee for the period from April 1998 to March 2004. Mr. Chan is also a village representative of Tai Wai Village, a member of the Recreation & Sports Committee and the Environmental Improvement Committee of Shatin District Council. Mr. Chan is currently the chairman of the board of directors of Luxe Mark (International) Ltd. and he was re-elected as a member of the Rural Committee of Shatin for a term commencing from October 2007 to September 2011.

# Biographical Details of Directors and Senior Management

**Zhu You Chun**, aged 71, graduated from Kunming University of Science and Technology with a Bachelor Degree. She has over 41 years of experience in researching and academic training in the People's Republic of China and is the tenured full professor in the Department of Environmental Science and Engineering, Guangdong University of Technology. Professor Zhu's main areas of research cover wastewater control and solid waste management and reutilization. She has carried out extensive government funded and corporation entrusted environmental research projects, in addition to many other design and environmental effect assessment projects. Professor Zhu is an acknowledged expert in the fields of environmental science engineering and has published numerous articles in both Chinese and overseas journals. Her research work has won her awards and certain of her inventions were registered as patents in China. She is also one of the professional committee members of Guangdong Environmental Protection Association and is an expert in the Expert Database of China Environmental Protection Association.

**Chief Executive Officer**

**Robin Chiu**, aged 60, holds a Bachelor of Science degree in Civil Engineering from the University of Hong Kong. Mr. Chiu has strong business and management skills, having served for over 20 years at senior management level of private and public enterprises, including appointment by the then California Governor, Pete Wilson as Director for Greater China and Southeast Asia, Governor's Office of Trade and Investment. During year 1994 to 2003, Mr. Chiu was engaged by the Hong Kong Trade Development Council as Assistant Executive Director, Regional Director for Japan and Regional Director for the Americas, based in Tokyo and New York, respectively. Subsequently Mr. Chiu was appointed by the Federation of Hong Kong Industries as its Director General. The Federation of Hong Kong Industries is a leading independent industrial organization in Hong Kong with over 3,000 manufacturers as its corporate members. Mr. Chiu joined the Group in November 2007.

**Senior Management**

**Tam Pei Qiang**, aged 34, is the Financial Controller, Qualified Accountant and Company Secretary of the Group. He is responsible for the Group's accounting and finance matters. Mr. Tam holds a bachelor degree in Accountancy awarded by Hong Kong Polytechnic University and is a member of the Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants. He has over eight years of experience in accounting and finance. He joined the Group in February 2005.

**Tao Ke Wei**, aged 49, is the Deputy General Manager of the Group's construction division in the People's Republic of China. He joined the Company in April 2003. Mr. Tao graduated from Wuhan University of Technology with a Bachelor degree in Engineering.

**Chan Hon Wai Thomas**, 51, is the General Manager of ReKRETE (Asia) Limited. He is responsible for managing the total operation of ReKRETE (Asia) Limited. Mr. Chan graduated in East Asia University Macau with bachelor degree in business study. He has over 10 years of sales and marketing management experience in cleaning and sanitation industry, he has been working for two multi-national organizations in Hong Kong, JohnsonDiversey Hong Kong Limited and ISS Hong Kong Services Limited.

## FINANCIAL REVIEW

The Group's total revenue for the year ended 31 December 2007 ("FY2007") was approximately HK$18.7 million (FY2006: HK$56.9 million) representing a decrease of 67.1% as compared with that for the year ended 31 December 2006 ("FY2006").

The construction sector's revenue for the FY2007 was approximately HK$16.5 million (FY2006: HK$56.8 million) representing a decrease of 71.0% as compared with that for FY2006. Due to the change of company's main management and the Group's development strategies, together in view of the austerity measures adopted by the authorities of the People's Republic of China ("PRC") to curb overheating of the economy, the Group has put less emphasis on the PRC construction market, and the Group has been prudently and selectively in accepting new contracts in order to minimise the risk of bad debt for FY2007 and coming year.

The bio-cleaning sector's revenue for the FY2007 was approximately HK$320,000 (FY2006: HK$78,000).

Business in recyclable plastic material started its operation in March 2007, the operation has been slowed down when the Group decided to set up a warehouse and re-compressing services for the plastic material in Hong Kong, such structuring will be finalised within the second quarter of 2008. As a result, the revenue of this business only contributed HK$1,873,000 (2006: Nil) to the Group's revenue.

The Group set up two German subsidiaries in February 2007 with a view to undertaking waste recycling and management business in Germany. Several parcels of land and certain equipment were acquired during the year under review. These subsidiaries act as agents of the Group to purchase recyclable plastic materials from Germany and then resell to the Hong Kong subsidiary throughout the year under review. During FY2007, the intra-company transactions amounted to HK$2,059,000, resulting in an inventory of HK$887,000 at year-end.

During FY2007 the Group recorded a net loss of HK$42.1 million as against a net loss of HK$29.0 million for FY2006. The net loss of HK$42.1 million included impairment loss on goodwill and other intangible assets of the subsidiaries which comprised of approximately HK$20.6 million, an allowance for doubtful debts of HK$1.9 million, and amortisation of distribution right HK$2.0 million. Excluding such loss, the Group had incurred a loss of approximately HK17.6 million in FY2007.

Construction contract costs comprised of direct material, subcontracting costs and government tax other than income tax for construction projects. The total construction contract costs decreased by 63.3% from approximately HK$53.1 million in FY2006 to HK$19.5 million in FY2007, which have similar percentage decreased in revenue.

# Management Discussion and Analysis

General and administrative expenses, which included staff costs, legal and professional fees, amortisation and general administrative expenses increased by 15.8% from approximately HK$39.2 million in FY2006 to HK$45.4 million in FY2007.

After excluding the implementation of the mandatory conditional cash offer and additional general and administration cost on newly acquired subsidiaries, in particular share-based payment of approximately HK$27.6 million in FY2006 and excluding the impairment loss on goodwill and other intangible assets of approximately HK$20.6 million in FY2007, the general and administrative expenses has been increased by 113.8% in FY2007 compared with FY2006. Such increment expenses mainly due to the operating cost for newly incorporated subsidiaries in FY2007.

## LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2007 the Group had total current assets of approximately HK$93.3 million (As at 31 December 2006: 145.6 million) while total current liabilities were HK$15.1 million (As at 31 December 2006: 23.7 million). The current ratio of the Group was 617.9% (As at 31 December 2006: 614.3%). The Group has sufficient fund to settle its debts.

As at 31 December 2007 the Group had total assets of approximately HK$126.9 million (As at 31 December 2006: HK$175.0 million). The gearing ratio, calculated by dividing the total debts over its total assets were 11.9% (As at 31 December 2006: 13.5%).

The carrying amount of the Group's monetary assets and monetary liabilities are denominated in Hong Kong dollars, hence, there is no significant foreign currency exposure, and there is no financial instrument for hedging purpose.

## FUTURE PROSPECTS

The Group will continue to seek attractive business opportunities, in particular, in the areas of environmental protection and recycling in Hong Kong, the PRC and around the world with a view to generating positive cash flow and earnings for the Group.

In FY2007 the Company has acquired a distribution right from a manufacturer in Chongqing, PRC. The manufacturer mainly produces conventional gasoline generators, engines and other power equipment, and the Group has been appointed as the exclusive distributor of such products in all areas outside the PRC.

The Group is in the process of setting up a research and development team with a view to launching state-of-the-arts power generators equipped with Electronic Fuel Injection (EFI), Computer Controlled Carburetion, Digital Inverter and Multi-Fuel capability.

The result from the Dubai tradeshow held in February 2008 and Canton Trade Fair in April 2008, in which the Group participated, demonstrates that there is an exceptionally high demand for Natural Gas or Liquid Propane Gas (LPG) driven generators in South Africa, Pakistan, India, Bangladesh, and Middle East countries, where the supply of electricity has been very unstable.

The microprocessor controlled intelligent multi-fuel generators that we seek to launch in the market deliver outstanding air/fuel ratio for complete combustion to achieve maximum output power and least emissions. It overcomes the general deficiencies of conventional gas generators – loss of power and difficult to start. Some countries are experienced in the shortage of the supply of electric power and natural gas at different time of the day. The intelligent generators will satisfy their requirements to run gasoline in the morning, LPG in the afternoon, and natural gas in the evening, all in one unit.

The Group has commissioned an independent team to develop an air conditioning system that is powered or driven by natural gas. This microprocessor controlled system is targeted for the Middle East market where natural gas is abundant at very low price and gasoline price is very high. This is an exciting and unique product for many areas in the Middle East.

## CAPITAL COMMITMENTS

At the balance sheet date, the Group had commitments on capital expenditure in respect of acquisition of property, plant and equipment of HK$106,577,000 (2006: Nil) of which HK$663,000 (2006: Nil) was contracted for but not provided in the consolidated financial statement.

## CONTINGENT LIABILITIES

As at 31 December 2007 the Group did not have any material contingent liabilities.

## EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2007 the Group had 36 employees (2006: 45 employees) in Hong Kong, the PRC and Germany. The decrease in the number of employees was due to the restructuring of business and subsidiaries in the PRC.

The Group offered competitive remuneration package as an incentive to staff for improvements. The Company has a share option scheme in place as a mean to encourage and reward the eligible employees' (including directors of the Company) contributions to the Group's results and business development based on their individual performance.

The employees' remuneration, promotion and salary are assessed by reference to work performance, working experiences and professional qualifications and the prevailing market practice.

# Directors' Report

The directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2007.

## PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATION

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 35 to the consolidated financial statements.

Segmental information of the Group was disclosed in note 7 to the financial statements.

## RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2007 are set out in the consolidated income statement on page 26.

The directors do not recommend the payment of a dividend for the year.

## PROPERTY, PLANT AND EQUIPMENT

Movements in the property, plant and equipment of the Group during the year are set out in note 16 to the consolidated financial statements.

## DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at 31 December 2007 comprised the contributed surplus of HK$56,897,000 (2006: HK$56,897,000).

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

(a) it is, or would after the payment be, unable to pay its liabilities as they become due; or

(b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

## FIVE YEARS FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out below:

**Results**

| | Year ended 31 December | | | | |
|---|---|---|---|---|---|
| | 2007 | 2006 | 2005 | 2004 | 2003 |
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| Turnover | 18,689 | 56,904 | 51,688 | 36,781 | 14,062 |
| Operating loss after finance costs | (19,979) | (5,711) | (4,607) | (10,875) | (126,382) |
| Share of profits (loss) of associated companies | – | – | – | – | 2 |
| Amortisation of premium on acquisition of associated companies | – | – | – | – | (7,764) |
| Impairment loss on investments in associated companies | – | – | – | – | (11,862) |
| Impairment loss on investment held for resale | – | – | – | – | (115,739) |
| Gain (loss) on disposal of subsidiaries | – | 939 | 1,068 | 23,022 | – |
| Gain on disposal of property, plant and equipment | – | 1,256 | – | – | – |
| Gain on deconsolidation of a subsidiary | – | – | – | 50,239 | – |
| Gain on debt discharged under Creditors' Scheme | – | – | – | 100,306 | – |
| Gain on waiver of accrual directors' remuneration | – | 3,384 | – | – | – |
| Share-based payment expenses | (991) | (27,574) | – | – | – |
| Impairment loss on goodwill | (8,875) | – | – | – | – |
| Impairment loss on other intangible assets | (11,745) | – | – | – | – |
| (Loss) profit before taxation | (41,590) | (27,706) | (3,539) | 162,692 | (261,745) |
| Taxation | (544) | (1,246) | (1,019) | (841) | (596) |
| (Loss) profit for the year | (42,134) | (28,952) | (4,558) | 161,851 | (262,341) |
| Attributable to: | | | | | |
| Shareholders' of the Company | (42,134) | (28,952) | (4,558) | 161,851 | (262,341) |

# Directors' Report

## FIVE YEARS FINANCIAL SUMMARY – continued

| **Assets and Liabilities** | As at 31 December 2007 HK$'000 | 2006 HK$'000 | 2005 HK$'000 | 2004 HK$'000 | 2003 HK$'000 |
|---|---|---|---|---|---|
| Total assets | 126,934 | 174,999 | 25,839 | 27,472 | 8,336 |
| Total liabilities | (15,064) | (23,733) | (24,654) | ( 21,826) | (185,897) |
| Total equity attributable to shareholders of the Company | 111,870 | 151,266 | 1,185 | 5,646 | (177,561) |

## SHARE CAPITAL

Details of movements of the Company during the year are set out in note 26 to the consolidated financial statements.

## DIRECTORS

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

**Executive directors**

Mr. Yip Wai Leung Jerry *(Chairman)*
Mr. Ming Kar Fook Charles (Deceased on 2 March 2008)

**Independent non-executive directors**

Mr. Chan Kai Yung, Ronney
Mr. So Yin Wai
Ms. Zhu You Chun

In accordance with Clause 99 of the Company's Bye-Laws, Mr. So Yin Wai and Mr. Yip Wai Leung Jerry retire by rotation and being eligible, offer themselves for re-election.

No directors proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

## INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

At 31 December 2007, the interests of the directors and the chief executives and their associates in the shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Future Ordinance ("SFO"), or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

**Ordinary shares of HK$0.10 each of the Company**

| Name of director/chief executive | Capacity | Number of issued ordinary shares held | Percentage of the issued share capital of the Company |
|---|---|---|---|
| Mr. Yip Wai Leung, Jerry | Settlor of a discretionary trust | 222,971,436 | 64.90% |
| | Beneficial owner | 340,000 * | 0.10% |
| Mr. So Yin Wai | Beneficial owner | 340,000 * | 0.10% |
| Mr. Chan Kai Yung, Ronney | Beneficial owner | 340,000 * | 0.10% |
| Ms. Zhu You Chun | Beneficial owner | 340,000 * | 0.10% |
| Mr. Robin Chiu | Held by controlled corporation | 1,000,000 * | 0.29% |

* These underlying shares represent the shares to be issued and allotted upon the exercise of the option granted by the Company to the directors/chief executive pursuant to the share option scheme of the Company.

Other than as disclosed above, the Company has not been notified at any other relevant interests in the issued share capital of the Company as at 31 December 2007.

## SHARE OPTIONS

Particulars of the Company's share option scheme are set out in note 32 to the consolidated financial statements.

## ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the option holdings disclosed above, at no time during the year was the Company its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## DIRECTORS' SERVICE CONTRACTS

The executive Director, Mr. Yip Wai Leung Jerry entered into a service contract with the Company, which expired on 31 December 2007. The service contract is subjected to renew after expiration.

Save as disclosed above, no directors are proposed for re–election at the Annual General Meeting has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

## DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as dislcosed in the section headed "Connected Transactions" of this Directors' Report, no contract of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## BIOGRAPHICAL DETAILS OF DIRECTORS

Brief biographical details of the Directors as at the date of this Directors' Report are set out on pages 5 and 6.

## MAJOR CUSTOMERS AND SUPPLIERS

The percentage of sales and purchases for the year attributable to the Group's major customers and suppliers are as follows:

| | |
|---|---|
| Sales | |
| – the largest customer | 77.1% |
| – five largest customers combined | 89.2% |
| Purchase | |
| – the largest supplier | 68.2% |
| – five largest suppliers combined | 78.7% |

None of the Directors, their associates or any shareholders (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in the major customers or suppliers noted above.

## MANAGEMENT CONTRACT

There was no contracts concerning the management and administration of the whole or any substantial part of business during the year.

## SUBSTANTIAL SHAREHOLDERS

As at 31 December 2007, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed above in respect of certain directors and chief executives, the following shareholders had notified the Company of relevant interests and short positions in the issued share capital of the Company.

Long positions of the substantial shareholder in the shares and underlying shares of the Company:

| Name of shareholder | Capacity | No. of shares held | No. of underlying shares held | Percentage of total issued share capital |
|---|---|---|---|---|
| Always Adept Limited ("Always Adept") *(Note 1)* | Beneficial owner | 66,891,428 | – | 19.47% |
| First Win Trading Limited ("First Win") *(Note 1)* | Beneficial owner | 156,080,008 | – | 45.43% |
| Always New Limited *(Note 1)* | Interest of controlled corporation | – | 222,971,436 | 64.90% |
| The Trustee *(Note 2)* | Trustee | – | 222,971,436 | 64.90% |
| Chui Pui Fun ("Mrs. Yip") *(Note 3)* | Spouse interest | – | 222,971,436 | 64.90% |
| Mrs. Yip *(Note 4)* | Spouse interest | – | 340,000 | 0.10% |

*Notes:*

1. Always New Limited held the entire issued share capital of each of Always Adept and First Win. Always New Limited was deemed to be interested in the shares held by the Always Adept and First Win by virtue of the SFO.

2. Mr. Yip set up a discretionary family trust pursuant to a deed of settlement dated 5 December 2005 entered into between him and the Trustee. The Trustee held the entire issued shares in the capital of Always New Limited, which own the entire issued share capital of each of Always Adept and First Win, which in turn held in aggregate 222,971,436 Shares.

3. Mrs. Yip was the spouse of Mr. Yip and she was deemed to be interested in the Shares in which Mr. Yip was interested by virtue of the SFO.

4. These underlying shares represent the shares to be issued and allotted upon the exercise of the options granted by the Company to Mr. Yip pursuant to the share option scheme of the Company.

## APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing Securities on the Stock Exchange. The Company considers all of the independent non-executive directors are independent.

## CORPORATE GOVERNANCE

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report as set out on pages 18 to 23 of the annual report of the Company for the year.

## AUDIT COMMITTEE

The written terms of reference which describe the authority and duties of the audit committee of the Company ("Audit Committee") were adopted in 1999 and subsequently amended in 2005.

The Audit Committee provides an important link between the Board and the Company's auditors in matters coming within the scopes of the Group audit. It also reviews the effectiveness of the external audit and of internal controls and risk evaluation. As at the date of this report, the Audit Committee comprises three independent non–executive Directors, namely Mr. So Yin Wai as chairman, Mr. Chan Kai Yung Ronney and Ms. Zhu You Chun as members.

The Audit Committee had reviewed the audited results of the Group for the year.

## CONNECTED TRANSACTIONS

(a) During the Year, the Group paid legal and secretarial fee of HK$973,000 (2006: HK$900,000) to J. Chan Yip So & Partners, a firm of solicitors in which Mr. Yip Wai Leung Jerry was a partner.

(b) During the year, the Group granted option to subscribe for 1,000,000 shares at an exercise price of HK$1.32 per share (2006: nil) to a party of which its director is the Group's chief executive.

The related party transactions disclosed in note 34 to the consolidated financial statements and which have been disclosed in this paragraph are connected transactions or as the case may be, continuing connected transactions under Chapter 14A of the Rule Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rule"). The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

## EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the management on the basis of their merit, qualifications and competence.

The emoluments of the directors of the Company are decided by the remuneration committee, having regard to the Company's operating results, individual performance and comparable market statistics.

The Company was adopted a share option scheme as an incentive to directors, employees and other eligible participants, details of the scheme is set out in note 32 to the consolidated financial statements.

## PRE-EMPTIVE RIGHTS

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

## SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 December 2007.

## AUDITOR

During the year, Messrs. RSM Nelson Wheeler who acted as auditor of the Company for the past years, resigned and Messrs. Deloitte Touche Tohmatsu was appointed as auditor of the Company. A resolution will be submitted to the annual general meeting to re-appoint the auditor, Messrs. Deloitte Touche Tohmatsu.

On behalf of the Board

**Yip Wai Leung Jerry**
*Chairman*

25 April 2008

# Corporate Governance Report

## COMMITMENT TO CORPORATE GOVERNANCE

The Company is committed to maintaining statutory and regulatory standards and adherence to the principles of corporate governance emphasizing transparency, independence, accountability, responsibility and fairness. The board ("Board") of directors ("Directors") of the Company ensures that effective self- regulatory practices exist to protect the interests of the shareholders of the Company.

The Company has complied with the Code Provisions under the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 December 2007 (the "year under review"), save for the deviations discussed below. The following sections set out a discussion of the corporate governance practices adopted and observed by the Company, including any deviations therefrom, during the year under review.

### A. Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Listing Rules as its own securities dealing code for the Directors. All the Directors confirmed, upon specific enquiry made by the Company on them, that they had complied with the required standard set out in the Model Code regarding their securities transactions.

### B. Board of Directors

*(i)* *Board composition*

The Board currently comprises a combination of executive Directors and independent non-executive Directors. As at 31 December 2007, the Board consisted the following Directors:

Executive Directors
Mr. Yip Wai Leung Jerry *(Chairman)*
Mr. Ming Kar Fook Charles (Deseased on 2 March 2008)

Independent non-executive Directors
Mr. Chan Kai Yung Ronney
Mr. So Yin Wai
Ms. Zhu You Chun

Schedules of matters reserved for the Board include:

– To formulate overall strategy of the Company and its subsidiaries (the "Group")
– To monitor its financial performance and maintains effective oversight over the management
– To control and approve transactions which are extraordinary and significant to the Group as a whole

**B. Board of Directors** (Continued)

*(ii) Board meetings and attendance record*

The Company held five meetings during the year under review. The attendance record of the Board meetings are as follows:

| Members of the Board | Number of board meetings held during the director's term of office in 2007 | Number of meeting(s) attended |
|---|---|---|
| Chairman | | |
| Mr. Yip Wai Leung Jerry | 5 | 5 |
| Executive Directors | | |
| Mr. Ming Kar Fook Charles (Deceased on 2 March 2008) | 5 | 1 |
| Independent non-executive Directors | | |
| Mr. Chan Kai Yung Ronney | 5 | 4 |
| Mr. So Yin Wai | 5 | 5 |
| Ms. Zhu You Chun | 5 | 4 |

*(iii) Independent non-executive Directors*

In compliance with Rule 3.10(1) of the Listing Rules, the Company has appointed three independent non-executive Directors during the year under review. All independent non-executive Directors brought their wealth of experience to the Board and made active contribution to the Group. They closely monitored the developments of the Group and freely expressed their opinions at board meetings. One of the independent non-executive Directors, Mr. So Yin Wai, graduated from Hong Kong Polytechnic University in 1986 and has been in the accounting profession for nearly 20 years. He is a member of the Association of Chartered Certified Accountants in the United Kingdom and the Hong Kong Institute of Certified Public Accountants. His accounting qualification satisfies the requirements of Rule 3.10(2) of the Listing Rules.

Code Provision A.4.1 of the CG Code stipulates that non-executive directors should be appointed for a specific term subject to re-election. However, the independent non-executive Directors for the year under review were not appointed for a specific term but were subject to the retirement and rotation requirements in accordance with the Company's Bye-laws. The Company believes that the fixing of directors' tenure by Bye-laws and the shareholders right to re-elect retiring directors serves to safeguard the long term interests of the Company and such provisions are not less exacting than those in the CG Code.

**B. Board of Directors** (Continued)

*(iii) Independent non-executive Directors (Continued)*

None of the independent non-executive Directors, has any business or financial interests with the Group and each of them has confirmed their independence to the Group pursuant to Rule 3.13 of the Listing Rules. Based on such confirmation, the Board considers that all independent non-executive Directors were independent.

*(iv) Relationship among members of the Board*

There is no relationship (including financial, business, family or other material/relevant relationships) among members of the Board. All of them are free to exercise their independent judgment.

**C. Chairman and chief executive officer**

Code Provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The Company chairman is Mr. Yip Wai Leung Jerry, and the chief executive officer is Mr. Robin Chiu which was appointed on 23 November 2007.

**D. Remuneration of Directors**

The Company established a remuneration committee on 21 December 2005 with written terms of reference in compliance with the CG Code. Members of the remuneration committee as at 31 December 2007 comprised Ms. Zhu You Chun, Mr. So Yin Wai and Mr. Chan Kai Yung Ronney. Mr. Chan Kai Yung Ronney is the chairman of the remuneration committee. All votes in the remuneration committee are exercisable by independent non-executive Directors. No Directors will be involved in any discussion in connection with his own remuneration.

The main duties of the remuneration committee are as follows:

- To determine the remuneration policy of the Group
- To determine the remuneration of executive Directors upon consultation with the Chairman regarding their proposals for such remuneration
- To review and approving all equity based plans
- To review the appropriateness and relevance of the remuneration policy
- To approve the performance related pay schemes operated by the Group
- To review all share incentive plans for approval by the Board
- To review annually and take note of the remuneration trends of the Group and obtain reliable and up-to-date information about remuneration packages of other closely comparable companies

It is the Company's policy that the remuneration package of each Director shall be determined by reference to their experience, qualification and the time expected to be devoted by them on the affairs of the Company.

**D. Remuneration of Directors** (Continued)

The remuneration committee held one meeting during the year under review.

| | Number of meetings held during the committee member's term of office in 2007 | Number of meeting(s) attended |
|---|---|---|
| Mr. Chan Kai Yung Ronney | 1 | 0 |
| Mr. So Yin Wai | 1 | 1 |
| Ms. Zhu You Chun | 1 | 1 |

The Company has adopted a share option scheme on 5 June 2006, which serves as an incentive to attract, reward and motivate eligible staff etc.

Details of the share option scheme are set out in note 32 to the financial statements.

**E. Nomination of Directors**

The Company established a nomination committee on 21 December 2005. Members of the nomination committee as at 31 December 2007 comprised Mr. Chan Kai Yung Ronney, Mr. Yip Wai Leung Jerry and Ms. Zhu You Chun. Ms. Zhu You Chun is the chairwoman of the nomination committee.

The main duties of the nomination committee are as follows:

- To review the structure, size and composition of the Board regularly and to make recommendations to the Board with regard to any changes required
- To evaluate the balance of skills, knowledge and experience of the Board
- To identify and nominate any candidate for the Board's approval
- To make recommendations for the appointment and removal of the Chairman or any Director
- To make recommendations to the Board on the re-appointment of any non-executive Director at the conclusion of his specified term of office
- To report to the Board on its proceedings after each meeting.

The nomination committee has not held any meeting during the year under review.

The Group has only one executive director after 2 March 2008, the committee agrees that additional executive director should be employed. A formal meeting will be held on this matter as soon as a suitable candidate is nominated.

**E. Nomination of Directors** (Continued)

The Group will consider the background, experience and qualification of any proposed candidates to ensure that the proposed candidates possess the requisite experience, characters and integrity to act as a Director of the Company.

**F. Auditor's remuneration**

The Audit Committee of the Company is responsible for considering the appointment of the external auditors and reviewing any non-audit functions performed by the external auditors, including whether such non-audit functions could lead to any potential material adverse effect on the Company. During the year under review, the remuneration paid to the Company's auditors, Deloitte Touche Tohmatsu, is set out as follows:

| **Services rendered** | **Fees paid/payable** |
|---|---|
| | HK$ |
| Audit services | 1,650,000 |

**G. Audit committee**

As at 31 December 2007, the audit committee of the Company ("Audit Committee") comprised three independent non-executive Directors, namely Mr. Chan Kai Yung Ronney, Mr. So Yin Wai and Ms. Zhu You Chun. Mr. So Yin Wai is the chairman of the Audit Committee. Mr. So Yin Wai has the appropriate professional qualifications of accounting or related financial management expertise as required under Rule 3.21 of the Listing Rules for the purpose of such appointment.

Meetings of the Audit Committee are held not less than twice a year to review and discuss the interim and annual financial statements respectively. Additional meetings may also be held by the committee from time to time to discuss special projects or other issues which the Audit Committee considers necessary. The external auditors of the Group may request a meeting of the Audit Committee to be convened if they consider that it is necessary.

The main duties of the Audit Committee are as follows:

- To monitor the works of the external auditors
- To review the Group's interim and annual financial statements before submission to the Board
- To discuss problems and reservations arising from the interim and final audits and any matters that the external auditors may wish to discuss
- To review the Group's statement on internal control system prior to endorsement by the Board
- To consider the major findings of any internal investigation and the management's response
- To consider other topics, as defined by the Board

**G. Audit committee** (Continued)

The Audit Committee held two meetings during the year under review. The attendance record of the Audit Committee meetings for the year under review is as follows:

| Members of the Audit Committee | Number of meetings held during the committee member's term of office in 2007 | Number of meeting(s) attended |
|---|---|---|
| Mr. So Yin Wai | 2 | 2 |
| Ms. Zhu You Chun | 2 | 2 |
| Mr. Chan Kai Yung Ronney | 2 | 1 |

Throughout the year under review, the Audit Committee discharged its responsibilities by reviewing and discussing the financial results and internal control system of the Group.

Internal Control:
Pursuant to the CG Code, the Board should ensure that the Company maintains sound and effective internal controls to safeguard the shareholders' investment and the Company's asset.

The Board has reviewed the efficiency of the Group's internal control systems, including financial operation and compliance control and risk management procedure. The Company has not set up a specialized internal control department yet, but it has required its accounts department to specifically take up the responsibility of reviewing the internal control system of the Group. The Board believes that the Group is responsible to improve the internal control system continuously in order to give hand to the risk of the deficiency in the operating system, if any, with an aim to achieve the Group's objectives.

During the year under review, the Company complied with the code provisions C.2.1 of the CG Code. During the year under review, the Board conducted a full review of the effectiveness of the internal control system of the Group and discussed the assessment with the management.

**H. Directors' and auditor's acknowledgement**

The Directors acknowledge their responsibility for preparing the financial statements for the year under review.

The external auditors of the Company acknowledge their reporting responsibilities in the auditor's report on the financial statements for the year under review.

By order of the Board
**Yip Wai Leung Jerry**
*Chairman*

Hong Kong, 25 April 2008

# Independent Auditor's Report

Deloitte.
德勤

**TO THE SHAREHOLDERS OF GREEN ENERGY GROUP LIMITED**
*(incorporated in Bermuda with limited liability)*

We have audited the consolidated financial statements of Green Energy Group Limited (the "Company") and its subsidiaries (collectively referred as the "Group") set out on pages 26 to 80, which comprise the consolidated balance sheet as at 31 December 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

## DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

## AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

## AUDITOR'S RESPONSIBILITY – continued

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

## OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2007 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

**Deloitte Touche Tohmatsu**
*Certified Public Accountants*
Hong Kong

25 April 2008

# Consolidated Income Statement

For the year ended 31 December 2007

| | Notes | 2007<br>HK$'000 | 2006<br>HK$'000 |
|---|---|---|---|
| Revenue | 6 | 18,689 | 56,904 |
| Cost of finished goods sold | | (1,075) | (12) |
| Construction contract costs | | (19,542) | (53,083) |
| Gross (loss) profit | | (1,928) | 3,809 |
| Other income | 8 | 5,734 | 3,812 |
| Staff costs | | (5,489) | (10,271) |
| Depreciation and amortisation expenses | | (3,044) | (874) |
| Other expenses | | (16,209) | (28,035) |
| Impairment loss on goodwill | | (8,875) | – |
| Impairment loss on other intangible assets | | (11,745) | – |
| Gain on waiver of accrued directors' remuneration | | – | 3,384 |
| Gain on disposal of subsidiaries | | – | 939 |
| Finance costs | 9 | (34) | (470) |
| Loss before tax | | (41,590) | (27,706) |
| Income tax expense | 10 | (544) | (1,246) |
| Loss for the year attributable to equity holders of the Company | 11 | (42,134) | (28,952) |
| Loss per share – Basic | 15 | 12.30 cents | 10.58 cents |

# Consolidated Balance Sheet



At 31 December 2007

| | Notes | 2007 HK$'000 | 2006 HK$'000 |
|---|---|---|---|
| **Non-Current Assets** | | | |
| Property, plant and equipment | *16* | 21,006 | 2,024 |
| Goodwill | *17* | – | 8,875 |
| Other intangible assets | *18* | 12,608 | 18,537 |
| | | 33,614 | 29,436 |
| **Current Assets** | | | |
| Inventories | *20* | 1,438 | 550 |
| Amounts due from customers for contract work | *21* | 7,050 | 18,658 |
| Trade receivables | *22* | 3,545 | 6,072 |
| Prepayments, deposits and other receivables | | 2,219 | 470 |
| Bank balances and cash | *23* | 79,068 | 119,813 |
| | | 93,320 | 145,563 |
| **Current Liabilities** | | | |
| Trade payables | *24* | 3,879 | 12,585 |
| Accruals and other payables | | 7,169 | 7,851 |
| Tax payable | | 4,016 | 3,297 |
| | | 15,064 | 23,733 |
| **Net Current Assets** | | 78,256 | 121,830 |
| **Total Assets less Current Liabilities** | | 111,870 | 151,266 |
| **Capital and Reserves** | | | |
| Share capital | *26* | 34,358 | 34,191 |
| Share premium and reserves | *27* | 77,512 | 117,075 |
| **Total Equity** | | 111,870 | 151,266 |

The consolidated financial statements on pages 26 to 80 were approved and authorised for issue by the Board of Directors on 25 April 2008 and are signed on its behalf by:

| | |
|---|---|
| **Yip Wai Leung Jerry** | **Chan Kai Yung Ronney** |
| *Director* | *Independent non-executive Director* |

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2007

| | Attributable to equity holders of the Company | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Share capital HK$'000 | Share premium HK$'000 | Contributed surplus HK$'000 | Translation reserve HK$'000 | Share option reserve HK$'000 | General reserves HK$'000 | Accumulated losses HK$'000 | Total HK$'000 |
| At 1 January 2006 | 8,548 | 35,963 | 56,897 | 97 | – | 71 | (100,391) | 1,185 |
| Exchange differences arising on translation of foreign operations recognised directly in equity | – | – | – | 377 | – | – | – | 377 |
| Loss for the year | – | – | – | – | – | – | (28,952) | (28,952) |
| Total recognised income and expense for the year | – | – | – | 377 | – | – | (28,952) | (28,575) |
| Shares issued from open offer | 25,643 | 128,216 | – | – | – | – | – | 153,859 |
| Transaction costs attributable to issue of shares | – | (2,777) | – | – | – | – | – | (2,777) |
| Recognition of equity-settled share-based payments | – | – | – | – | 27,574 | – | – | 27,574 |
| | 25,643 | 125,439 | – | – | 27,574 | – | – | 178,656 |
| At 31 December 2006 | 34,191 | 161,402 | 56,897 | 474 | 27,574 | 71 | (129,343) | 151,266 |
| Exchange differences arising on translation of foreign operations recognised directly in equity for the year | – | – | – | 196 | – | – | – | 196 |
| Loss for the year | – | – | – | – | – | – | (42,134) | (42,134) |
| Total recognised income and expense for the year | – | – | – | 196 | – | – | (42,134) | (41,938) |
| Shares issued upon exercise of options | 167 | 2,427 | – | – | (1,043) | – | – | 1,551 |
| Recognition of equity-settled share based payments | – | – | – | – | 991 | – | – | 991 |
| | 167 | 2,427 | – | – | (52) | – | – | 2,542 |
| At 31 December 2007 | 34,358 | 163,829 | 56,897 | 670 | 27,522 | 71 | (171,477) | 111,870 |

# Consolidated Cash Flow Statement



For the year ended 31 December 2007

| | *Notes* | 2007 HK$'000 | 2006 HK$'000 |
|---|---|---|---|
| OPERATING ACTIVITIES | | | |
| Loss before tax | | (41,590) | (27,706) |
| Adjustments for: | | | |
| Interest income | | (3,561) | (2,545) |
| Finance costs | | 34 | 470 |
| Depreciation of property, plant and equipment | | 1,060 | 411 |
| Amortisation of other intangible assets | | 1,984 | 463 |
| Gain on disposal of property, plant and equipment | | – | (1,256) |
| Gain on disposal of subsidiaries | | – | (939) |
| Gain on waiver of accrued directors' remuneration | | – | (3,384) |
| Impairment loss of goodwill | | 8,875 | – |
| Impairment loss on other intangible assets | | 11,745 | – |
| Allowance for doubtful debt | | 1,864 | – |
| Write-down of inventories | | 212 | – |
| Share-based payment expenses | | 991 | 27,574 |
| Operating cash flows before movements in working capital | | (18,386) | (6,912) |
| (Increase) decrease in inventories | | (1,086) | 214 |
| Decrease (increase) in amounts due from customers for contract work | | 12,884 | (1,285) |
| Decrease (increase) in trade receivables | | 1,518 | (3,340) |
| Increase in prepayments, deposits and other receivables | | (2,189) | (666) |
| Decrease in amounts due to customers for contract works | | – | (15) |
| (Decrease) increase in trade payables | | (8,976) | 5,038 |
| (Decrease) increase in accruals and other payables | | (1,978) | 680 |
| Cash used in operations | | (18,213) | (6,286) |
| Income taxes paid | | (41) | (22) |
| NET CASH USED IN OPERATING ACTIVITIES | | (18,254) | (6,308) |

# Consolidated Cash Flow Statement

For the year ended 31 December 2007

| | Notes | 2007 HK$'000 | 2006 HK$'000 |
|---|---|---|---|
| INVESTING ACTIVITIES | | | |
| Interest received | | 3,561 | 2,545 |
| Purchase of property, plant and equipment | | (19,925) | (1,019) |
| Proceeds from disposal of property, plant and equipment | | – | 3,510 |
| Purchase of other intangible asset | | (7,800) | – |
| Acquisition of subsidiaries | 28 | – | (27,517) |
| Proceeds form disposal of subsidiaries | 29 | – | 1,151 |
| NET CASH USED IN INVESTING ACTIVITIES | | (24,164) | (21,330) |
| FINANCING ACTIVITIES | | | |
| Net proceeds from issue of shares | | 1,551 | 151,082 |
| Repayment to a then shareholder | | – | (4,361) |
| Repayment of loan from a finance company | | – | (1,229) |
| Interest paid | | (34) | (470) |
| NET CASH FROM FINANCING ACTIVITIES | | 1,517 | 145,022 |
| NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS | | (40,901) | 117,384 |
| Effect of foreign exchange rate changes | | 156 | 459 |
| CASH AND CASH EQUIVALENTS AT 1 JANUARY | | 119,813 | 1,970 |
| CASH AND CASH EQUIVALENTS AT 31 DECEMBER REPRESENTED BY BANK BALANCES AND CASH | | 79,068 | 119,813 |

## 1. GENERAL

The Company was incorporated in Bermuda as an exempted company with limited liability under the Companies Act 1981 of Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Always New Limited, a company incorporated in British Virgin Islands, is the parent and the directors consider that New Zealand Professional Trustee Limited, a company incorporated in New Zealand, is the ultimate holding company of the Company.

The company is an investment holding company. The principal activities of its subsidiaries are set out in note 35 to the consolidated financial statements.

The consolidated financial statements are presented in Hong Kong dollars, which is also the functional currency of the Company.

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

In the current year, the Group has adopted, for the first time, a number of new standards, amendments and interpretations (hereinafter collectively referred to as the "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which are effective for the Group's financial year beginning 1 January 2007.

| | |
|---|---|
| HKAS 1 (Amendment) | Capital Disclosures |
| HKFRS 7 | Financial Instruments: Disclosures |
| HK(IFRIC) – Int 7 | Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies |
| HK(IFRIC) – Int 8 | Scope of HKFRS 2 |
| HK(IFRIC) – Int 9 | Reassessment of Embedded Derivatives |
| HK(IFRIC) – Int 10 | Interim Financial Reporting and Impairment |

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

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

The Group has not early applied the following new and revised standards or interpretations that have been issued but are not yet effective. The Group is still not in the position to reasonably estimate the impact that may arise from the application of these standards or interpretations.

| | |
|---|---|
| HKAS 1 (Revised) | Presentation of Financial Statements[1] |
| HKAS 23 (Revised) | Borrowing costs[1] |
| HKAS 27 (Revised) | Consolidated and Separate Financial Statements[2] |
| HKFRS 2 (Amendment) | Vesting Conditions and Cancellations[1] |
| HKFRS 3 (Revised) | Business Combinations[2] |
| HKFRS 8 | Operating Segments[1] |
| HK(IFRIC) – Int 11 | HKFRS 2 – Group and Treasury Share Transactions[3] |
| HK(IFRIC) – Int 12 | Service Concession Arrangements[4] |
| HK(IFRIC) – Int 13 | Customer Loyalty Programmes[5] |
| HK(IFRIC) – Int 14 | HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[4] |

1 Effective for annual periods beginning on or after 1 January 2009
2 Effective for annual periods beginning on or after 1 July 2009
3 Effective for annual periods beginning on or after 1 March 2007
4 Effective for annual periods beginning on or after 1 January 2008
5 Effective for annual periods beginning on or after 1 July 2008

## 3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared under the historical cost basis.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong and by the Hong Kong Companies Ordinance.

**Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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

## 3. SIGNIFICANT ACCOUNTING POLICIES – continued

**Basis of consolidation – continued**

Where necessary, adjustments are made to the financial statements policies into line with those used by other members of the Group.

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

**Business combinations**

The acquisition of businesses is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 "Business combinations" are recognised at their fair values at the acquisition date.

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

**Goodwill**

Goodwill arising on an acquisition of a subsidiary for which the agreement date is on or after January 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities and contingent liabilities of the relevant a subsidiary at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Capitalised goodwill arising on an acquisition of a subsidiary is presented separately in the consolidated balance sheet as an intangible asset.

## 3. SIGNIFICANT ACCOUNTING POLICIES – continued

**Goodwill – continued**

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

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

**Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes.

*Construction contracts*

When the outcome of a construction contract can be estimated reliably, revenue from fixed price construction contracts is recognised on the percentage of completion method, measured by reference to the proportion that costs incurred to date bear to estimated total costs for each contract. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable.

Revenue from sale of goods is recognised when the goods are delivered and title has passed.

Service income is recognised when services are provided.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding applicable, which is the rate that exactly discounts the estimated future life of the financial asset to that asset's net carrying amount.

## 3. SIGNIFICANT ACCOUNTING POLICIES – continued

**Property, plant and equipment**

Property, plant and equipment other than freehold land, including buildings held for use in the production or supply of goods and services, or for administrative purposes are stated at cost less subsequent accumulated depreciation and accumulated impairment losses. Freehold land are not amortised and stated at cost less subsequent accumulated impairment.

Depreciation is provided to write off the cost of items of property, plant and equipment other than freehold land over their estimated useful lives and after taking into account of their estimated residual life, using the straight-line method.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year in which the item is derecognised.

**Construction contracts**

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date, as measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as an amount due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as an amount due to customers for contract work. Amounts received before the related work is performed are included in the balance sheet, as a liability, as other payable. Amounts billed for work performed but not yet paid by the customer are included in the balance sheet under trade receivables.

## 3. SIGNIFICANT ACCOUNTING POLICIES – continued

**Leasing**

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

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

**Foreign currencies**

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

**Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

## 3. SIGNIFICANT ACCOUNTING POLICIES – continued

**Retirement benefit costs**

Payments to defined contribution retirement benefit plans, state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme are charged as an expense when employees have rendered service entitling them to the contributions.

**Taxation**

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income and expense that are taxable or deductible in other years, and it further excludes income statement items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

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

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

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

## 3. SIGNIFICANT ACCOUNTING POLICIES – continued

**Intangible assets**

*Intangible assets acquired separately*

Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses.

Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated income statement when the asset is derecognised.

*Intangible assets acquired in a business combination*

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

*Research and development expenditure*

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

**Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

**Financial instruments**

Financial assets and financial liabilities are recognised on the balance sheet when the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

## 3. SIGNIFICANT ACCOUNTING POLICIES – continued

**Financial instruments – continued**

*Financial assets*

The Group's financial assets comprise loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

*Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade receivables, other receivables and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

*Impairment of financial assets*

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

For all financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For financial asset, such as trade receivables and other receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

## 3. SIGNIFICANT ACCOUNTING POLICIES – continued

**Financial instruments – continued**

*Impairment of financial assets – continued*

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 90 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets (including trade receivable and other receivables), where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When trade receivables or other receivables are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

*Financial liabilities and equity*

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

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The Group's financial liabilities are generally classified into other financial liabilities.

## 3. SIGNIFICANT ACCOUNTING POLICIES – continued

**Financial instruments – continued**

*Effective interest method*

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

Interest expense is recognised on an effective interest basis.

*Financial liabilities*

Financial liabilities including trade payables and other payables are subsequently measured at amortised cost, using the effective interest method.

*Equity instruments*

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

*Derecognition*

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

**Share-based payment transactions**

*Equity-settled share-based payment transactions*

Share options granted to employees

The fair value of services received determined by reference to the fair value of share options granted at the grant date is recognised as an expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in equity (share option reserve).

At the time when the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits.

## 3. SIGNIFICANT ACCOUNTING POLICIES – continued

**Share-based payment transactions – continued**

*Equity-settled share-based payment transactions – continued*

Share options granted to suppliers/consultants

Share options issued in exchange for goods or services are measured at the fair values of the goods or services received, unless that fair value cannot be reliably measured, in which case the goods or services received are measured by reference to the fair value of the share options granted. The fair values of the goods or services received are recognised as expenses immediately, unless the goods or services qualify for recognition as assets. Corresponding adjustment has been made to equity (share option reserve).

**Impairment losses on tangible and intangible assets other than goodwill**

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

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

## 4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

## 4. KEY SOURCES OF ESTIMATION UNCERTAINTY – continued

**Revenue and profit recognition**

The Group estimated the percentage of completion of the construction contracts by reference to the proportion that contract costs incurred for work performed to date to the estimated total costs for the contracts. When the final cost incurred by the Group is different from the amounts that were initially budgeted, such differences will impact the revenue and the profit or loss recognised in the period in which such determination is made. Budget cost of each project will be reviewed periodically and revised accordingly where significant variances are noted during the revision.

**Estimation of foreseeable losses in respect of construction contracts**

Management estimates the amount of foreseeable losses of construction works based on the management budgets prepared for the construction works. Budgeted construction income is determined in accordance with the terms set out in the relevant contracts. Budgeted construction costs which mainly comprise sub-contracting charges and costs of materials are prepared by management on the basis of quotations from time to time provided by the major contractors/suppliers/vendors involved and experience of management. In order to keep the budget accurate and up-to-date, management conducts periodic review on the management budgets by comparing the budgeted amounts to the actual amounts incurred.

**Estimated impairment of trade receivables**

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2007, the carrying amount of trade receivable is HK$3,545,000 (net of allowance for doubtful debts of HK$1,422,000).

## 5. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

**a) Capital risk management**

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

The capital structure of the Group consists of cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued share capital, reserves and accumulated losses.

## 5. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS – continued

### a) Capital risk management – continued

The directors of the Company review the capital structure on a semi-annual basis. As part of this review, the directors consider the cost of capital and the risks associates with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

### b) Financial instruments

i. *Categories of financial instruments*

| | 2007<br>HK$'000 | 2006<br>HK$'000 |
|---|---|---|
| **Financial assets** | | |
| Loans and receivables (including cash and cash equivalents) | 82,631 | 125,932 |
| **Financial liabilities** | | |
| Amortised cost | 7,365 | 18,365 |

ii. *Financial risk management objectives and polices*

The Group's major financial instruments include trade receivable, other receivable trade payables, other payables and bank balances. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include currency risk, interest rate risk, credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Currency risk

Several subsidiaries of the Company have foreign currency sales and purchases, which expose the Group to foreign currency risk. Approximately 1% of the Group's sales are denominated in currencies other than the functional currency of the group entity making the sale, whilst almost 92% of costs are denominated in the group entity's functional currency.

The carrying amounts of the Group's monetary assets and monetary liabilities are denominated in the Group's functional currency.

In management's opinion, the Group does not have significant foreign currency exposure at the balance sheet date.

## 5. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS – continued

### b) Financial instruments – continued

*ii. Financial risk management objectives and polices – continued*

Credit risk

As at 31 December 2007, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated balance sheet.

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

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

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Group also has significant concentration of credit risk on trade receivables which consist of a few customers only spread across limited industries and geographical areas.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

## 5. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS – continued

**b) Financial instruments – continued**

*ii. Financial risk management objectives and polices – continued*

Liquidity risk – continued

Liquidity and interest risk tables

| | Repayable on demand HK$'000 | Less than 6 months HK$'000 | 6 months to 1 year HK$'000 | 1-5 years HK$'000 | Total undiscounted cash flows HK$'000 | Carrying amount at 31.12.2007 HK$'000 |
|---|---|---|---|---|---|---|
| **2007** | | | | | | |
| **Non-derivative financial liabilities** | | | | | | |
| Trade payables | 1,003 | 163 | – | 2,713 | 3,879 | 3,879 |
| Other payables | 3,486 | – | – | – | 3,486 | 3,486 |
| | 4,489 | 163 | – | 2,713 | 7,365 | 7,365 |

| | Repayable on demand HK$'000 | Less than 6 months HK$'000 | 6 months to 1 year HK$'000 | 1-5 years HK$'000 | Total undiscounted cash flows HK$'000 | Carrying amount at 31.12.2006 HK$'000 |
|---|---|---|---|---|---|---|
| **2006** | | | | | | |
| **Non-derivative financial liabilities** | | | | | | |
| Trade payables | 11,777 | – | – | 808 | 12,585 | 12,585 |
| Other payables | 5,780 | – | – | – | 5,780 | 5,780 |
| | 17,557 | – | – | 808 | 18,365 | 18,365 |

The Group has also monitored closely the funding requirement to meet commitments associated with the capital expenditure in respect of acquisition of property, plant and equipment of HK$106,577,000. The property, plant and equipment would be acquired in three phases, based on the progress of the development of waste recycling and management segment.

## 5. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS – continued

### c) Fair value

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input.

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

## 6. REVENUE

The Group's revenue which represents revenue from construction contracts and trading of cleaning materials and recyclable plastic materials.

| | 2007<br>HK$'000 | 2006<br>HK$'000 |
|---|---|---|
| Revenue from construction contracts | 16,496 | 56,826 |
| Trading of bio-cleaning materials | 320 | 78 |
| Trading of recyclable plastic materials | 1,873 | – |
| | 18,689 | 56,904 |

## 7. BUSINESS AND GEOGRAPHICAL SEGMENTS

**Business segments**

In the previous financial year, the Group was organised into two operating divisions, construction contracts and trading of bio-cleaning materials. During the year ended 31 December 2007, following the expansion of the Group's distribution and trading of recyclable plastic materials and waste recycling and management operations. The Group reorganised its segment information into three operating divisions – construction contracts, distributions and trading and waste recycling. These divisions are on the basis on which the group reports its primary segment information.

| | | |
|---|---|---|
| Construction contracts | – | Provision of construction works |
| Distributions and trading | – | Trading of bio-cleaning materials and recyclable plastic materials |
| Waste recycling | – | Provision of waste recycling and management |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

## 7. BUSINESS AND GEOGRAPHICAL SEGMENTS – continued

**Business segments – continued**

Segment information about these businesses is presented below:

**2007**

| | Year ended 31 December 2007 | | | | |
|---|---|---|---|---|---|
| | **Construction contracts** HK$'000 | **Distributions and trading** HK$'000 | **Waste recycling** HK$'000 | **Eliminations** HK$'000 | **Consolidated** HK$'000 |
| REVENUE | | | | | |
| External sales | 16,496 | 2,193 | – | – | 18,689 |
| Inter-segment sales | – | – | 2,059 | (2,059) | – |
| | 16,496 | 2,193 | 2,059 | (2,059) | 18,689 |
| RESULTS | | | | | |
| Segment results | (5,250) | (27,901) | (2,846) | (18) | (36,015) |
| Other income | | | | | 5,547 |
| Unallocated corporate expenses | | | | | (11,088) |
| Finance costs | | | | | (34) |
| Loss before tax | | | | | (41,590) |
| Income tax expense | | | | | (544) |
| Loss for the year | | | | | (42,134) |

## 7. BUSINESS AND GEOGRAPHICAL SEGMENTS – continued

**Business segments – continued**

**2007 – continued**

**BALANCE SHEET**

| | At 31 December 2007 | | | |
|---|---|---|---|---|
| | **Construction contracts** HK$'000 | **Distributions and trading** HK$'000 | **Waste recycling** HK$'000 | **Consolidated** HK$'000 |
| ASSETS | | | | |
| Segment assets | 10,782 | 10,027 | 15,686 | 36,495 |
| Unallocated corporate assets | | | | 90,439 |
| Consolidated total assets | | | | 126,934 |
| LIABILITIES | | | | |
| Segment liabilities | 7,103 | 1 | 658 | 7,762 |
| Unallocated corporate liabilities | | | | 7,302 |
| Consolidated total liabilities | | | | 15,064 |

| | Year ended 31 December 2007 | | | | |
|---|---|---|---|---|---|
| | **Construction contracts** HK$'000 | **Distributions and trading** HK$'000 | **Waste recycling** HK$'000 | **Unallocated** HK$'000 | **Consolidated** HK$'000 |
| OTHER INFORMATION | | | | | |
| Capital expenditures | – | 2,005 | 15,874 | 9,846 | 27,725 |
| Depreciation and amortisation | 227 | 1,934 | 317 | 566 | 3,044 |
| Write-down of inventories | 212 | – | – | – | 212 |
| Share-based payment expenses | – | – | – | 991 | 991 |
| Allowance for doubtful debt | 1,422 | – | 442 | – | 1,864 |
| Impairment loss on goodwill | – | 8,875 | – | – | 8,875 |
| Impairment loss on other intangible asset | – | 11,745 | – | – | 11,745 |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

## 7. BUSINESS AND GEOGRAPHICAL SEGMENTS – continued

**Business segments – continued**

**2006**

| | Year ended 31 December 2006 | | |
|---|---|---|---|
| | **Construction contracts** HK$'000 | **Distributions and trading** HK$'000 | **Consolidated** HK$'000 |
| REVENUE | | | |
| External sales | 56,826 | 78 | 56,904 |
| RESULTS | | | |
| Segment results | (1,542) | (19,745) | (21,287) |
| Other income | | | 3,803 |
| Unallocated corporate expenses | | | (14,075) |
| Gain on waiver of accrued directors' remuneration | | | 3,384 |
| Gain on disposal of subsidiaries | | | 939 |
| Finance costs | | | (470) |
| Loss before tax | | | (27,706) |
| Income tax expense | | | (1,246) |
| Loss for the year | | | (28,952) |

## 7. BUSINESS AND GEOGRAPHICAL SEGMENTS – continued

**Business segments – continued**

**2006 – continued**

**BALANCE SHEET**

| | At 31 December 2006 | | |
|---|---|---|---|
| | **Construction contracts** | **Distributions and trading** | **Consolidated** |
| | HK$'000 | HK$'000 | HK$'000 |
| ASSETS | | | |
| Segment assets | 28,045 | 28,563 | 56,608 |
| Unallocated corporate assets | | | 118,391 |
| Consolidated total assets | | | 174,999 |
| LIABILITIES | | | |
| Segment liabilities | 19,331 | 5 | 19,336 |
| Unallocated corporate liabilities | | | 4,397 |
| Consolidated total liabilities | | | 23,733 |

| | Year ended 31 December 2006 | | | |
|---|---|---|---|---|
| | **Construction contracts** | **Distributions and trading** | **Unallocated** | **Consolidated** |
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| OTHER INFORMATION | | | | |
| Capital expenditures | 65 | 28,199 | 944 | 29,208 |
| Depreciation and amortisation | 216 | 487 | 171 | 874 |
| Share-based payment expenses | 2,348 | 18,765 | 6,461 | 27,574 |

The Group's operations are located in the People's Republic of China ("PRC"), Hong Kong and Germany. The Group's provision of contracts works is located in PRC, trading of bio-cleaning materials and trading of recyclable plastic materials are carried out in Hong Kong and provision of waste recycling and management is carried out in Germany.

## 7. BUSINESS AND GEOGRAPHICAL SEGMENTS – continued

**Geographical segments**

The following table provides an analysis of the Group's sales by geographical market, respect of the origin of goods/services:

| | Sales revenue by geographical market | |
|---|---|---|
| | 2007 | 2006 |
| | HK$'000 | HK$'000 |
| Hong Kong | 2,193 | 78 |
| The PRC | 16,496 | 56,826 |
| | 18,689 | 56,904 |

The following analysis of the carrying amount of segment assets and capital expenditure, analysis by geographical are in which the assets are based:

| | Carrying amount of segment assets | | Capital expenditures | |
|---|---|---|---|---|
| | 2007 | 2006 | 2007 | 2006 |
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| Hong Kong | 10,027 | 28,563 | 11,851 | 29,143 |
| The PRC | 10,782 | 28,045 | – | 65 |
| Germany | 15,686 | – | 15,874 | – |
| | 36,495 | 56,608 | 27,725 | 29,208 |

## 8. OTHER INCOME

| | 2007 | 2006 |
|---|---|---|
| | HK$'000 | HK$'000 |
| Interest income from bank deposits | 3,561 | 2,545 |
| Gain on disposal of property, plant and equipment | – | 1,256 |
| Exchange gain (net) | 1,978 | – |
| Others | 195 | 11 |
| | 5,734 | 3,812 |

## 9. FINANCE COSTS

| | 2007<br>HK$'000 | 2006<br>HK$'000 |
|---|---|---|
| Interest on bank loans wholly repayable within five years | – | 46 |
| Interest on other borrowings wholly repayable within five years | 34 | 424 |
| | 34 | 470 |

## 10. INCOME TAX EXPENSE

| | 2007<br>HK$'000 | 2006<br>HK$'000 |
|---|---|---|
| PRC Enterprise Income Tax | | |
| Current year | 544 | 1,245 |
| Underprovision in prior years | – | 1 |
| | 544 | 1,246 |

No provision for Hong Kong Profits Tax has been made in the financial statements as the Group has no assessable profit in Hong Kong for both years.

The PRC Enterprise income tax is calculated at the rates applicable to respective subsidiaries of the Group.

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the People's Republic of China. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations will change the tax rate from 33% to 25% for certain subsidiaries from 1 January 2008.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

## 10. INCOME TAX EXPENSE – continued

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

| | 2007<br>HK$'000 | 2006<br>HK$'000 |
|---|---|---|
| Loss before tax | (41,590) | (27,706) |
| Tax at the Hong Kong Profits Tax rate of 17.5% | (7,279) | (4,849) |
| Tax effect of expenses not deductible for tax purpose | 5,584 | 5,391 |
| Tax effect of income not taxable for tax purpose | (1,099) | (1,374) |
| Tax effect of temporary differences not recognised | (14) | (34) |
| Tax effect of tax losses not recognised | 1,925 | 660 |
| Effect of different tax rates of subsidiaries operated in other jurisdiction | 1,427 | 1,453 |
| Underprovision in respect of prior years | – | (1) |
| Tax charge for the year | 544 | 1,246 |

## 11. LOSS FOR THE YEAR

| | 2007<br>HK$'000 | 2006<br>HK$'000 |
|---|---|---|
| Loss for the year has been arrived at after charging: | | |
| Depreciation for property, plant and equipment | 1,060 | 411 |
| Amortisation of other intangible assets | 1,984 | 463 |
| Auditors' remuneration | 1,650 | 680 |
| Cost of inventories sold | 863 | 12 |
| Minimum lease payments for operating leases in respect of rented premises | 1,556 | 135 |
| Research and development expenditure (2006: including share-based payment expenses HK$6,997,000) | 15 | 7,067 |
| Allowance for doubtful debt | 1,864 | – |
| Written-down of inventories | 212 | – |
| Staff costs including directors' emoluments | | |
| Salaries and allowance | 5,049 | 3,458 |
| Retirement benefit scheme contributions | 440 | 427 |
| Share-based payment expenses to employees | – | 6,386 |
| | 5,489 | 10,271 |
| Share-based payment expenses to other non-employees | 991 | 14,191 |

## 12. DIRECTORS' EMOLUMENTS

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

| | Notes | Fees HK$'000 | Salaries and allowances HK$'000 | Retirement benefit scheme contributions HK$'000 | Share-based payment expenses HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|
| **Executive Directors** | | | | | | |
| Mr. Yip Wai Leung Jerry | | – | 900 | 12 | – | 912 |
| Mr. Ming Kar Fook Charles | *(a)* | – | – | – | – | – |
| **Independent non-executive Directors** | | | | | | |
| Mr. So Yin Wai | | 50 | – | – | – | 50 |
| Ms. Zhu You Chun | | 50 | – | – | – | 50 |
| Mr. Chan Kai Yung Ronney | | 50 | – | – | – | 50 |
| Total for 2007 | | 150 | 900 | 12 | – | 1,062 |
| **Executive Directors** | | | | | | |
| Mr. Yip Wai Leung Jerry | | – | 450 | 221 | 6 | 677 |
| Mr. Ming Kar Fook Charles | | – | – | – | – | – |
| Mr. Tam Jin Rong | *(b)* | – | – | – | – | – |
| Mr. Tao Ke Wei | *(b)* | – | 60 | – | – | 60 |
| Mr. Tam Kai On | *(b)* | – | 61 | – | 4 | 65 |
| **Independent non-executive Directors** | | | | | | |
| Mr. So Yin Wai | | 44 | – | 221 | – | 265 |
| Ms. Zhu You Chun | | 44 | – | 221 | – | 265 |
| Mr. Chan Kai Yung Ronney | | 29 | – | 221 | – | 250 |
| Mr. Zhou Yaoming | *(c)* | 15 | – | – | – | 15 |
| Mr. Lau Kwok Wah | *(b)* | 15 | – | – | – | 15 |
| Mr. Huang Shou Deng | *(b)* | 15 | – | – | – | 15 |
| Mr. Tsui Wing Tak | *(b)* | 24 | – | – | – | 24 |
| Total for 2006 | | 186 | 571 | 884 | 10 | 1,651 |

## 12. DIRECTORS' EMOLUMENTS – continued

*Notes:*

(a) Deceased on 2 March 2008
(b) Resigned on 24 March 2006
(c) Resigned on 5 June 2006

No directors waived any emoluments in the year ended 31 December 2007. In the year ended 31 December 2006, three directors waived accrued emoluments of HK$3,384,000.

## 13. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, one (2006: one) was director of the Company, whose emolument is included in disclosure in note 12 above. The emoluments of the remaining four (2006: four) individuals, are as follows:

| | 2007<br>HK$'000 | 2006<br>HK$'000 |
|---|---|---|
| Salaries and other benefits | 1,536 | 1,165 |
| Contributions to retirement benefits scheme | 45 | 22 |
| Share-based payment expenses | – | 3,806 |
| | 1,581 | 4,993 |

Their emoluments were within the following band:

| | 2007<br>Number of<br>employees | 2006<br>Number of<br>employees |
|---|---|---|
| Nil to HK$1,000,000 | 4 | 3 |
| HK$2,500,001 to HK$3,000,000 | – | 1 |

The remuneration policies of the Group are based on the prevailing remuneration level in the market and the performance of respective group companies and individual employees. During both years, no emoluments were paid by the Group on the five highest paid individual as an inducement to join or upon joining the Group.

## 14. DIVIDEND

No dividend was paid or proposed, nor has any dividend been proposed since the balance sheet date for the both years.

## 15. LOSS PER SHARE

The calculation of the basic loss per share attributable to the ordinary equity holders of the Company based on the following data:

| | 2007 HK$'000 | 2006 HK$'000 |
|---|---|---|
| **Loss** | | |
| Loss for the purposes of basic loss per share | 42,134 | 28,952 |

| | 2007 | 2006 |
|---|---|---|
| **Number of shares** | | |
| Weighted average number of ordinary shares for the purposes of basic loss per share | 342,486,269 | 273,526,541 |

No diluted losses per share have been presented for both years because the share options outstanding had an anti-dilutive effect in the calculation of diluted loss per share.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

## 16. PROPERTY, PLANT AND EQUIPMENT

| | Freehold land | Buildings | Leasehold improvements | Furniture, fixtures and equipment | Motor vehicles | Total |
|---|---|---|---|---|---|---|
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| COST | | | | | | |
| At 1 January 2006 | – | 2,174 | 320 | 1,958 | 103 | 4,555 |
| Additions | – | – | 191 | 148 | 680 | 1,019 |
| Acquired on acquisition of subsidiaries | – | – | 192 | 110 | 12 | 314 |
| Disposals | – | (2,174) | (201) | (907) | (37) | (3,319) |
| At 31 December 2006 | – | – | 502 | 1,309 | 758 | 2,569 |
| Exchange adjustments | – | – | 15 | 136 | 8 | 159 |
| Additions | 7,393 | 1,318 | 2,225 | 8,467 | 522 | 19,925 |
| At 31 December 2007 | 7,393 | 1,318 | 2,742 | 9,912 | 1,288 | 22,653 |
| DEPRECIATION | | | | | | |
| At 1 January 2006 | – | 66 | 82 | 1,032 | 19 | 1,199 |
| Provided for the year | – | 35 | 86 | 200 | 90 | 411 |
| Eliminated on disposals | – | (101) | (65) | (879) | (20) | (1,065) |
| At 31 December 2006 | – | – | 103 | 353 | 89 | 545 |
| Exchange adjustments | – | – | 6 | 34 | 2 | 42 |
| Provided for the year | – | 28 | 247 | 549 | 236 | 1,060 |
| At 31 December 2007 | – | 28 | 356 | 936 | 327 | 1,647 |
| CARRYING VALUES | | | | | | |
| At 31 December 2007 | 7,393 | 1,290 | 2,386 | 8,976 | 961 | 21,006 |
| At 31 December 2006 | – | – | 399 | 956 | 669 | 2,024 |

The above items of property, plant and equipment other than freehold land, are depreciated on a straight-line method at the following rates per annum:

| | |
|---|---|
| Buildings | Over unexpired lease term |
| Leasehold improvements | Over the shorter of terms of the leases and 5 years |
| Furniture, fixtures and equipment | 10% – 30% |
| Motor vehicles | 20% |

Freehold land and building are situated outside Hong Kong.

## 17. GOODWILL

| | HK$'000 |
|---|---|
| COST | |
| At 1 January 2006 | – |
| Arising on acquisition of subsidiaries | 8,875 |
| At 31 December 2006 and 31 December 2007 | 8,875 |
| IMPAIRMENT | |
| At 1 January 2006 and 31 December 2006 | – |
| Impairment loss recognised during the year | 8,875 |
| At 31 December 2007 | 8,875 |
| CARRYING AMOUNTS | |
| At 31 December 2007 | – |
| At 31 December 2006 | 8,875 |

Particulars regarding impairment testing on goodwill are disclosed in note 19.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

## 18. OTHER INTANGIBLE ASSETS

| | **Distribution rights** |
|---|---|
| | HK$'000 |
| COST | |
| At 1 January 2006 | – |
| Arising on acquisition of subsidiaries | 19,000 |
| At 31 December 2006 | 19,000 |
| Additions | 7,800 |
| At 31 December 2007 | 26,800 |
| AMORTISATION AND IMPAIRMENT | |
| At 1 January 2006 | – |
| Charge of the year | 463 |
| At 31 December 2006 | 463 |
| Charge of the year | 1,984 |
| Impairment loss recognised during the year | 11,745 |
| At 31 December 2007 | 14,192 |
| CARRYING VALUES | |
| At 31 December 2007 | 12,608 |
| At 31 December 2006 | 18,537 |

The Group holds two exclusive distribution rights from third parties to distribute those third parties' cleaning materials in specific Asian countries and generators in countries other than the PRC for a period of twelve years commencing from 1 January 2005 and a period of ten years commencing from 5 November 2007 respectively. The Group has an option to renew the distribution rights of cleaning materials and generators for a term of six years and five years respectively, subject to the terms of agreement.

The exclusive distribution rights have finite useful lives and is subject to amortisation. Amortisation is charged to the income statement using straight-line method to allocate the acquisition cost over their estimated useful lives. In the case where there is any impairment in value, the unamortised balance is written down to its estimated recoverable amount.

Particular regarding the impairment test on other intangible assets are disclosed in note 19.

## 19. IMPAIRMENT TESTING ON GOODWILL AND OTHER INTANGIBLE ASSETS

(a) On 10 October 2006, the Group acquired 100% equity interest of ReKRETE International Limited ("ReKRETE International') and its subsidiary, namely ReKRETE (Asia) Limited ("ReKRETE Asia"). ReKRETE Asia is principally engaged in trading of bio-cleaning materials. The goodwill on consolidation generated from the acquisition of ReKRETE International and ReKRETE Asia (collectively referred to as "ReKRETE Group") was HK$8,875,000. ReKRETE Asia holds an exclusive distribution right with initial amount of HK$19,000,000 recognised as other intangible asset in the consolidated balance sheet. Details of other intangible assets are set out in note 18.

The goodwill and other intangible assets are allocated to the Group's cash generating unit ("CGU") identified to trading of bio-cleaning materials included in business segment of distributions.

The recoverable amount of this CGU has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 10-year period, and discount rate of 16%. The cash flows for the first 5-year period are extrapolated using a steady 33% growth value. The cash flows beyond the 5-year period are extrapolated using a steady 6% growth rate. This growth rate is based on the management's forecast on the relevant industry growth and does not exceed the average long-term growth rate for the relevant industry.

Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the unit's past performance and management's expectations for the market development. During the year, the directors conducted an impairment review based on the above assumptions and determined that the goodwill has been fully impaired and the distribution right has been partially impaired. Accordingly, impairment losses of HK$8,875,000 and HK$11,745,000 respectively have been recognised for the goodwill and other intangible asset during the year.

On 30 January 2007, ReKRETE International entered into a deed (the "Deed") with a third party ("Grantor") which is a subsidiary of a company listed on the Main Board of the Stock Exchange. Pursuant to the Deed, an option was granted by the Grantor to ReKRETE International. The option is exercisable by ReKRETE International during a period of three years commencing from 30 January 2007 to require or compel the Grantor to purchase 25% of the entire issued share capital of ReKRETE Asia at an option price of HK$8,000,000. Pursuant to a cancellation agreement entered into by the Group with the Grantor on 20 June 2007, that option was cancelled with effect from that day.

## 19. IMPAIRMENT TESTING ON GOODWILL AND OTHER INTANGIBLE ASSETS – continued

(b) The recoverable amount of the distribution right of generators has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 10-year period, and discount rate of 11%. The cash flows for the first 5-year period are extrapolated using a steady 25% growth value. The cash flows beyond the 5-year period are extrapolated using a steady 4% growth rate. This growth rate in based on the management's forecast on the growth of relevant industry.

Other key assumption for the value in use calculations relate to the estimation of cash inflow/outflows which include budged sales and gross margin, such estimated is based on management's expectation for the market development. The directors conducted an impairment review based on the cashflow projections and determined that no impairment loss is required.

## 20. INVENTORIES

| | 2007<br>HK$'000 | 2006<br>HK$'000 |
|---|---|---|
| Recyclable plastic materials | 887 | – |
| Bio-cleaning materials | 551 | 341 |
| Raw materials | – | 209 |
| | 1,438 | 550 |

## 21. AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORK

| | 2007<br>HK$'000 | 2006<br>HK$'000 |
|---|---|---|
| Contract costs incurred plus recognised profits less recognised losses to date | 102,403 | 84,008 |
| Less: Progress billings | (95,353) | (65,350) |
| Amounts due from customers for contract works | 7,050 | 18,658 |

## 22. TRADE RECEIVABLES

| | 2007 HK$'000 | 2006 HK$'000 |
|---|---|---|
| Trade receivables | 4,967 | 6,072 |
| Less: Allowance for doubtful debts | (1,422) | – |
| | 3,545 | 6,072 |

The Group allows a credit period of 90 days to its trade customers. The following is an aged analysis of trade receivables net of allowance for doubtful debts at the balance sheet date:

| | 2007 HK$'000 | 2006 HK$'000 |
|---|---|---|
| Not yet due | 2,349 | 2,029 |
| 0 – 90 days | 183 | 4,010 |
| 91 – 180 days | – | 16 |
| More than 180 days | 1,013 | 17 |
| | 3,545 | 6,072 |

Included in the Group's trade receivables balance is retention receivables held by customers in respect of construction contracts of HK$2,349,000 (2006: HK$2,029,000).

Included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$1,013,000 (2006: HK$33,000) which are past due at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances. The average age of these receivables is 200 days (2006: 180 days).

## 22. TRADE RECEIVABLES – continued

**Ageing of trade receivables which are past due but not impaired**

| | 2007<br>HK$'000 | 2006<br>HK$'000 |
|---|---|---|
| 91 to 180 days | – | 16 |
| More than 180 days | 1,013 | 17 |
| Total | 1,013 | 33 |

The Group has provided fully for all receivables over 365 days because historical experience is such that receivables that are past due beyond 365 days are generally not recoverable.

**Movement in the allowance for doubtful debts**

| | 2007<br>HK$'000 | 2006<br>HK$'000 |
|---|---|---|
| Balance at beginning of the year | – | – |
| Impairment loss recognised on trade receivables | 1,422 | – |
| Balance at end of the year | 1,422 | – |

The above allowance for doubtful debts represent individually impaired trade receivables with an aggregate balance of HK$1,422,000 (2006: nil) which have been placed in severe financial difficulties. The Group does not had any collateral over these balances.

In addition, an allowance for doubtful debt has been provided for a loan receivable of HK$442,000 (2006: nil) which has been considered as irrecoverable. The Group does not have any collateral over this balance.

## 23. BANK BALANCES AND CASH

Bank balances carry variable interest rates which an average of 3.58% (2006: 3.75%).

Conversion of Renminbi into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

## 24. TRADE PAYABLES

The following is an aged analysis of trade payables at the balance sheet date:

| | 2007 HK$'000 | 2006 HK$'000 |
|---|---|---|
| Not yet due | 2,713 | 808 |
| 0 – 90 days | 770 | 9,500 |
| 91 – 180 days | – | 137 |
| 181 – 365 days | 207 | 571 |
| Over 365 days | 189 | 1,569 |
| | 3,879 | 12,585 |

The average credit period on purchase of goods is 60 days. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

Included in trade payables balance is retention payables to suppliers in respect of construction contracts of HK$2,713,000 (2006: HK$808,000).

## 25. DEFERRED TAX

At the balance sheet date, the Group has unused tax losses of HK$28,990,000 (2006: HK$17,993,000) and deductible temporary differences of HK$512,000 (2006: HK$432,000) available for set off against future profits. The losses may be carried forward indefinitely.

No deferred tax asset has been recognised for the tax losses and deductible differences due to unpredictability of future profit streams.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

## 26. SHARE CAPITAL

| | Notes | Number of shares '000 | Share capital HK$'000 |
|---|---|---|---|
| Authorised: | | | |
| Ordinary shares of HK$0.01 each at 1 January 2006 | | 40,000,000 | 400,000 |
| Share consolidation | *(a)* | (36,000,000) | – |
| Ordinary shares of HK$0.10 each at 31 December 2006 and 31 December 2007 | | 4,000,000 | 400,000 |
| Issued and fully paid: | | | |
| Ordinary shares of HK$0.01 each at 1 January 2006 | | 854,770 | 8,548 |
| Share consolidation | *(a)* | (769,293) | – |
| Issue of Offer Shares | *(b)* | 256,431 | 25,643 |
| Ordinary shares of HK$0.10 each at 31 December 2006 | | 341,908 | 34,191 |
| Exercise of share options | | 1,668 | 167 |
| Ordinary shares of HK$0.10 each at 31 December 2007 | | 343,576 | 34,358 |

*Notes:*

(a) Pursuant to a resolution passed at a special general meeting on 5 June 2006, every 10 ordinary shares of HK$0.01 each then in issue in the capital of the Company were consolidated into one consolidated share of HK$0.10 each ("Consolidated Share(s)").

(b) Pursuant to an open offer on the basis of three offer shares for every one Consolidated Share at the subscription price of HK$0.60 per offer share ("Offer Share(s)"), which was completed on 26 June 2006, 256,431,132 Offer Shares of HK$0.10 each, ranking pari passu in all respects with the then existing Consolidated Shares of the Company were issued. Premium on the issue of shares, net of share issue expenses, amounting to HK$125,439,000, was credited to the Company's share premium account.

## 27. RESERVES

**(a) Group**

The amounts of the Group's reserves and the movements therein are presented in the consolidated statement of changes in equity. The contributed surplus of the Group represents the remaining balance of the aggregate amount of credit arising from the capital reduction and the share premium cancellation after credit transfer to accumulated losses pursuant to the implementation of restructuring proposal on 27 April 2004.

**(b) Nature and purpose of reserves**

*(i) Share premium account*

Under the Companies Act 1981 of Bermuda, the funds in the share premium account of the Company may be applied:

(a) in paying up unissued shares of the Company to be issued to shareholders of the Company as fully paid bonus shares;

(b) in writing off

(i) the preliminary expenses of the Company; or

(ii) the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the Company; or

(c) in providing for the premiums payable on redemption of any shares or of any debentures of the Company.

*(ii) Contributed surplus*

The contributed surplus represents the remaining balance of the aggregate amount of credit arising from the capital reduction and the share premium cancellation after credit transfer to accumulated losses pursuant to the implementation of restructuring proposal on 27 April 2004 and to a resolution passed at a special general meeting on 1 December 2003.

*(iii) Share option reserve*

The fair value of the actual or estimated number of unexercised share options granted to the grantees recognised in accordance with the accounting policy adopted for share-based payments in note 3.

## 27. RESERVES – continued

### (b) Nature and purpose of reserves – continued

*(iv) General reserves*

In accordance with the PRC regulations, the general reserves retained by a subsidiary in the PRC are non-distributable.

*(v) Translation reserve*

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 3 to the financial statements.

## 28. ACQUISITION OF SUBSIDIARIES

On 10 October 2006, the Group acquired 100% of equity interest of ReKRETE Group for a cash consideration of HK$27,529,000. ReKRETE Group is principally engaged in trading of cleaning materials during the year.

The fair value of the identifiable assets and liabilities of ReKRETE Group acquired as at the date of acquisition, are as follows:

| | **Carrying amount** | **Fair value adjustment** | **Fair value recognised on acquisition** |
|---|---|---|---|
| | HK$'000 | HK$'000 | HK$'000 |
| Net assets acquired: | | | |
| Property, plant and equipment | 314 | – | 314 |
| Other intangible asset | 21,860 | (2,860) | 19,000 |
| Inventories | 357 | – | 357 |
| Accounts receivable | 13 | – | 13 |
| Prepayments, deposits and other receivables | 35 | – | 35 |
| Bank and cash balances | 12 | – | 12 |
| Accruals and other payables | (1,077) | – | (1,077) |
| | 21,514 | (2,860) | 18,654 |

## 28. ACQUISITION OF SUBSIDIARIES – continued

| | Carrying amount HK$'000 | Fair value adjustment HK$'000 | Fair value recognised on acquisition HK$'000 |
|---|---|---|---|
| Goodwill | | | 8,875 |
| Satisfied by: | | | |
| Cash | | | 27,529 |
| Net cash flow arising on acquisition: | | | |
| Cash consideration paid | | | (27,529) |
| Bank and cash balances acquired | | | 12 |
| | | | (27,517) |

The goodwill arising on the acquisition of ReKRETE Group is attributable to the anticipated profitability of the distribution of ReKRETE Group's products in the new markets.

ReKRETE Group contributed approximately HK$78,000 to the Groups turnover and approximately HK$19,745,000 to the Group's loss before tax, for the period between the date of acquisition and 31 December 2006.

If the acquisition had been completed on 1 January 2006, total Group turnover for that year would have been HK$56,991,000, and loss for that year would have been HK$31,243,000. The proforma information is for illustrative purposes only and is not necessarily an indication of turnover and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2006, nor is intended to be a projection of future results.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

## 29. GAIN ON DISPOSAL OF SUBSIDIARIES

During the year ended 31 December 2006, the Group disposed of certain subsidiaries at an aggregate consideration of HK$1,151,000.

| | 2006 HK$'000 |
|---|---|
| Net assets disposed of: | |
| Club membership | 245 |
| Accruals and other payables | (33) |
| | 212 |
| Gain on disposal of subsidiaries | 939 |
| Total consideration, satisfied by cash | 1,151 |

Net cash inflow arising on disposal of subsidiaries are HK$1,151,000.

## 30. OPERATING LEASE ARRANGEMENTS

**The Group as lessee**

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of office premises and warehouses which fall due as follows:

| | 2007 HK$'000 | 2006 HK$'000 |
|---|---|---|
| Within one year | 1,229 | 88 |
| In the second to fifth year inclusive | 1,410 | 29 |
| | 2,639 | 117 |

## 31. CAPITAL COMMITMENTS

At the balance sheet date, the Group had commitments on capital expenditure in respect of acquisition of property, plant and equipment of HK$106,577,000 (2006: nil) of which HK$663,000 (2006: nil) was contracted for but not provided in the consolidated financial statements.

## 32. SHARE-BASED PAYMENTS

**Equity-settled share option scheme:**

Pursuant to ordinary resolutions passed by the shareholders of the Company on 5 June 2006, the Company terminated the share option scheme adopted in 1997 and approved to adopt a new share option scheme (the "Share Option Scheme").

The purpose of the Share Option Scheme is to enable the Group to grant options to selected participants as incentives or rewards for their contribution to the Group.

Under the Share Option Scheme, which is valid for a period of ten years, the board of directors of the Company may, at its discretion, grant options to subscribe for shares in the Company to eligible participants ("Eligible Participants") who contribute to the long-term growth and profitability of the Company. Eligible Participants include (i) any employee (whether full-time or part-time including any executive director but excluding any non-executive director) of the Company, any of its subsidiaries or any entity ("Invested Entity") in which any member of the Group holds an equity interest; (ii) any non-executive directors (including independent non-executive directors) of the Company, any of its subsidiaries or any Invested Entity; (iii) any supplier of goods or services to any member of the Group or any Invested Entity; (iv) any customer of any member of the Group or any Invested Entity; (v) any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity; (vi) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity; (vii) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of the Group or any Invested Entity; and (viii) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group.

The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under this scheme and any other share option schemes adopted by the Group shall not exceed 30% of the share capital of the Company in issue from time to time.

The total number of shares which may be allotted and issued upon exercise of all options to be granted under this scheme and any other share option of the Group must not in aggregate exceed 10% of the shares in issue as at the date of passing of the relevant resolution adopting this scheme.

## 32. SHARE-BASED PAYMENTS – continued

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of the grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 21 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, save that such period shall not be more than ten years from the date of the offer of the share options, subject to the provisions for early termination as set out in the Share Option Scheme. Unless otherwise determined by the directors of the Company at their absolute discretion, there is no requirement of a minimum period for which an option must be held before an option can be exercised. In addition, there is no performance target which must be achieved before any of the options can be exercised.

The exercise price of the share options is determinable by the directors, but may not be less than the highest of (i) the Stock Exchange closing price of the Company's shares on the date of the offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five business days immediately preceding the date of the offer; and (iii) the nominal value of the Company's shares on the date of the offer.

Details of the specific categories of options are as follows:

| **Date of grant** | **Exercise period** | **Exercise price** |
|---|---|---|
| | | HK$ |
| 22 September 2006 | 22 September 2006 to 21 September 2016 | 0.93 |
| 21 November 2006 | 21 November 2006 to 20 November 2016 | 1.05 |
| 19 December 2007 | 19 December 2007 to 18 December 2017 | 1.32 |

## 32. SHARE-BASED PAYMENTS – continued

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

**2007**

| | Date of grant | Exercisable period | Exercise price per share HK$ | Number of underlying shares in respect of which share options were granted: Outstanding at 1.1.2007 | Granted | Exercised/ Cancelled/ Lapsed | Outstanding at 31.12.2007 |
|---|---|---|---|---|---|---|---|
| Directors | 21.11.2006 | 21.11.2006 – 20.11.2016 | 1.05 | 1,360,000 | – | – | 1,360,000 |
| Employees | 22.9.2006 | 22.09.2006 – 21.09.2016 | 0.93 | 4,412,000 | – | (1,668,000) | 2,744,000 |
| | 21.11.2006 | 21.11.2006 – 20.11.2016 | 1.05 | 4,218,000 | – | – | 4,218,000 |
| Other Eligible | 22.9.2006 | 22.09.2006 – 21.09.2016 | 0.93 | 4,134,000 | – | – | 4,134,000 |
| Participants | 21.11.2006 | 21.11.2006 – 20.11.2016 | 1.05 | 28,612,000 | – | – | 28,612,000 |
| | 19.12.2007 | 19.12.2007 – 18.12.2007 | 1.32 | – | 1,000,000 | – | 1,000,000 |
| Total | | | | 42,736,000 | 1,000,000 | (1,668,000) | 42,068,000 |
| Exercisable at the end of the year | | | | | | | 42,068,000 |
| Weighted average exercise price (HK$) | | | | – | – | – | 1.037 |

*Note:* The share options granted are in exchange for certain services provided by those other eligible participants, the directors considered that the fair values of the services received cannot be measured reliably, accordingly, the share-based payment is measured by reference to the fair value of the share options granted.

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For the year ended 31 December 2007

## 32. SHARE-BASED PAYMENTS – continued

**2006**

| | Date of grant | Exercisable period | Exercise price per share HK$ | Number of underlying shares in respect of which share options were granted: Outstanding at 1.1.2006 | Granted | Exercised/ Cancelled/ Lapsed | Outstanding at 31.12.2006 |
|---|---|---|---|---|---|---|---|
| Directors | 21.11.2006 | 21.11.2006 – 20.11.2016 | 1.05 | – | 1,360,000 | – | 1,360,000 |
| Employees | 22.9.2006 | 22.09.2006 – 21.09.2016 | 0.93 | – | 4,412,000 | – | 4,412,000 |
| | 21.11.2006 | 21.11.2006 – 20.11.2016 | 1.05 | – | 4,218,000 | – | 4,218,000 |
| Other Eligible | 22.9.2006 | 22.09.2006 – 21.09.2016 | 0.93 | – | 4,134,000 | – | 4,134,000 |
| Participants | 21.11.2006 | 21.11.2006 – 20.11.2016 | 1.05 | – | 28,612,000 | – | 28,612,000 |
| Total | | | | – | 42,736,000 | – | 42,736,000 |
| Exercisable at the end of the year | | | | | | | 42,736,000 |
| Weighted average exercise price (HK$) | | | | – | 1.026 | – | 1.026 |

In respect of the share options exercised during the year, the weighted average share price at the dates of exercise is HK$1.590 (2006: nil).

During the year ended 31 December 2007, a total of 1,000,000 share options were granted on 19 December 2007, the estimated fair value of the options granted is HK$991,000. During the year ended 31 December 2006, options were granted on 22 September 2006 and 21 November 2006. The estimated fair values of the options granted on those dates are HK$5,344,000 and HK$22,230,000 respectively.

## 32. SHARE-BASED PAYMENTS – continued

These fair values were calculated using the Black-Scholes option pricing model. The inputs into the model were as follows:

| | 19 December 2007 | 22 September 2006 | 21 November 2006 |
|---|---|---|---|
| Fair value per option | HK$0.991 | HK$0.625 | HK$0.65 |
| Weighted average share price | HK$1.32 | HK$0.93 | HK$1.03 |
| Exercise price | HK$1.32 | HK$0.93 | HK$1.05 |
| Expected volatility | 99.36% | 84.87% | 86.49% |
| Expected life | 5 years | 5 years | 5 years |
| Risk free rate | 3.003% | 3.815% | 3.800% |
| Expected dividend yield | Nil | Nil | Nil |

Expected volatility was determined by using the historical volatility of the Company's share price over the previous 5 years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non transferability, exercise restrictions and behavioural considerations.

The Group recognised the total expense of HK$991,000 for the year ended 31 December 2007 (2006: HK$27,574,000) in relation to share options granted by the Company.

## 33. RETIREMENT BENEFITS SCHEMES

The Group participates in a defined contribution scheme, Mandatory Provident Fund Scheme (the "MPF Scheme"), established under the Mandatory Provident Fund Ordinance in December 2000. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees.

Both employees' and the Group's contributions are calculated at 5% of the employee's monthly relevant income, with the mandatory cap of HK$20,000, and the Group will make 5% top-up contribution if an employee's monthly basic salary exceeds HK$20,000.

The employees of the Company's subsidiaries established in the PRC are members of state-managed retirement benefit schemes operated by the PRC government. These subsidiaries are required to contribute certain percentage of payroll costs to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the specified contributions.

The subsidiaries establish in the Germany are required to make contributions to the defined contribution scheme on a monthly basis pursuant to the local laws and regulations.

During the year ended 31 December 2007, the Group made contributions to the retirement benefits schemes of HK$440,000 (2006: HK$427,000).

## 34. RELATED PARTY TRANSACTIONS

### (a) For the year ended 31 December 2007

(i) On 19 December 2007, a total of 1,000,000 share options were granted to an entity for provision of consultancy service, in which its director has been appointed as the Group's Chief executive on 23 November 2007. The fair value of share option estimated at grant date was HK$991,000 and has been recognised as an expense for the year.

(ii) During the year ended 31 December 2007, the Group paid legal and professional fees of HK$973,000 to a solicitor firm in which an executive director is a partner.

### (b) For the year ended 31 December 2006

(i) Pursuant to the shareholder's loan agreement dated 30 April 2004, the then shareholder agreed to provide a loan with maximum amount of HK$10 million to the Company for daily operation with interest rate at prime rate plus 2% per annum. The loan is unsecured and repayable on demand. During the year ended 31 December 2006, the Group paid interest of HK$113,000 in relation to the shareholder's loan.

(ii) During the year ended 31 December 2006, the Group recognised construction revenue of HK$31,000 from a company in which a then executive director of the Company had beneficial interest.

(iii) During the year ended 31 December 2006, the Group paid rental of HK$10,000 in relation to office premises and staff quarters in the PRC, to a company in which a then executive director had beneficial interest.

(iv) During the year ended 31 December 2006, the Group paid cleaning expenses of HK$6,000 in relation to office premises and staff quarters in the PRC, to a company in which a then executive director had beneficial interest.

(v) During the year ended 31 December 2006, the Group paid legal and professional fees of HK$900,000 to a solicitor firm in which an executive director is a partner.

(vi) During the year ended 31 December 2006, certain then executive directors waived their directors' remuneration in aggregate of HK$3,384,000.

## 34. RELATED PARTY TRANSACTIONS – continued

**(b) For the year ended 31 December 2006 – continued**

(vii) On 28 April 2006, the Company has entered into an underwriting agreement with two shareholders relating to an open offer of 256,431,132 Offer Shares of HK$0.10 each in the Company at HK$0.60 per share payable in full on application (in the proportion of three Offer Shares for every one Consolidated Share held). The Company paid underwriting fees of HK$439,000 and HK$1,024,000 respectively, to the two shareholders after completion of the open offer.

**Compensation of key management personnel**

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

| | 2007<br>HK$'000 | 2006<br>HK$'000 |
|---|---|---|
| Short-term benefits | 1,050 | 757 |
| Other long-term benefits | 12 | 884 |
| Share-based payments | – | 10 |
| | 1,062 | 1,651 |

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

## 35. PARTICULARS OF SUBSIDIARIES

Particulars of the subsidiaries at 31 December 2007 are as follows:

| Company name | Place of incorporation and registration/ operation | Issued/ registered and paid up capital | Percentage of ownership interest/ voting power/ profit sharing | Principal activities |
|---|---|---|---|---|
| Almoray Limited | British Virgin Islands | US$1 | 100% | Investment holding |
| China Billion Limited | British Virgin Islands | US$1 | 100% | Investment holding |
| Dubaplain Limited | British Virgin Islands | US$1 | 100% | Investment holding |
| EnviroEnergy GmbH | Germany | EUR500,000 | 100% | Undertaking waste recycling and management business |
| EnviroPower GmbH | Germany | EUR100,000 | 100% | Undertaking waste recycling and management business |
| Gain Asset Limited | Hong Kong | HK$1 | 100% | Management services to group companies |
| Gold Stand Holdings Limited | British Virgin Islands | US$1 | 100% | Not yet commence operation |
| Green Energy Finance Limited | Hong Kong | HK$1 | 100% | Not yet commence operation |
| Green Energy Resources Limited | Hong Kong | HK$1 | 100% | Trading of bio-cleaning materials |
| Green Energy Trading Limited | Hong Kong | HK$1 | 100% | Trading of recyclable plastic materials |
| Green Energy Waste Management Limited | Hong Kong | HK$1 | 100% | Not yet commence operation |
| Jackwell Limited* | British Virgin Islands | US$1 | 100% | Investment holding |

## 35. PARTICULARS OF SUBSIDIARIES – continued

| Company name | Place of incorporation and registration/ operation | Issued/ registered and paid up capital | Percentage of ownership interest/ voting power/ profit sharing | Principal activities |
|---|---|---|---|---|
| Jensen Power Equipment Limited | Hong Kong | HK$1 | 100% | Not yet commence operation |
| Keyway China Limited* | British Virgin Islands/PRC | US$100 | 100% | Construction contractor |
| Privilege Sino Limited* | British Virgin Islands | US$100 | 100% | Investment holding |
| Proven Best Limited* | British Virgin Islands | US$1 | 100% | Investment holding |
| Provost Profits Limited* | British Virgin Islands | US$1 | 100% | Investment holding |
| ReKRETE (Asia) Limited | Hong Kong | HK$10,000 | 100% | Trading of bio-cleaning materials |
| ReKRETE International Limited | British Virgin Islands | US$1 | 100% | Investment holding |
| Sky Ahead Limited | Hong Kong | HK$1 | 100% | Not yet commence operation |
| UniSort Asia Limited | Hong Kong | HK$1 | 100% | Not yet commence operation |
| 東莞中盛企業管理顧問有限公司Δ | PRC | HK$1,000,000 | 100% | Investment holding |
| 東莞市中盛園林有限公司# | PRC | RMB500,000 | 100% | Construction contractor |

Δ Foreign-owned enterprise
* Shares held directly by the Company
\# Domestic enterprise

None of the subsidiaries had issued any debt securities at the end of the year.

## 36. COMPARATIVE FIGURES

The retention receivables and payables for 2006 were included in prepayment, deposits and other receivables and accruals and other payables. In current year, the directors considered that it is more appropriate to include the retention receivables and payables as trade receivables and trade payables, accordingly, retention receivables and payables have been included in trade receivables and trade payables. The comparative figures have been reclassified to conform with current year's presentation.