Stock Code: 979

GREEN ENERGY GROUP LIMITED
綠色能源科技集團有限公司
(Incorporated in Bermuda with limited liability)

Annual Report 2012

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Corporate Information

DIRECTORS

Executive Director

Mr. Yip Wai Leung Jerry *(Chairman)*

Independent Non-Executive Directors

Mr. So Yin Wai
Mr. Tam Chun Wa
Ms. Li Kit Chi Fiona
(Appointed on 31 May 2012)

AUDIT COMMITTEE

Mr. So Yin Wai *(Chairman)*
Mr. Tam Chun Wa
Ms. Li Kit Chi Fiona
(Appointed on 31 May 2012)

REMUNERATION COMMITTEE

Mr. Tam Chun Wa *(Chairman)*
Mr. So Yin Wai
Ms. Li Kit Chi Fiona
(Appointed on 31 May 2012)

NOMINATION COMMITTEE

Ms. Li Kit Chi Fiona *(Chairwoman)*
(Appointed on 31 May 2012)
Mr. Yip Wai Leung Jerry
Mr. Tam Chun Wa

COMPANY SECRETARY

Mr. Tam Pei Qiang

AUDITOR

BDO Limited

LEGAL ADVISOR

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

4C Derrick Industrial Building
49 Wong Chuk Hang Road
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 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Hong Kong

STOCK CODE

979

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 2012.

FINANCIAL PERFORMANCE

The Group's total revenue for the year ended 31 December 2012 ("**FY2012**") was approximately HK$1.0 million (FY2011: HK$3.5 million) representing a decrease of 71.4% as compared with that for the year ended 31 December 2011 ("**FY2011**").

BUSINESS REVIEW

Trading of recyclable materials and provision of its relevant services

The revenue from this sector declined significantly due to the cessation of trading of recyclable materials since 2011. Although the provision of recompressing and repacking services contributed a certain amount of gross profit to the Group during the year, the management considers that the future prospect of this sector may not be profitable and therefore will not inject additional resources to this sector.

Trading of waste construction materials

One of the major crushing and recycling equipment was found to have sustained a very serious damage, resulting in a temporary suspension of recycling activities during the year and giving rise to the need for major overhaul and replacement of some critical spare parts. As a result the turnover of this sector significantly decreased. The extension of the railway from Rasstede to the new harbour port in Wilhelmshaven in Germany has now been completed and the Group expects an expansion of business in the following year.

Trading of bio-cleaning products

In FY2011 and in FY2012, all revenues from this business sector arose from sales made in Hong Kong only. The Group will continue to maintain a good commercial relationship with existing customers and to preserve our reputation, and will seek business opportunities outside Hong Kong.

Trading of generators

The development of a 15KW liquid propane-powered generator equipped with an advanced electronic control unit has been completed and is ready for launch in the market. This generator targets the service providers of telecom facilities in the People's Republic of China (the "PRC") where most installations are sparsely scattered in remote mountains and highway road sides, and also those business entities which are seeking to set up business in villages outside the urban areas.

Chairman's statement

Renewable energy

The Company has ceased all activities in Jatropha plantation and begin to focus its resources on the production of biodiesel outside Hong Kong.

Proposed Acquisition of Mining Rights in the Philippines

The Company has recovered up to approximately HK$24.0 million from the impairment deposit and interest thereon during the year, and the recoverability of the remaining outstanding amount is still rather remote, but the Company will not give up and will still take all necessary steps to maximize recovery.

FUTURE PROSPECTS

The Group will continue to carry on the existing business activities and impose serious control over expenditures. The Directors believe that the business performance of the existing sectors will improve over time and it is hoped that future revenue will increase in coming years.

The Group will continue to seek attractive business and investment opportunities with a view to generating positive cash flow and earnings for the Group, including acquisition of mining rights in the Philippines.

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 continuing support of the Group.

Yip Wai Leung Jerry
Chairman

Hong Kong, 28 March 2013

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTOR

Mr. Yip Wai Leung Jerry, aged 54, 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 more than 20 years of legal professional experience and his principal areas of practice include commercial work, property, finance and litigation.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. So Yin Wai, aged 50, graduated from Hong Kong Polytechnic University in 1986 and has been in the accounting profession for more than 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. Tam Chun Wa, aged 49, is currently an executive director, the chief financial officer and the company secretary of Chinasing Investment Holdings Limited, a company which shares are listed on the main board of Singapore Exchange Securities Trading Limited. Mr. Tam obtained a Master degree of Business Administration from the University of Sydney. Mr. Tam is also the member of Hong Kong Institute of Certified Public Accountants and CPA Australia. Mr. Tam has more than 15 years in the areas of auditing, accounting, tax, investment banking and company secretarial work.

Ms. Li Kit Chi Fiona, aged 53, was appointed as an independent non-executive director of the Company on 31 May 2012. Ms. Li is a solicitor in Hong Kong who was first admitted in 1989. She was also admitted to practice law in Victoria, Melbourne, Australia in 1985 and in England and Wales in 1992. Ms. Li obtained a bachelor of laws and bachelor of economics (combined course) from Monash University in 1982 and 1984 respectively, a Chinese bachelor of laws from the Chinese University of Political Science and Law in 1995 and an executive master degree of business administration from the Chinese University of Hong Kong in 1998.

Ms. Li had been an adjudicator of the Hong Kong Obscene Articles Tribunal from July 1996 to July 2011 and an adjudicator of the Hong Kong Immigration Tribunal from December 2004 to November 2010. Ms. Li was a non-executive director of Accent Resources N.L., a company whose shares are listed on the Australian Securities Exchange, from June 2008 to November 2010.

SECRETARY AND FINANCIAL CONTROLLER

Mr. Tam Pei Qiang, aged 39, is the Financial Controller 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 Accountants and The Association of Chartered Certified Accountants in the United Kingdom. He has over 10 years of experience in accounting and finance. Mr. Tam joined the Group in February 2005.

FINANCIAL REVIEW

The Group's total revenue for the year ended 31 December 2012 ("FY2012") was approximately HK$1.0 million (FY2011: approximately HK$3.5 million) representing a decrease of approximately 71.4% as compared with that for the year ended 31 December 2011 ("FY2011").

The revenue arising from the activities of bio-cleaning sector for the FY2012 was approximately HK$0.1 million (FY2011: approximately HK$0.3 million) representing a decrease of approximately 66.7% as compared with that for FY2011.

The revenue arising from trading of recyclable plastic material and relevant service sectors for FY2012 was approximately HK$0.1 million (FY2011: approximately HK$1.0 million) representing a decrease of approximately 90.0% as compared with that for FY2011. The revenue for FY2011 mainly came from trading of recyclable plastic material, approximately HK$0.9 million, and the Company had stopped purchasing this recyclable material since 2011. Comparing the re-compressing and other related services sector, in FY2012, all revenue came from this sector (FY2011: approximately HK$0.1 million).

The revenue arising from waste construction material sector for FY2012 was approximately HK$0.8 million (FY2011: approximately HK$2.2 million) representing a decrease of 63.6% as compared with that for FY2011.

There was no revenue arising from trading of generator for FY2012 (FY2011: approximately HK$13,000). The only developed 15KW generator was ready for launch in the market and was waiting for the tender.

General and administrative expenses which included staff costs, legal and professional fees, depreciation and general administrative expenses decreased by approximately 31.2% from approximately HK$27.9 million in FY2011 to approximately HK$19.2 million in FY2012.

During FY2012, the Group recorded a net loss of approximately HK$1.4 million against a net loss of approximately HK$56.2 million for FY2011. The net loss of HK$1.4 million included recovery of partial deposit paid for a business acquisition and interest thereon of approximately HK$24.0 million, impairment loss on property, plant and equipment of approximately HK$3.4 million, and write off of biological assets of approximately HK$4.5 million. These three items were considered non-recurring in nature. After excluding them, the Group had incurred a loss of approximately HK$17.5 million in FY2012 (FY2011: approximately HK$24.8 million) representing a decrease of 29.4% in FY2012 as compared with FY2011. Such decrease in expenses was mainly due to the tight control over the cost.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2012 the Group had total current assets of approximately HK$25.3 million (as at 31 December 2011: approximately HK$13.7 million) while total current liabilities were approximately HK$3.9 million (as at 31 December 2011: approximately HK$3.8 million). The current ratio of the Group was approximately 6.5 (as at 31 December 2011: approximately 3.6). The Group has sufficient fund to settle its debts.

As at 31 December 2012 the Group had total assets of approximately HK$36.4 million (as at 31 December 2011: approximately HK$34.0 million). The gearing ratio, calculated by dividing the total debts over its total assets was 10.7% (as at 31 December 2011: approximately 11.2%).

MATERIAL ACQUISITION

There was no material acquisition or disposal of the Company's subsidiaries and associated companies during the year ended 31 December 2012.

CAPITAL COMMITMENT

As at 31 December 2012 the Group had no significant capital commitment (2011: Nil).

CONTINGENT LIABILITIES

As at 31 December 2012 the Group did not have any material contingent liabilities.

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2012 the Group had 25 employees (2011: 26 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.

The Directors are pleased to present the annual report and the audited consolidated financial statements of the Company and the Group for the year ended 31 December 2012 to all the shareholders.

PRINCIPAL ACTIVITIES AND ANALYSIS OF OPERATION

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 32 to the financial statements.

Segmental information of the Group was disclosed in note 5 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2012 are set out in the consolidated statement of comprehensive income on page 25.

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 14 to the financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at 31 December 2012 comprised contributed surplus of HK$56,897,000 (2011: HK$56,897,000).

Under the Companies Act 1981 of Bermuda (as amended), 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.

Directors' Report

SHARE CAPITAL

Details of movements of the Company's share capital during the year are set out in note 26 to the financial statements.

RESERVES

Details of the movements in reserves of the Group and the Company during the year are set out in the consolidated statement of change in equity on page 28 and in note 27(b) to the financial statements, respectively.

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. Fan Xiaomin	(Resigned on 31 May 2012)

Independent non-executive Directors

Mr. So Yin Wai	
Ms. Zhu You Chun	(Deceased on 1 March 2012)
Mr. Tam Chun Wa	
Ms. Li Kit Chi Fiona	(Appointed on 31 May 2012)

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

In accordance with Clause 102(B) of the Company's Bye-laws, Ms. Li Kit Chi Fiona being appointed as a Director by the Board on 31 May 2012, shall end at the forthcoming annual general meeting. Ms. Li Kit Chi Fiona being eligible, offers herself for re-election at the annual general meeting.

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 2012, the interests or short positions of the Directors and the chief executive 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 Futures Ordinance ("SFO"), or as otherwise notified to the Company and the Stock Exchange 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	49.00%
("Mr. Yip")	Beneficial owner	340,000 *	0.07%
	Beneficial owner	330,000	0.07%
Ms. Li Kit Chi Fiona	Beneficial owner	3,612,000	0.79%
Mr. So Yin Wai	Beneficial owner	1,110,000 *	0.24%
Mr. Tam Chun Wa	Beneficial owner	440,000 *	0.10%

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

Other than as disclosed above, none of the Directors and chief executive of the Company had any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations as at 31 December 2012 as recorded in the register required to be kept under section 352 of the SFO or 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.

SHARE OPTIONS

Particulars of the Company's share option scheme are set out in note 29 to the 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 companies, 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

Mr. Yip Wai Leung Jerry had entered into a service agreement with the Company for a period of one year expiring on 31 December 2013 and the service contracts are subject to renew after expiration.

Mr. So Yin Wai, Mr. Tam Chun Wa and Ms. Li Kit Chi Fiona as the independent non-executive directors have a two year service contracts with the Company and the service contracts are subject to renew after expiration.

Save as disclosed above, no Directors who 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 disclosed in the section headed "Connected Transactions" of this Directors' Report, no contract of significance to which the Company or any of its holding companies, subsidiaries or fellow 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	33.2%
– five largest customers combined	64.4%
Purchase	
– the largest supplier	50.3%
– five largest suppliers combined	98.9%

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 2012, as recorded in the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO, other than the interests and short positions disclosed above in respect of certain Directors, the following shareholders had interests or short positions in the shares and underlying shares of the Company:

Ordinary shares and underlying shares of the Company:

Name of shareholder	Capacity	No. of ordinary shares of HK$0.10 each held	No. of underlying shares held	Percentage of total issued share capital
Always Adept Limited ("Always Adept") *(Note 1)*	Beneficial owner	66,891,428	–	14.70%
First Win Trading Limited ("First Win") *(Note 1)*	Beneficial owner	156,080,008	–	34.30%
Always New Limited *(Note 1)*	Interest of controlled corporation	222,971,436	–	49.00%
The Trustee *(Note 2)*	Trustee	222,971,436	–	49.00%
Chui Pui Fun ("Mrs. Yip")	Spouse interest *(Note 3)*	222,971,436	–	49.00%
	Spouse interest *(Note 4)*	330,000	340,000 *(Note 4)*	0.15%

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 New Zealand Professional Trustee Limited ("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 is the spouse of Mr. Yip and she is deemed to be interested in the Shares in which Mr. Yip is 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 of Securities on The Stock Exchange of Hong Kong Limited. The Company still considers all of the independent non-executive Directors to be independent.

CORPORATE GOVERNANCE

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report as set out on pages 16 to 22 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") are set out in the code provision C.3.3 of the Code on Corporate Governance Practices contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), which were in force prior to 1 January 2009.

The Audit Committee provides an important link between the Board and the Company's auditor 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. Tam Chun Wa and Ms. Li Kit Chi Fiona (Appointed on 31 May 2012) as a member.

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

CONNECTED TRANSACTIONS

During the year, the Group paid legal and secretarial fee of HK$960,000 (2011: HK$960,000) to J. Chan Yip So & Partners, a firm of solicitors in which Mr. Yip Wai Leung Jerry was a partner.

The related party transactions disclosed in note 31 to the 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 Listing Rules. 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 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 29 to the 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.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company did not redeem any of its shares during the year under review. Neither the Company nor any of its subsidiaries purchased or sold any of the Company's shares during the year under review.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors as at the latest practicable date prior to the issue of this report, the Company has maintained a sufficient public float.

AUDITOR

The financial statements for the year ended 31 December 2009 were audited by Hopkins CPA Limited ("Hopkins"). On 21 January 2011, Hopkins resigned and BDO Limited ("BDO") was appointed as auditor of the Company. The financial statements for the years ended 31 December 2010, 2011 and 2012 were audited by BDO.

A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint BDO as auditor of the Company.

On behalf of the Board

Yip Wai Leung Jerry
Chairman

Hong Kong, 28 March 2013

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 2012 (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 Director and independent non-executive Directors. As at 31 December 2012, the Board consisted the following Directors:

Executive Director
Mr. Yip Wai Leung Jerry

Independent non-executive Directors
Mr. So Yin Wai
Mr. Tam Chun Wa
Ms. Li Kit Chi Fiona (Appointed on 31 May 2012)

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 four 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 2012	Number of meeting(s) attended
Chairman		
Mr. Yip Wai Leung Jerry	4	4
Executive Director		
Mr. Fan Xiaomin (Resigned on 31 May 2012)	2	2
Independent non-executive Directors		
Mr. So Yin Wai	4	4
Ms. Zhu You Chun (Deceased on 1 March 2012)	0	0
Mr. Tam Chun Wa	4	4
Ms. Li Kit Chi Fiona (Appointed on 31 May 2012)	2	2

(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 more than 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.

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 role of the chief executive officer was performed by Mr. Yip Wai Leung Jerry, who was also the chairman of the Company. The Board believes that vesting the roles of both chairman and chief executive officer in the same person provides the Company with strong and consistent leadership, and allows for effective and efficient planning and implementation of business decisions and strategies.

The Board will periodically review the merits and demerits of such management structure and will adopt such appropriate measures as may be necessary in the future taking into consideration of the nature and extent of the Group's operation.

D. Remuneration of Directors

The Company established a remuneration committee on 21 December 2005. Members of the remuneration committee as at 31 December 2012 comprised Mr. So Yin Wai, Mr. Tam Chun Wa and Ms. Li Kit Chi Fiona (Appointed on 31 May 2012). Mr. Tam Chun Wa 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 regarding their remuneration
– 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

D. Remuneration of Directors – continued

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.

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

Members of the Remuneration Committee	Number of meetings held during the committee member's term of office in 2012	Number of meeting(s) attended
Mr. So Yin Wai	1	1
Ms. Zhu You Chun (Deceased on 1 March 2012)	0	0
Mr. Tam Chun Wa	1	1
Ms. Li Kit Chi Fiona (Appointed on 31 May 2012)	0	0

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

Details of the share option scheme are set out in note 29 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 2012 comprised Mr. Tam Chun Wa, Mr. Yip Wai Leung Jerry and Ms. Li Kit Chi Fiona (Appointed on 31 May 2012). Ms. Li Kit Chi Fiona was 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

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.

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

Members of the Nomination Committee	Number of meetings held during the nomination member's term of office in 2012	Number of meeting(s) attended
Ms. Zhu You Chun (Deceased on 1 March 2012)	0	0
Mr. Yip Wai Leung Jerry	1	1
Mr. Tam Chun Wa	1	1
Ms. Li Kit Chi Fiona (Appointed on 31 May 2012)	0	0

F. Auditor's remuneration

The Audit Committee of the Company is responsible for considering the appointment of the external auditor and reviewing any non-audit functions performed by the external auditor, 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/payable to the Company's auditor, BDO Limited, is set out as follows:

Services rendered	Fees paid/payable HK$
Audit services	540,000

G. Audit committee

As at 31 December 2012, the audit committee of the Company ("Audit Committee") comprised three independent non-executive Directors, namely Mr. Tam Chun Wa, Mr. So Yin Wai and Ms. Li Kit Chi Fiona (Appointed on 31 May 2012). 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 auditor of the Group may request a meeting of the Audit Committee to be convened if they consider that it is necessary.

G. Audit committee – continued

The main duties of the Audit Committee are as follows:

- To monitor the works of the external auditor
- 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 auditor 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

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 2012	Number of meeting(s) attended
Mr. So Yin Wai	2	2
Ms. Zhu You Chun (Deceased on 1 March 2012)	0	0
Mr. Tam Chun Ma	2	2
Ms. Li Kit Chi Fiona (Appointed on 31 May 2012)	1	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 provision 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 auditor 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, 28 March 2013

BDO

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Hong Kong

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 (together "the Group") set out on pages 25 to 91, which comprise the consolidated and company statements of financial position as at 31 December 2012, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, 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 about whether the consolidated financial statements are free from material misstatement.

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 judgement, 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 of financial statements that give a true and fair view 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 Company and of the Group as at 31 December 2012, 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.

BDO Limited
Certified Public Accountants

Au Yiu Kwan
Practising Certificate Number P05018

Hong Kong, 28 March 2013

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
Revenue	6	977	3,508
Changes in inventories of finished goods		(320)	(975)
Other income	7	1,060	1,253
Loss arising from changes in fair value of biological assets less costs to sell	15	–	(722)
Staff costs		(7,325)	(10,918)
Depreciation		(2,822)	(3,048)
Other expenses		(9,099)	(13,835)
Reversal of impairment loss/(impairment loss) on deposit paid for a business acquisition and interest thereon	21	24,007	(30,727)
Write off of biological assets	15	(4,456)	–
Impairment loss on property, plant and equipment	15	(3,436)	(749)
Loss before income tax	8	(1,414)	(56,213)
Income tax expense	9	–	–
Loss for the year	10	(1,414)	(56,213)
Other comprehensive income:			
Exchange differences on translation of financial statements of foreign operations		(586)	1,261
Other comprehensive income for the year		(586)	1,261
Total comprehensive income for the year		(2,000)	(54,952)
		HK cents	HK cents
Loss per share – Basic and diluted	13	0.31	12.69

Consolidated Statement of Financial Position

As at 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	14	**9,737**	16,026
Biological assets	15	**–**	4,272
Intangible assets	16	**–**	–
Deposit for a business acquisition	21	**–**	–
Deposit for acquisition of property, plant and equipment	34	**1,367**	–
		11,104	20,298
Current assets			
Inventories	17	**701**	413
Trade receivables	18	**89**	77
Prepayments, deposits and other receivables	19	**2,348**	2,031
Loan receivable	20	**–**	251
Cash and cash equivalents	23	**22,150**	10,941
		25,288	13,713
Current liabilities			
Trade payables	24	**545**	531
Accruals and other payables		**2,337**	2,279
Provision for income tax		**987**	987
		3,869	3,797
Net current assets		**21,419**	9,916
Total assets less current liabilities/Net assets		**32,523**	30,214
EQUITY			
Share capital	26	**45,500**	44,303
Reserves	27(a)	**(12,977)**	(14,089)
Total equity		**32,523**	30,214

On behalf of the Board

Yip Wai Leung Jerry	**So Yin Wai**
Executive Director	*Independent Non-Executive Director*

Statement of Financial Position

As at 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Interests in subsidiaries	32	**1**	1
Deposit for a business acquisition	21	**–**	–
		1	1
Current assets			
Prepayments, deposits and other receivables	19	**295**	266
Amounts due from subsidiaries	22(a)	**16,813**	25,919
Cash and cash equivalents	23	**16,572**	5,580
		33,680	31,765
Current liabilities			
Amount due to a subsidiary	22(b)	**852**	852
Accruals and other payables		**799**	903
Provision for income tax		**134**	134
		1,785	1,889
Net current assets		**31,895**	29,876
Total assets less current liabilities/Net assets		**31,896**	29,877
EQUITY			
Share capital	26	**45,500**	44,303
Reserves	27(b)	**(13,604)**	(14,426)
Total equity		**31,896**	29,877

On behalf of the Board

Yip Wai Leung Jerry
Executive Director

So Yin Wai
Independent Non-Executive Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2012

	Notes	Share capital HK$'000	Share premium* HK$'000	Contributed surplus* HK$'000	Exchange reserve* HK$'000	Share option reserve* HK$'000	General reserves* HK$'000	Accumulated losses* HK$'000	Total HK$'000
At 1 January 2011		44,303	214,363	56,897	1,550	22,956	71	(263,458)	76,682
Recognition of equity-settled share based payments	29	–	–	–	–	8,484	–	–	8,484
Lapse of vested share options		–	–	–	–	(275)	–	275	–
Transactions with owners		–	–	–	–	8,209	–	275	8,484
Loss for the year		–	–	–	–	–	–	(56,213)	(56,213)
Other comprehensive income									
Exchange difference on translation of financial statements of foreign operations		–	–	–	1,261	–	–	–	1,261
Total comprehensive income for the year		–	–	–	1,261	–	–	(56,213)	(54,952)
At 31 December 2011 and at 1 January 2012		44,303	214,363	56,897	2,811	31,165	71	(319,396)	30,214
Shares issued upon exercise of share options	26(a)	1,197	5,400	–	–	(2,288)	–	–	4,309
Lapse of vested share options		–	–	–	–	(510)	–	510	–
Transactions with owners		1,197	5,400	–	–	(2,798)	–	510	4,309
Loss for the year		–	–	–	–	–	–	(1,414)	(1,414)
Other comprehensive income									
Exchange difference on translation of financial statements of foreign operations		–	–	–	(586)	–	–	–	(586)
Total comprehensive income for the year		–	–	–	(586)	–	–	(1,414)	(2,000)
At 31 December 2012		**45,500**	**219,763**	**56,897**	**2,225**	**28,367**	**71**	**(320,300)**	**32,523**

* The aggregate balances underlying these accounts as the reporting date of deficit of HK$12,977,000 (2011: HK$14,089,000) are included as reserves in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

For the year ended 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
Cash flows from operating activities			
Loss before income tax		**(1,414)**	(56,213)
Adjustments for:			
Interest income		**(512)**	(1,227)
Depreciation of property, plant and equipment		**2,822**	3,048
Losses on disposals of property, plant and equipment		**–**	15
Loss arising from changes in fair value of biological assets less costs to sell		**–**	722
Write off of biological assets		**4,456**	–
(Reversal of impairment loss)/Impairment loss on deposit paid for a business acquisition and interest thereon		**(24,007)**	30,727
Impairment loss on property, plant and equipment		**3,436**	749
Write-down of inventories to net realisable value		**–**	117
Share-based payment expenses		**–**	8,484
Net exchange gain		**(667)**	–
Operating losses before movements in working capital		**(15,886)**	(13,578)
(Increase)/decrease in inventories		**(288)**	621
Increase in trade receivables		**(10)**	(73)
Increase in prepayments, deposits and other receivables		**(316)**	(426)
Increase in trade payables		**14**	3
Increase in accruals and other payables		**18**	97
Cash used in operations		**(16,468)**	(13,356)
Income tax paid		**–**	–
Net cash used in operating activities		**(16,468)**	(13,356)
Cash flows from investing activities			
Interest received		**512**	691
Decrease in loan receivables		**251**	16,009
Recovery of deposit paid for business acquisition and the interest thereon		**24,007**	–
Deposit for acquisition of property, plant and equipment		**(1,367)**	–
Purchases of property, plant and equipment		**(76)**	(263)
Proceeds from disposals of property, plant and equipment		**–**	60
Increase of biological assets due to plantation		**–**	(108)
Net cash generated from investing activities		**23,327**	16,389

Consolidated Statement of Cash Flows

For the year ended 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
Cash flows from financing activities			
Proceeds from exercise of share options		**4,309**	–
Net cash generated from financing activities		**4,309**	–
Net increase in cash and cash equivalents		**11,168**	3,033
Effect of foreign exchange rate changes		**41**	1,002
Cash and cash equivalents at 1 January		**10,941**	6,906
Cash and cash equivalents at 31 December	*23*	**22,150**	10,941
Analysis of balances of cash and cash equivalents			
Bank balances and cash		**22,150**	5,941
Time deposit		**–**	5,000
		22,150	10,941

1. GENERAL INFORMATION

Green Energy Group Limited ("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 and its principal place of business is located at 4C Derrick Industrial Building, 49 Wong Chuk Hang Road, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 32. The Company together with its subsidiaries are collectively referred to as the "Group" hereinafter. There were no significant changes in the Group's operations during the year.

The Company's parent is Always New Limited which was incorporated in the British Virgin Islands and the directors of the Company (the "Directors") consider its ultimate parent is New Zealand Professional Trustee Limited which was incorporated in New Zealand.

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

(a) Adoption of amendments to HKFRSs – first effective on 1 January 2012

In the current year, the Group has applied for the first time the following new amendment issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 January 2012:

Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets

The adoption of the amendment has no material impact on the financial statements of the Group.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS") – Continued

(b) New/Revised HKFRSs – issued but not yet effective

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

HKFRSs (Amendments)	Annual Improvements 2009-2011 Cycle[2]
Amendments to HKFRS 1 (Revised)	Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income[1]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[3]
Amendments to HKFRS 7	Offsetting Financial Assets and Financial Liabilities[2]
HKFRS 9	Financial Instruments[4]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
HKAS 27 (2011)	Separate Financial Statement[2]

1 Effective for annual periods beginning on or after 1 July 2012
2 Effective for annual periods beginning on or after 1 January 2013
3 Effective for annual periods beginning on or after 1 January 2014
4 Effective for annual periods beginning on or after 1 January 2015

HKFRSs (Amendments) – Annual Improvements 2009-2011 Cycle

The improvements made amendments to four standards potentially relevant to the Group:

(i) HKAS 1 – Presentation of Financial Statements

The amendments clarify that the requirement to present a third statement of financial position when an entity applies an accounting policy retrospectively or makes a retrospective restatement or reclassification of items in its financial statements is limited to circumstances where there is a material effect on the information in that statement of financial position. The date of the opening statement of financial position is the beginning of the preceding period and not, as at present, the beginning of the earliest comparative period. The amendments also clarify that, except for disclosures required by HKAS 1.41-44 and HKAS 8, the related notes to the third statement of financial position are not required to be presented. An entity may present additional voluntary comparative information as long as that information is prepared in accordance with HKFRS. This may include one or more statements and not a complete set of financial statements. Related notes are required for each additional statement presented.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS") – Continued

(b) New/Revised HKFRSs – issued but are not yet effective – Continued

HKFRSs (Amendments) – Annual Improvements 2009-2011 Cycle – Continued

(ii) HKAS 16 – Property, Plant and Equipment

The amendments clarify that items such as spare parts, stand-by equipment and servicing equipment are recognised as property, plant and equipment when they meet the definition of property, plant and equipment. Otherwise, such items are classified as inventory.

(iii) HKAS 32 – Financial Instruments: Presentation

The amendments clarify that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction should be accounted for in accordance with HKAS 12 Income Taxes. Depending on the circumstances these items of income tax might be recognised in equity, other comprehensive income or in profit or loss.

(iv) HKAS 34 – Interim Financial Reporting

The amendments clarifies that in interim financial statements, a measure of total assets and liabilities for a particular reportable segment need to be disclosed when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total assets and liabilities for that segment from the amount disclosed in the last annual financial statements.

Amendments to HKAS 1 (Revised) – Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 (Revised) require the Group to separate items presented in other comprehensive income into those that may be reclassified to profit and loss in the future (e.g. revaluations of available-for-sale financial assets) and those that may not (e.g. revaluations of property, plant and equipment). Tax on items of other comprehensive income is allocated and disclosed on the same basis. The amendments will be applied retrospectively.

Amendments to HKAS 32 – Offsetting Financial Assets and Financial Liabilities

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

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS") – Continued

(b) New/Revised HKFRSs – issued but are not yet effective – Continued

Amendments to HKFRS 7 – Offsetting Financial Assets and Financial Liabilities

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

HKFRS 9 – Financial Instruments

Under HKFRS 9, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for those non-trade equity investments, which the entity will have a choice to recognise the gains and losses in other comprehensive income. HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

HKFRS 10 – Consolidated Financial Statements

HKFRS 10 introduces a single control model for consolidation of all investee entities. An investor has control when it has power over the investee (whether or not that power is used in practice), exposure or rights to variable returns from the investee and the ability to use the power over the investee to affect those returns. HKFRS 10 contains extensive guidance on the assessment of control. For example, the standard introduces the concept of "de facto" control where an investor can control an investee while holding less than 50% of the investee's voting rights in circumstances where its voting interest is of sufficiently dominant size relative to the size and dispersion of those of other individual shareholders to give it power over the investee. Potential voting rights are considered in the analysis of control only when these are substantive, i.e. the holder has the practical ability to exercise them. The standard explicitly requires an assessment of whether an investor with decision making rights is acting as principal or agent and also whether other parties with decision making rights are acting as agents of the investor. An agent is engaged to act on behalf of and for the benefit of another party and therefore does not control the investee when it exercises its decision making authority. The implantation of HKFRS 10 may result in changes in those entities which are regarded as being controlled by the Group and are therefore consolidated in the financial statements. The accounting requirements in the existing HKAS 27 on other consolidation related matters are carried forward unchanged. HKFRS 10 is applied retrospectively subject to certain transitional provisions.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS") – Continued

(b) New/Revised HKFRSs – issued but are not yet effective – Continued

HKFRS 12 – Disclosure of Interests in Other Entities

HKFRS 12 integrates and makes consistent the disclosures requirements about interests in subsidiaries, associates and joint arrangements. It also introduces new disclosure requirements, including those related to unconsolidated structured entities. The general objective of the standard is to enable users of financial statements to evaluate the nature and risks of a reporting entity's interests in other entities and the effects of those interests on the reporting entity's financial statements.

HKFRS 13 – Fair Value Measurement

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

(a) *Statement of compliance*

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

(b) *Basis of measurement*

The financial statements have been prepared under historical cost convention except for the biological assets which are carried at fair value less cost to sell.

(c) *Functional and presentation currency*

The financial statements are presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Company. All values are rounded to the nearest thousand ("HK$'000") except when otherwise indicated.

(d) *Critical accounting estimates and judgements*

It should be noted that accounting estimates and assumptions are used in preparation of these financial statements. Although these estimates and assumptions are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

3.2 Business combination and basis of consolidation

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

3.2 Business combination and basis of consolidation – Continued

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

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of twelve months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Group's interest is adjusted to reflect the changes in their relative interests in the subsidiaries.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

3.3 Subsidiaries

A subsidiary is an entity over which the Group is able to exercise control. Control is achieved where the Company, directly or indirectly, has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are presently exercisable are taken into account.

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

3.4 Property plant and equipment

Property, plant and equipment, other than construction in progress ("CIP") and 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 accumulated depreciation and any impairment losses. They are depreciated to write off their cost net of estimated residual value over their estimated useful lives on straight-line method. The estimated useful lives, estimated residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The estimated useful lives are as follows:

Buildings	2%-5%
Farmland infrastructure	5%
Furniture, fixtures and equipment	10%-30%
Leasehold improvements	Over the shorter of terms of the leases and 5 years
Motor vehicles	20%

CIP and freehold land are not depreciated and stated at cost less any impairment.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

3.4 Property plant and equipment – Continued

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items. Cost of CIP comprises direct costs of construction as well as borrowing costs capitalised during the periods of construction and installation. Capitalisation of these costs ceases and CIP is transferred to the appropriate class of property, plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided for in respect of CIP until it is completed and ready for its intended use.

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

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount. See note 3.10 for the Group's accounting policies on impairment of non-financial assets.

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

3.5 Leasing

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

The Group as lessee

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

3.6 Intangible assets

Intangible assets are recognised initially at cost. After initial recognition, intangible assets with finite useful lives are amortised over the useful economic life and assessed for impairment (note 3.10) whenever there is an indication that the intangible asset may be impaired. Intangible assets with indefinite useful lives are not amortised but reviewed for impairment annually either individually or at the cash-generating unit ("CGU") level. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable.

(i) *Acquired intangible assets*

Intangible assets acquired separately are mainly distribution rights and are initially recognised at cost. The cost of intangible assets acquired in a business combination is fair value at the date of acquisition. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any impairment losses. Amortisation is provided on a straight-line method over their useful lives of 10 to 12 years.

(ii) *Internally generated intangible assets (research and development costs)*

Expenditure on internally developed products is capitalised if it can be demonstrated that:

- it is technically feasible to develop the product for it to be sold;
- adequate resources are available to complete the development;
- there is an intention to complete and sell the product;
- the Group is able to sell the product;
- sale of the product will generate future economic benefits; and
- expenditure on the project can be measured reliably.

Capitalised development costs are amortised over the periods the Group expects to benefit from selling the products developed. Amortisation expense is recognised in profit or loss.

Development expenditure not satisfying the above criteria and expenditure on the research phase of internal projects are recognised in profit or loss as incurred.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

3.7 Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using first-in first out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

3.8 Biological assets

Biological assets are living plants involved in the agricultural activities of the transformation of biological assets into agricultural produce for sale or into additional biological assets. Biological assets and agricultural produce are measured at fair value less costs to sell at initial recognition and at the end of each reporting period except where fair value cannot be measured reliably due to unavailability of market-determined prices and no reliable alternative estimates exist to determine fair value, in which case the assets are held at cost less accumulated depreciation and impairment losses. Once the fair value becomes reliably measurable, biological assets are measured at fair value less costs to sell. The fair value less costs to sell at the time of harvest is deemed as the cost of agricultural produce for further processing, if applicable.

Gain or loss arising on initial recognition and subsequent changes in fair values less costs to sell of biological assets is recognised in profit or loss in the period in which it arises.

3.9 Financial instruments

(i) Financial assets

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

3.9 Financial instruments – Continued

(i) *Financial assets – Continued*

Loans and receivables

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

(ii) *Impairment loss on financial assets*

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

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtor's financial difficulty; and
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

Loans and receivables

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

3.9 Financial instruments – Continued

(iii) Financial liabilities

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

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade and other payables and amounts due to subsidiaries are subsequently measured at amortised cost, using effective interest method. The related interest expense is recognised in profit or loss.

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

(iv) Effective interest method

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

(v) Equity instruments

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

(vi) Derecognition

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

3.10 Impairment of non-financial assets

Intangible assets having indefinite useful lives are tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other assets including property, plant and equipment, other intangible assets with finite useful lives and interests in subsidiaries are tested for impairment whenever there are indications that the assets' carrying amounts may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a CGU). As a result, some assets are tested individually for impairment and some are tested at CGU level.

In respect of other assets, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount but only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised.

A reversal of such impairment is credited to profit or loss in the period in which it arises unless that asset is carried at revalued amount, in which case the reversal of impairment loss is accounted for in accordance with the relevant accounting policy for the revalued amount.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

3.11 Foreign currency

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

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

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

When a foreign operation is disposed of, such exchange differences are reclassified from equity to profit or loss as part of the gain or loss on disposal.

3.12 Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, demand deposits and short-term, highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

3.13 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and rendering of services. Provided it is probable that the economic benefits will flow to the Group and revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

Sales of goods are recognised upon transfer of the significant risks and rewards of ownership to the customer. This is usually taken as the time when the goods are delivered and the customer has accepted the goods.

Service income is recognised when services are provided.

Interest income is recognised on time-proportion basis using effective interest method.

3.14 Income taxes

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

3.15 Employee benefits

(i) *Defined contribution retirement plan*

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

(ii) *Short-term employee benefits*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for unused annual leave as a result of services rendered by employees up to the reporting date.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

(iii) *Share-based payments*

Where equity instruments such as share options are awarded to employees and others providing similar services, the fair value of the options at the date of grant is recognised in profit or loss over the vesting period with a corresponding increase in the share option reserve within equity. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at the end of each reporting period so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

All employee services received in exchange for the grant of any share-based compensation are measured at their fair values. These are indirectly determined by reference to the equity instruments awarded. The value is appraised at the grant date and excludes the impact of any non-market vesting conditions.

If vesting periods or other vesting conditions apply, the expense is recognised over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised, if there is any indication that the number of share options expected to vest differs from previous estimates.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

3.15 Employee benefits – Continued

(iii) Share-based payments – Continued

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also recognised in profit or loss over the remaining vesting period.

Where equity instruments are granted to persons other than employees and others providing similar services, the fair value of goods or services received is recognised in profit or loss unless the goods or services qualify for recognition as assets. A corresponding increase in equity is recognised.

For cash-settled share based payments, a liability is recognised at the fair value of the goods or services received.

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the vested share options are lapsed, forfeited or still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to accumulated losses.

3.16 Related parties

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

(i) has control or joint control over the Group; or
(ii) has significant influence over the Group; or
(iii) is a member of key management personnel of the Group or the Company's parent.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

3.16 Related parties – Continued

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

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

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

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

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

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

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

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

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

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

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

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

3.17 Provisions and contingent liabilities

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

3.18 Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the chief operating decision-maker i.e. the most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

(i) Biological assets

Management estimates the fair value less estimated costs to sell of biological assets at the end of the reporting period with reference to the professional valuations. Management considers that there are presently an absence of effective financial instruments for hedging against the pricing risks with the underlying biological assets and agricultural produce. Un-anticipated volatile changes in market prices of the underlying biological assets and agricultural produce could significantly affect the fair values of these biological assets and result in fair value re-measurement losses in future accounting periods.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY – Continued

(ii) Impairment of property, plant and equipment

Property, plant and equipment of the Group are reviewed by the Directors for possible impairment when events or changes in operating environment indicate that the carrying amounts of such assets may not be fully recoverable. In determining the recoverable amounts of these assets, expected cash flows to be generated by the assets are discounted to their present value, which involves significant level of estimates relating to the amount of revenues generated, selling prices and other operating costs. When a decline in an asset's recoverable amount has occurred, the carrying amount is reduced to its estimated recoverable amount.

(iii) Impairment of loans and other receivables

The Directors assess the impairment of loans and receivables on a regular basis. This assessment is based on the evaluation of collectability and ageing analysis of loans and receivables and on the Directors' estimates. A considerable amount of estimate and judgement is required in assessing the ultimate realisation of these loans and receivables, including their current creditworthiness and individual past collection history. If the financial conditions of the debtors were to deteriorate, resulting in impairment as to their ability to make payments, additional impairment losses may be required.

(iv) Net realisable value of inventories

The Directors review the conditions of inventories at the end of each reporting period, and make allowances for obsolete and slow-moving inventory items identified that are no longer suitable for sales in the market. These estimates are based on current market conditions and historical experience of selling goods of similar nature. It could change significantly as a result of change in market condition. The Directors reassess the estimates at the end of each reporting period and make allowance for obsolete items.

(v) Share-based payment expenses

The fair value of the share options granted determined at the date of grant of the respective share options is expensed over the vesting period, with a corresponding adjustment to the Group's share option capital reserve. In assessing the fair value of the share options, the generally accepted option pricing models were used to calculate the fair value of the share options. The option pricing models require the input of subjective assumptions, including the expected volatility and expected life of options. Any changes in these assumptions can significantly affect the estimate of the fair value of the share options.

5. SEGMENT INFORMATION

The Group manages its businesses by business lines. In a manner consistent with the way in which information is reported internally to the Group's chief operating decision maker (i.e. most senior executive management) for the purposes of resources allocation and performance assessment, the Group is currently organised into the following operating segments:

Bio-cleaning materials	–	Trading of bio-cleaning materials
Generators	–	Trading of generators
Recyclable plastic materials and relevant services	–	Trading of recyclable plastic materials and provision of relevant services
Waste construction materials and waste processing services	–	Trading of waste construction materials and provision of waste processing services
Renewable energy	–	Jatropha plantation and production and trading of biodiesel

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments. Reportable segment results exclude interest income and corporate income and expenses from the Group's loss before income tax. Corporate income and expenses are income and expenses incurred by corporate headquarters which are not allocated to the operating segments. Each of the operating segments is managed separately as the resources requirement of each of them is different.

Segment assets include all assets with the exception of corporate assets, including bank balances and cash and other assets which are not directly attributable to the business activities of operating segments as these assets are managed on a group basis.

Segment liabilities include trade payables, accruals and other payables and other liabilities directly attributable to the business activities of operating segments, and exclude corporate liabilities and tax liabilities.

5. SEGMENT INFORMATION – Continued

Segment information about these businesses is presented below:

Segment revenue and results

2012

	Bio-cleaning materials HK$'000	Generators HK$'000	Recyclable plastic materials and relevant services HK$'000	Waste construction materials and waste processing services HK$'000	Renewable energy HK$'000	Total HK$'000
REVENUE						
Sales to external customers	70	–	123	778	6	977
RESULTS						
Segment results	(303)	(1,904)	(1,533)	(4,543)	(11,522)	(19,805)
Reversal of impairment loss on deposit paid for a business acquisition and interest thereon						24,007
Unallocated corporate expenses						(6,676)
Other income						1,060
Loss before income tax						(1,414)

2011

	Bio-cleaning materials HK$'000	Generators HK$'000	Recyclable plastic materials and relevant services HK$'000	Waste construction materials and waste processing services HK$'000	Renewable energy HK$'000	Total HK$'000
REVENUE						
Sales to external customers	292	13	977	2,208	18	3,508
RESULTS						
Segment results	(163)	(7,927)	(1,423)	(2,607)	(5,174)	(17,294)
Impairment loss on deposit paid for a business acquisition and interest thereon						(30,727)
Unallocated corporate expenses						(9,445)
Other income						1,253
Loss before income tax						(56,213)

5. SEGMENT INFORMATION – Continued

Segment assets, segment liabilities and other segment information

2012

	Bio-cleaning materials HK$'000	Generators HK$'000	Recyclable plastic materials and relevant services HK$'000	Waste construction materials and waste processing services HK$'000	Renewable energy HK$'000	Total HK$'000
ASSETS						
Segment assets	446	600	167	5,377	6,502	13,092
Unallocated cash and cash equivalents						17,553
Unallocated corporate assets						5,747
Consolidated total assets						36,392
LIABILITIES						
Segment liabilities	–	181	–	153	237	571
Unallocated corporate liabilities						2,311
Tax liabilities						987
Consolidated total liabilities						3,869

	Bio-cleaning materials HK$'000	Generators HK$'000	Recyclable plastic materials and relevant services HK$'000	Waste construction materials and waste processing services HK$'000	Renewable energy HK$'000	Corporate HK$'000	Total HK$'000
OTHER INFORMATION							
Additions to non-current assets	–	10	–	5	61	–	76
Depreciation	5	131	–	1,325	1,285	276	3,022
Reversal of impairment loss on deposit paid for a business acquisition and interest thereon	–	–	–	–	–	(24,007)	(24,007)
Impairment loss on property, plant and equipment	–	–	–	–	3,426	10	3,436
Write off of biological assets	–	–	–	–	4,456	–	4,456

5. SEGMENT INFORMATION – Continued

Segment assets, segment liabilities and other segment information – Continued

2011

	Bio-cleaning materials HK$'000	Generators HK$'000	Recyclable plastic materials and relevant services HK$'000	Waste construction materials and waste processing services HK$'000	Renewable energy HK$'000	Total HK$'000
ASSETS						
Segment assets	306	315	168	6,815	14,402	22,006
Unallocated corporate assets						12,005
Consolidated total assets						34,011
LIABILITIES						
Segment liabilities	–	136	2	163	74	375
Unallocated corporate liabilities						2,435
Tax liabilities						987
Consolidated total liabilities						3,797

	Bio-cleaning materials HK$'000	Generators HK$'000	Recyclable plastic materials and relevant services HK$'000	Waste construction materials and waste processing services HK$'000	Renewable energy HK$'000	Corporate HK$'000	Total HK$'000
OTHER INFORMATION							
Additions to non-current assets	1	3	–	10	448	154	616
Depreciation	29	35	–	1,466	1,632	131	3,293
Write-down of inventories to net realisable value	–	–	–	–	117	–	117
Share-based payment expenses	–	3,062	–	–	230	5,192	8,484
Impairment loss on deposit paid for a business acquisition and interest thereon	–	–	–	–	–	30,727	30,727
Impairment loss on property, plant and equipment	–	–	–	–	749	–	749
Loss arising from changes in fair value of biological assets less costs to sell	–	–	–	–	722	–	722
(Gain)/loss on disposals of property, plant and equipment	–	–	(60)	75	–	–	15

5. SEGMENT INFORMATION – Continued

Geographical information

The Group's operations are located in Hong Kong, the People's Republic of China (the "PRC") (excluding Hong Kong) and Germany. The Group's revenue from external customers by geographical markets which is determined based on the location of customers, and information about its non-current assets by geographical location which is determined based on the location of the assets, are detailed below:

	Revenue from external customers		Non-current assets	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**199**	1,300	**4,669**	4,575
The PRC (excluding Hong Kong)	**–**	–	**1,164**	9,229
Germany	**778**	2,208	**5,271**	6,494
	977	3,508	**11,104**	20,298

Information about major customers

Revenue from major customers who have individually contributed to 10% or more of the total revenue of the Group are disclosed as follows:

	2012	2011
	HK$'000	HK$'000
Customer A^	**324**	1,075
Customer B^	**–**[1]	632
	324	1,707

1 Revenue from Customer B contributes less than 10% of total revenue of the Group in 2012.

^ Included in the segment of waste construction materials and waste processing provision and is located in Germany.

6. REVENUE

Revenue derived from the principal activities of the Group, which is also the turnover, is recognised during the year as follows:

	2012 HK$'000	2011 HK$'000
Trading of bio-cleaning materials	70	292
Trading of recyclable plastic materials	–	858
Trading of waste construction materials	306	536
Trading of biodiesel	6	18
Trading of generators	–	13
Provision of relevant services in respect of recyclable plastic materials	123	119
Provision of waste processing services	472	1,672
	977	3,508

7. OTHER INCOME

	2012 HK$'000	2011 HK$'000
Bank interest income	14	22
Interest income on deposit paid for a business acquisition (note 21)	498	727
Interest income arising from loans and advances	–	478
Net exchange gain	547	–
Sundry income	1	26
	1,060	1,253

8. LOSS BEFORE INCOME TAX

	2012 HK$'000	2011 HK$'000
Loss before income tax has been arrived at after charging/(crediting):		
Depreciation for property, plant and equipment	3,022	3,293
Less: amount capitalised in biological assets	(200)	(245)
Depreciation charged to profit or loss	2,822	3,048
Auditor's remuneration	633	540
Minimum lease payments for operating leases in respect of land and buildings	1,629	1,572
Research and development expenditure	121	2
Net exchange (gain)/losses	(547)	1,031
Write-down of inventories to net realisable value^	–	117
Staff costs including directors' remuneration		
Salaries and allowances	7,020	6,718
Retirement benefit-defined contribution scheme	305	321
Share-based payment to Directors and employees	–	3,879
	7,325	10,918
Share-based payment to non-employees	–	4,605
Losses on disposals of property, plant and equipment	–	15

^ included in "changes in inventories of finished goods" in the consolidated statement of comprehensive income

9. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made for both years as the Group and the relevant group companies either had no estimated assessable profits arising in or derived from Hong Kong or had unused tax losses brought forward to offset against relevant year's assessable profits in Hong Kong.

PRC foreign enterprise income tax has not been provided as the PRC subsidiaries incurred a loss for taxation purposes for both years.

No provision for corporate income tax has been made for the subsidiaries operated in Germany as these subsidiaries incurred a loss for taxation purposes for both years.

Reconciliation between income tax expense and accounting loss at applicable tax rates is as follows:

	2012 **HK$'000**	2011 HK$'000
Loss before income tax	**(1,414)**	(56,213)
Tax on profit at the rates applicable to the jurisdictions concerned	**(1,068)**	(9,581)
Tax effect of non-deductible expenses	**2,472**	7,283
Tax effect of non-taxable income/revenue	**(1)**	(4)
Tax effect of utilisation of tax losses	**(3,000)**	–
Tax effect of tax losses not recognised	**1,566**	2,565
Tax effect of other temporary differences not recognised	**31**	(263)
Income tax expense	**–**	–

10. LOSS FOR THE YEAR

The consolidated loss for the year includes a profit of HK$18,186,000 (2011: a loss of HK$50,082,000) which has been dealt with in the financial statements of the Company.

11. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' remuneration

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
Year ended 31 December 2012						
Executive directors						
Mr. Yip Wai Leung Jerry		–	1,440	14	–	1,454
Mr. Fan Xiaomin	*(d)*	–	50	–	–	50
Independent non-executive directors						
Mr. So Yin Wai		120	–	–	–	120
Ms. Zhu You Chun	*(c)*	8	–	–	–	8
Ms. Li Kit Chi Fiona	*(a)*	70	–	–	–	70
Mr. Tam Chun Wa		120	–	–	–	120
		318	1,490	14	–	1,822

11. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS – Continued

(a) Directors' remuneration – Continued

	Notes	Fees HK$'000	Salaries and allowances HK$'000	Retirement benefit scheme contributions HK$'000	Share-based payment expenses HK$'000	Total HK$'000
Year ended 31 December 2011						
Executive directors						
Mr. Yip Wai Leung Jerry		–	1,200	12	–	1,212
Mr. Fan Xiaomin	*(d)*	–	120	–	–	120
Independent non-executive directors						
Mr. So Yin Wai		50	–	–	92	142
Ms. Zhu You Chun		50	–	–	–	50
Mr. Chan Kai Yung Ronney	*(b)*	21	–	–	–	21
Mr. Tam Chun Wa		18	–	–	92	110
		139	1,320	12	184	1,655

Notes:

(a) Appointed on 31 May 2012
(b) Deceased on 6 June 2011
(c) Deceased on 1 March 2012
(d) Resigned on 31 May 2012

11. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS – Continued

(b) Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, one (2011: one) was a director of the Company, whose emoluments are reflected in the analysis presented in note (a) above. The emoluments of the remaining four (2011: four) individuals, are as follows:

	2012 HK$'000	2011 HK$'000
Salaries and other benefits	1,663	1,775
Retirement benefit scheme contributions	121	172
Share-based payment expenses	–	95
	1,784	2,042

Their emoluments were within the following band:

	Number of individuals 2012	2011
Nil to HK$1,000,000	4	4

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

	Number of individuals 2012	2011
Nil to HK$1,000,000	4	6
HK$1,000,000 to HK$1,500,000	1	1
	5	7

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 to the Directors or the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. In addition, there was no arrangement under which the Director waived or agreed to waive any remuneration during both years.

12. DIVIDEND

For both years, no dividend was paid or proposed, nor has any dividend been proposed since the end of the reporting period.

13. LOSS PER SHARE

The calculation of basic loss per share is based on the following data:

	2012	2011
	HK$'000	HK$'000
Loss		
Loss for the year	1,414	56,213

	2012	2011
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purposes of basic loss per share	451,560	443,032

No adjustment has been made to the basic loss per share as the outstanding share options (note 29) had an anti-dilutive effect on the basic loss per share for both years.

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Construction in progress HK$'000	Freehold land HK$'000	Buildings HK$'000	Leasehold improvements HK$'000	Farmland infrastructure HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
COST								
At 1 January 2011	513	6,659	1,189	5,592	4,672	20,251	1,630	40,506
Exchange realignment	24	(219)	(39)	63	200	(212)	13	(170)
Additions	83	–	–	–	–	172	8	263
Disposals	–	–	–	–	–	(219)	–	(219)
At 31 December 2011 and 1 January 2012	620	6,440	1,150	5,655	4,872	19,992	1,651	40,380
Exchange realignment	5	129	23	14	37	188	8	404
Additions	–	–	–	–	–	76	–	76
Transfer	(625)	–	–	625	–	–	–	–
At 31 December 2012	–	6,569	1,173	6,294	4,909	20,256	1,659	40,860
ACCUMULATED DEPRECIATION AND IMPAIRMENT								
At 1 January 2011	–	4,103	115	5,136	209	10,249	889	20,701
Exchange realignment	–	(134)	(6)	64	30	(198)	(1)	(245)
Charges for the year	–	–	31	172	245	2,666	179	3,293
Eliminated on disposals	–	–	–	–	–	(144)	–	(144)
Impairment recognised	–	–	–	–	749	–	–	749
At 31 December 2011 and 1 January 2012	–	3,969	140	5,372	1,233	12,573	1,067	24,354
Exchange realignment	–	79	3	12	50	160	7	311
Charges for the year	–	–	29	91	200	2,542	160	3,022
Impairment recognised *(note 15)*	–	–	–	–	3,426	10	–	3,436
At 31 December 2012	–	4,048	172	5,475	4,909	15,285	1,234	31,123
NET CARRYING AMOUNTS								
At 31 December 2012	–	2,521	1,001	819	–	4,971	425	9,737
At 31 December 2011	620	2,471	1,010	283	3,639	7,419	584	16,026

The Group's freehold land and buildings are situated outside Hong Kong.

15. BIOLOGICAL ASSETS

The biological assets of the Group represent saplings of Jatropha which are stated at fair value less costs to sell. After harvest, the seeds of Jatropha can be used in the production of biofuel and other bio-chemical bi-products.

Movements in the carrying amount of the Group's biological assets are summarised as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
At 1 January	**4,272**	4,457
Increase due to plantation	**200**	353
Loss arising from changes in fair value less costs to sell	**–**	(722)
Write off	**(4,456)**	–
Exchange realignment	**(16)**	184
At 31 December	**–**	4,272

2012

During the year, the Group tried to harvest the Jatropha and extracted the seeds of Jatropha for trial production of biofuel. However, the harvest was unexpectedly poor and the quality and content of the biodiesel produced from the seedlings of those matured Jatopha are commercially not sustainable. As assessed by the Directors, it is unlikely that the Japtropha plantation will derive future economic benefits to the Group. Therefore, the Directors fully write off the carrying amount of the Jatropha amounting to HK$4,456,000 during the year, as well as to write off the farmland infrastructure and equipment relating to the plantation of Jatropha amounting to HK$3,436,000 in aggregate, which are classified as property, plant and equipment.

15. BIOLOGICAL ASSETS – Continued

2011

As at 31 December 2011, the Jatropha plantation is measured at fair value less costs to sell.

In accordance with the valuation report issued by BMI Appraisals Limited ("BMI"), an independent professional valuer, the fair value of the Jatropha plantation as at 31 December 2011 was determined with reference to the present value of expected net cash flows from the Jatropha plantation discounted at a current market-determined rate.

The key assumptions adopted and inputs to the valuation are as follows:

Selling price	The existing market price of Jatropha's seeds
Cultivation costs	The estimated costs including fertilisers, pesticides, labour costs and rental costs
Harvest	The first commercial harvest at 4 to 5 years of age, thereafter at 1-year interval and final harvest at 20 years.
Discount rate	15.36%
Price inflation	The basis used to determine the value assigned to selling price inflation is forecast prices indices of 3%, which is consistent with industry trends

The increase due to plantation during the year ended 31 December 2011 represented cultivation costs incurred during the year including fertilisers, pesticides, labour costs and rental costs.

Up to 31 December 2011, an area of approximately 1,000 Mu in the PRC has been developed and planted with Jatropha's saplings.

16. INTANGIBLE ASSETS

	Group Distribution rights HK$'000
Cost	
At 1 January 2011, 31 December 2011 and 31 December 2012	26,800
Accumulated amortisation and impairment	
At 1 January 2011, 31 December 2011 and 31 December 2012	26,800
Net carrying amount	
At 31 December 2012	–
At 31 December 2011	–

The Group holds two exclusive distribution rights granted from third parties to distribute those third parties' cleaning materials in specific Asian countries and generators in countries other than the PRC (excluding Hong Kong) 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 are subject to amortisation. Amortisation is charged to profit or loss 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.

The Directors reviewed the carrying amounts of the Group's exclusive distribution rights and considered that it is uncertain whether future economic benefits will be derived and therefore, the distribution rights were fully impaired in previous years.

17. INVENTORIES

	Group 2012 HK$'000	Group 2011 HK$'000
Bio-cleaning materials	**361**	197
Bio-fuel materials	**340**	216
	701	413

18. TRADE RECEIVABLES

	Group 2012 HK$'000	Group 2011 HK$'000
Trade receivables	**89**	77

The Group allows a credit period of 90 days (2011: 90 days) to its trade customers. The following is an ageing analysis (based on due date) of trade receivables at the end of the reporting period:

	Group 2012 HK$'000	Group 2011 HK$'000
0 – 90 days	**83**	74
Over 365 days	**6**	3
	89	77

Certain trade receivables are past due at the reporting date but not provided for impairment as the Directors are of the opinion that there has not been a significant change in credit quality of the debtors and the balances are still considered fully recoverable.

19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Prepayments	**240**	321	**227**	227
Deposits and other receivables	**2,108**	1,710	**68**	39
	2,348	2,031	**295**	266

20. LOAN RECEIVABLE

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Loan receivables	**–**	251	**–**	–

Note:

As at 31 December 2011, loan receivable was unsecured and interest-bearing at a fixed rate of 6% per annum. The loan was fully repaid during the year.

21. DEPOSIT FOR A BUSINESS ACQUISITION

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Deposit for a business acquisition	**–**	30,000	**–**	30,000
Less: Provision for impairment	**–**	(30,000)	**–**	(30,000)
	–	–	**–**	–

On 30 November 2010, the Group entered into a conditional sale and purchase agreement (the "Acquisition Agreement") with independent third parties (the "Vendors") for an acquisition (the "Proposed Acquisition") of the entire issued shares in, and the entire shareholders' loan due from, Gioberto Limited ("Gioberto"). An amount of HK$30,000,000 was paid by the Group as a deposit for the Proposed Acquisition.

Gioberto, through its wholly-owned subsidiary, namely Altamina Exploration & Resources Incorporated ("Altamina") (together with Gioberto referred to as "the Target Group") which is incorporated in the Republic of the Philippines (the "Philippines") and is principally engaged in the exploration of magnetite sand/iron ore in the Phillippines, has been awarded a Financial or Technical Assistance Agreement ("FTAA") by the Government of the Philippines to enable it to undertake large-scale exploration, development and utilisation of minerals covering an area of approximately 9,588 hectares located in the Provinces of Ilocos Sur, Ilocos Norte and Pangasinan of the Philippines.

Notwithstanding the expiry of the long stop date on 30 June 2011 as prescribed by the Acquisition Agreement, and the announcement made by the Company confirming expiry of long stop date on 22 August 2011, the Group continued to negotiate with the Vendors in respect of the Proposed Acquisition.

In accordance with the Acquisition Agreement, when the Proposed Acquisition do not complete by the long stop date, the deposit becomes interest-bearing at 5% per annum since the five business day after long stop date. Interest accrued since the long stop date up to 31 December 2011 amounted to HK$727,000.

The deposit is secured by a first fixed legal charge over the entire issued share capital of Gioberto.

21. DEPOSIT FOR A BUSINESS ACQUISITION – Continued

Having investigated the assets owned by Gioberto by management in March 2012, the Company decided to discontinue the negotiation with the Vendors in relation to the Proposed Acquisition and would take steps in enforcing the security constituted by the charge in share of Gioberto.

The Vendors had failed to return the deposit up to the date of the financial statements for the year ended 31 December 2011. In addition, there was significant uncertainty as to the financial ability of the Vendors in repaying the deposit plus interest accrued thereon. As a result, having considered the value of the security underlying the deposit, the directors considered the deposit paid amounting to HK$30,000,000 and interest accrued thereon amounting to HK$727,000 up to 31 December 2011 were fully impaired. Accordingly, provision for impairment loss of HK$30,727,000 was made in full in the financial statements for the year ended 31 December 2011.

Subsequently during 2012, the Company has recovered a significant part of the deposit amounting to US$3,000,000 (approximately HK$23,280,000) and the interest on the deposit for the period up to 31 December 2011 amounting to HK$727,000 and the period from 1 January 2012 to 30 April 2012 amounting to HK$498,000. The Directors of the Company are taking necessary steps to recover the remaining outstanding balance of the deposit amounting to approximately HK$6,720,000 and interest thereon. However, the recoverability of which is uncertain.

As a result of recovering the amounts as mentioned above, the impairment provision made in last year has been reversed by HK$23,280,000 relating to the deposit and HK$727,000 relating to the interest accrued up to 31 December 2011, or HK$24,007,000 in aggregate.

22. AMOUNTS DUE FROM/(TO) SUBSIDIARIES

(a) Amounts due from subsidiaries

	Company	
	2012	2011
	HK$'000	HK$'000
Amounts due from subsidiaries	**155,304**	143,934
Less: provision for impairment	**(138,491)**	(118,015)
	16,813	25,919

Amounts due from subsidiaries are unsecured, interest-free and repayable on demand.

Movements in the provision for impairment on amounts due from subsidiaries are as follows:

	Company	
	2012	2011
	HK$'000	HK$'000
At 1 January	**118,015**	111,377
Provided for the year	**20,476**	6,638
At 31 December	**138,491**	118,015

(b) Amount due to a subsidiary

Amount due is unsecured, interest-free and repayable on demand.

23. CASH AND CASH EQUIVALENTS

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Bank balances and cash	**22,150**	5,941	**16,572**	580
Time deposit at banks	**–**	5,000	**–**	5,000
	22,150	10,941	**16,572**	5,580

The effective interest rate of the time deposit as at 31 December 2011 was denominated in HK$, with original maturity of two months and was interest bearing at 2% per annum. It was eligible for immediate cancellation without receiving any interest for the last deposit period. The Directors considered that the fair value of the time deposit was not materially different from its carrying amount because of the short maturity period on its inception.

Included in bank balances and cash of the Group at 31 December 2012 are an amounts of HK$640,000 (2011: HK$767,000) which are denominated in RMB. RMB is not a freely convertible currency. Under the PRC Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through the banks that are authorised to conduct foreign exchange business.

The Company's bank balances and cash are all denominated in HK$ at the reporting date.

24. TRADE PAYABLES

Ageing analysis (based on invoice date) of the Group's trade payables at the reporting date is as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
0 – 90 days	**–**	4
91 – 180 days	**20**	–
181 – 365 days	**9**	–
Over 365 days	**516**	527
	545	531

Average credit period on purchase of goods is 60 days (2011: 60 days).

The Group's trade payables as at 31 December 2012 and 2011 included retention payables to suppliers in respect of construction contracts amounting to HK$516,000.

25. DEFERRED TAX

As at 31 December 2012, the Group and the Company have not recognised deferred tax assets in respect of estimated cumulative tax losses of HK$100,756,000 and HK$31,013,000 respectively (2011: HK$109,979,000 and HK$49,196,000 respectively) and the Group has not recognised deductible temporary differences of HK$2,569,000 (2011: HK$2,754,000) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant group entities. The tax losses have no expiry date under current tax legislation.

26. SHARE CAPITAL

	Number of shares '000	Share capital HK$'000
Authorised:		
Ordinary shares of HK$0.10 each		
At 1 January 2011, 31 December 2011 and 31 December 2012	4,000,000	400,000
Issued and fully paid:		
Ordinary shares of HK$ 0.10 each		
At 1 January 2011 and 31 December 2011	443,032	44,303
Exercise of share options *(note (a))*	11,970	1,197
At 31 December 2012	455,002	45,500

Notes:

(a) For the year ended 31 December 2012, 11,970,000 options were exercised at the exercise price of HK$0.36 per share, resulting in the issue of 11,970,000 new shares of HK$0.1 each and the transfer of a sum of HK$2,288,000 from share option reserve to share premium.

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.

27. RESERVES – Continued

(b) Company

	Notes	Share premium HK$'000	Contributed surplus HK$'000	Share option reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2011		214,363	56,897	22,956	(267,044)	27,172
Loss and total comprehensive income for the year		–	–	–	(50,082)	(50,082)
Recognition of equity-settled share based payments	29	–	–	8,484	–	8,484
Lapse of vested share options		–	–	(275)	275	–
At 31 December 2011 and 1 January 2012		214,363	56,897	31,165	(316,851)	(14,426)
Loss and total comprehensive income for the year		–	–	–	(2,290)	(2,290)
Share issued upon exercise of share options	26(a)	5,400	–	(2,288)	–	3,112
Lapse of vested share options		–	–	(510)	510	–
At 31 December 2012		219,763	56,897	28,367	(318,631)	(13,604)

(c) Nature and purpose of reserves

(i) Share premium

Under the Bermuda Companies Act 1981, 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

27. RESERVES – Continued

(c) Nature and purpose of reserves – Continued

(i) Share premium – Continued

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

(ii) Contributed surplus

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

Share option reserve represents 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 3.15(iii).

(iv) General reserves

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

(v) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 3.11.

28. OPERATING LEASE ARRANGEMENTS

The Group as lessee

At the reporting date, the Group had total future minimum lease payments under non-cancellable operating leases in respect of land and buildings which fall due as follows:

	2012 HK$'000	2011 HK$'000
Within one year	928	1,479
In the second to fifth year, inclusive	199	1,082
After five years	419	443
	1,546	3,004

The Company had no significant operating lease commitment as at 31 December 2012 (2011: Nil).

29. SHARE-BASED PAYMENTS

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"), which is an entity-settled 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.

29. SHARE-BASED PAYMENTS – Continued

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.

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$5,000,000, within any twelve-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 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.

29. SHARE-BASED PAYMENTS – Continued

Details of the specific categories of the share options are as follows:

Date of grant	Exercisable period	Exercise price	Closing price immediate before the date on which options were granted
		HK$	HK$
22 September 2006	22 September 2006 to 21 September 2016	0.930	0.910
21 November 2006	21 November 2006 to 20 November 2016	1.050	1.020
29 September 2008	29 September 2008 to 28 September 2018	0.395	0.395
7 July 2009	7 July 2009 to 6 July 2019	0.420	0.360
20 December 2011	20 December 2011 to 19 December 2021	0.360	0.360

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

2012

	Date of grant	Exercisable period	Exercise price per share	Number of options: Outstanding at 01/01/2012	Granted	Exercised	Lapsed	Outstanding at 31/12/2012
			HK$					
Directors	21/11/2006	21/11/2006-20/11/2016	1.050	1,020,000	–	–	(340,000)	680,000
	29/09/2008	29/09/2008-28/09/2018	0.395	660,000	–	–	(330,000)	330,000
	20/12/2011	20/12/2011-19/12/2021	0.360	880,000	–	–	–	880,000
Employees	22/09/2006	22/09/2006-21/09/2016	0.930	2,004,000	–	–	–	2,004,000
	21/11/2006	21/11/2006-20/11/2016	1.050	3,618,000	–	–	–	3,618,000
	07/07/2009	07/07/2009-06/07/2019	0.420	2,100,000	–	–	–	2,100,000
	20/12/2011	20/12/2011-19/12/2021	0.360	19,330,000	–	(2,870,000)	–	16,460,000
Other eligible participants	22/09/2006	22/09/2006-21/09/2016	0.930	3,284,000	–	–	–	3,284,000
	21/11/2006	21/11/2006-20/11/2016	1.050	24,412,000	–	–	(362,000)	24,050,000
	20/12/2011	20/12/2011-19/12/2021	0.360	24,090,000	–	(9,100,000)	–	14,990,000
Total				81,398,000	–	(11,970,000)	(1,032,000)	68,396,000
Exercisable at the end of the year								68,396,000
Weighted average exercise price ("HK$")				0.645	–	0.360	0.841	0.692

29. SHARE-BASED PAYMENTS – Continued

2011

	Date of grant	Exercisable period	Exercise price per share HK$	Number of options: Outstanding at 01/01/2011	Granted	Exercised	Lapsed	Outstanding at 31/12/2011
Directors	21/11/2006	21/11/2006-20/11/2016	1.050	1,360,000	–	–	(340,000)	1,020,000
	29/09/2008	29/09/2008-28/09/2018	0.395	990,000	–	–	(330,000)	660,000
	20/12/2011	20/12/2011-19/12/2021	0.360	–	880,000	–	–	880,000
Employees	22/09/2006	22/09/2006-21/09/2016	0.930	2,004,000	–	–	–	2,004,000
	21/11/2006	21/11/2006-20/11/2016	1.050	3,618,000	–	–	–	3,618,000
	07/07/2009	07/07/2009-06/07/2019	0.420	2,100,000	–	–	–	2,100,000
	20/12/2011	20/12/2011-19/12/2021	0.360	–	19,330,000	–	–	19,330,000
Other eligible participants	22/09/2006	22/09/2006-21/09/2016	0.930	3,284,000	–	–	–	3,284,000
	21/11/2006	21/11/2006-20/11/2016	1.050	24,412,000	–	–	–	24,412,000
	20/12/2011	20/12/2011-19/12/2021	0.360	–	24,090,000	–	–	24,090,000
Total				37,768,000	44,300,000	–	(670,000)	81,398,000
Exercisable at the end of the year								81,398,000
Weighted average exercise price ("HK$")				0.981	0.360	–	0.727	0.645

The weighted average remaining contractual life of the share options outstanding at 31 December 2012 was approximately 6.37 years (2011: 7.73 years).

No share options were granted during the year ended 31 December 2012. During the year ended 31 December 2011, a total of 44,300,000 share options were granted to certain directors, employees and other non-employee participants. The estimated fair value of the options granted was amounted to HK$8,484,000 and determined based on the fair value of the equity instruments measured on the date of grant. Share options granted to other eligible participants are for their past contribution to the Group for providing services similar to those rendered by its employees. The Group recognised equity-settled share-based payment of HK$8,484,000 in the statement of comprehensive income for last year, among which HK$3,879,000 was recognised as staff cost and HK$4,605,000 was recognised as other expenses. The corresponding amount of HK$8,484,000 was credited to share option reserve.

29. SHARE-BASED PAYMENTS – Continued

The fair values of the share options granted were calculated using both the Black-Scholes option pricing model and the Binomial option pricing model. These models are commonly used models to estimate the fair value of the share options. The variables and assumptions used in computing the fair value of the share options are based on the Directors' best estimate. The value of an option varies with different variables and certain assumptions. The inputs into the valuation models were as follows:

	20 December 2011	7 July 2009	29 September 2008	21 November 2006	22 September 2006
Fair value per option	HK$0.191 and HK$0.209	HK$0.181	HK$0.163	HK$0.650	HK$0.625
Weighted average share price	HK$0.360	HK$0.392	HK$0.395	HK$1.030	HK$0.930
Exercise price	HK$0.360	HK$0.420	HK$0.395	HK$1.050	HK$0.930
Expected volatility	107.80%	119.75%	128.30%	86.49%	84.87%
Expected life	10 years	10 years	10 years	5 years	5 years
Risk-free rate	1.376%	2.565%	3.800%	3.800%	3.815%
Expected dividend yield	Nil	Nil	Nil	Nil	Nil
Early exercise behaviour	220% and 280% of the exercise price	150% of the exercise price	150% of the exercise price	Nil	Nil
Valuation model used	Binomial	Binomial	Binomial	Black-Scholes	Black-Scholes

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

In respect of the share options exercised during the year ended 31 December 2012, the weighted average closing price of the Company's shares immediately before the dates of which the options were exercised was approximately HK$0.448. No share options were exercised during the year ended 31 December 2011.

At the end of the reporting period, the Company had 68,396,000 share options outstanding under the Share Option Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 68,396,000 additional ordinary shares of the Company and additional share capital of HK$6,840,000 and share premium of HK$40,495,000 (before issue expenses). An amount of HK$28,367,000 will be transferred from the share option reserve to the share premium account upon the exercise in full of the outstanding share options.

At the date of approval of these financial statements, the Company had 68,396,000 share options outstanding under the Share Option Scheme, which represented approximately 15.0% of the Company's shares in issue as at that date.

30. RETIREMENT BENEFIT 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 MPF Scheme are held separately from those of the Group, in funds under the control of trustees.

Both of the 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 (HK$25,000 after 1 June 2012), and the Group will make 5% top-up contribution if an employee's monthly basic salary exceeds HK$20,000 (HK$25,000 after 1 June 2012).

The employees of the Company's subsidiaries established in the PRC excluding Hong Kong 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 established in Germany are required to make contributions to the local defined contribution scheme on a monthly basis pursuant to the local laws and regulations.

For the year ended 31 December 2012, the Group made contributions to the retirement benefit schemes of HK$305,000 (2011: HK$321,000). There were no forfeited contributions available for offset against existing contributions during the year and prior year.

31. RELATED PARTY TRANSACTIONS

(a) Significant related party transactions

During the year ended 31 December 2012, the Group paid legal and professional fees of HK$960,000 (2011: HK$960,000) to a solicitor firm in which an executive director of the Company is a partner.

(b) Compensation of key management personnel of the Group

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

32. INTERESTS IN SUBSIDIARIES

	Company 2012 HK$'000	Company 2011 HK$'000
Unlisted share, at cost	**1**	1
Share options granted to grantees of the Company's subsidiaries	**29,435**	26,255
	29,436	26,256
Less: Impairment loss	**(29,435)**	(26,255)
	1	1

Particulars of the Company's subsidiaries as at 31 December 2012 are as follows:

Company name	Place of incorporation and registration/ operation	Issued share capital/ paid up capital	Attributable equity interests	Principal activities
Held directly by the Company:				
Almoray Limited	British Virgin Islands	US$1	100%	Investment holding
China Billion Limited	British Virgin Islands	US$1	100%	Investment holding
Gold Stand Holdings Limited	British Virgin Islands	US$1	100%	Investment holding
Jackwell Limited	British Virgin Islands	US$1	100%	Investment holding
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

32. INTERESTS IN SUBSIDIARIES – Continued

Company name	Place of incorporation and registration/ operation	Issued share capital/ paid up capital	Attributable equity interests	Principal activities
Held indirectly by the Company: – Continued				
Biofuel Limited	Hong Kong	HK$1	100%	Investment holding and manufacturing of renewable energy
Dongguan Innovative Power Equipment Limited^	PRC	US$1,500,000	100%	Manufacturing of multi-fuel generator
Dubaplain Limited	British Virgin Islands	US$1	100%	Investment holding
EnviroEnergy GmbH	Germany	EUR500,000	100%	Holding freehold land
EnviroPower GmbH	Germany	EUR100,000	100%	Trading of waste construction materials and waste processing provision
Gain Asset Limited	Hong Kong	HK$1	100%	Management services to group companies
Green Energy Finance Limited	Hong Kong	HK$1	100%	Dormant
Green Energy Resources Limited	Hong Kong	HK$1	100%	Trading of bio-cleaning materials and investment holding
Green Energy Trading Limited	Hong Kong	HK$1	100%	Trading of recyclable plastic materials and provision of relevant services
Green Energy Waste Management Limited	Hong Kong	HK$1	100%	Dormant

32. INTERESTS IN SUBSIDIARIES – Continued

Company name	Place of incorporation and registration/ operation	Issued share capital/ paid up capital	Attributable equity interests	Principal activities
Held indirectly by the Company: – Continued				
Jensen Power Equipment Limited	Hong Kong	HK$1	100%	Trading of generators
Kaiping Evergreen Energy Limited^	PRC	US$993,211	100%	Tree plantation
ReKRETE International Limited	British Virgin Islands	US$1	100%	Investment holding
ReKRETE (Asia) Limited	Hong Kong	HK$10,000	100%	Trading of bio-cleaning materials
UniSort Asia Limited	Hong Kong	HK$1	100%	Dormant
東莞中盛企業管理顧問有限公司^	PRC	HK$3,000,000	100%	Dormant

^ Wholly foreign owned enterprise

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

33. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

(a) Capital 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 the owners of the Company, comprising issued share capital and reserves.

The Directors 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, issue of new shares and shares buy-backs as well as the issue of new debts.

33. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS – Continued

(b) Financial instruments

(i) Categories of financial instruments

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial assets				
Loans and receivables				
– Trade receivables	**89**	77	**–**	–
– Loan receivables	**–**	251	**–**	–
– Deposits and other receivables	**2,108**	1,710	**68**	39
– Amounts due from subsidiaries	**–**	–	**16,813**	25,919
	2,197	2,038	**16,881**	25,958
Cash and cash equivalents	**22,150**	10,941	**16,572**	5,580
	24,347	12,979	**33,453**	31,538
Financial liabilities at amortised cost				
– Trade payables	**545**	531	**–**	–
– Accruals and other payables	**2,337**	2,279	**799**	903
– Amount due to a subsidiary	**–**	–	**852**	852
	2,882	2,810	**1,651**	1,755

33. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS – Continued

(b) Financial instruments – Continued

(ii) Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, deposits and other receivables, loans receivables, trade and other payables and bank balances and cash. Details of these financial instruments are disclosed in the 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 Directors manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Currency risk

Currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group mainly operates in Hong Kong, the PRC excluding Hong Kong and Germany. The functional currency of the Company and its subsidiaries are either HK$, Renminbi ("RMB") or Euro. The Group is exposed to currency risk arising from fluctuations on foreign currencies, primarily from those bank balances denominated in US$, against the respective functional currency of the respective Group entities. Currently the Group does not have foreign currency hedging policy but the management continuously monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Summary of exposure

At the end of the reporting period, the Group's foreign currency denominated financial assets and liabilities, translated into HK$ at the respective rates at that date, are as follows:

	2012			2011		
	Financial assets HK$'000	**Financial liabilities HK$'000**	**Net exposure HK$'000**	Financial assets HK$'000	Financial liabilities HK$'000	Net exposure HK$'000
US$	**2,959**	**–**	**2,959**	1,629	–	1,629

At the end of the reporting period, the Company does not have foreign currency denominated financial assets and liabilities (2011: Nil).

33. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS – Continued

(b) Financial instruments – Continued

(ii) Financial risk management objectives and policies – Continued

Currency risk – Continued

Currency exchange rate sensitivity analysis

As a result of a general appreciation of 3% (2011: 3%) in RMB, the functional currency of the respective Group entities, against US$, with all other variables are held constant, the loss for the year and accumulated losses of the Group would increase by approximately HK$89,000 (2011: HK$49,000). The assumed changes have no significant impact on the Group's other components of equity.

A general depreciation of 3% (2011: 3%) in RMB against US$ would have had the equal but opposite effect on the loss for the year and the accumulated losses to the amounts shown above, on the basis that all other variables are held constant.

The sensitivity analysis above has been determined assuming that the change in currency exchange rates had occurred at the beginning of the year and had been applied to the abovementioned financial instruments at that date and throughout the year constantly. The percentage increase or decrease represents management's assessment of a reasonably possible change in currency exchange rates over the period until the next annual reporting date.

Credit risk

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 the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors 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.

33. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS – Continued

(b) Financial instruments – Continued

(ii) Financial risk management objectives and policies – Continued

Credit risk – Continued

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 and loan receivables which consist of a few customers/ lenders only spread across limited industries and geographical areas.

Interest rate risk

The Group's interest-bearing assets are mainly represented by the loans receivable and bank balances as disclosed in notes 20, 21 and 23 respectively. For the year ended 31 December 2012, interest income arising from loans, advance and deposit paid in respect of investments of business amounted to HK$498,000 (2011: HK$1,205,000) while interest income from banks amounted to HK$14,000 (2011: HK$22,000) only. Apart from these, the Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group had no bank borrowings or other interest-bearing financial liabilities as at 31 December 2012 and 31 December 2011. As such, the Group is not exposed to interest-rate risk from long-term borrowings and has not used any interest rate swaps to hedge its exposure to interest rate risk.

Liquidity risk

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

The financial liabilities of the Group and the Company are either repayable on demand or due for settlement within twelve months from the respective reporting date. The total contractual undiscounted cash flows of the respective financial liabilities of the Group and the Company approximate their carrying amount at the reporting date. Based on the assessment of the Directors, liquidity risk encountered by the Group and the Company is not significant.

Fair value

The Directors consider that the carrying amounts of financial assets and financial liabilities carried at amortised cost approximate to their fair values due to short-term maturities of these financial instruments.

34. EVENT AFTER THE REPORTING DATE

On 11 March 2013, a subsidiary of the Company entered into a purchase agreement with an engineer firm incorporated in Portugal to purchase a plant that seeks to produce biodiesel in compliance with the European standard from grease trap oil collected from wastewater treatment plants and waste grease collectors. The total consideration for the plant is Euro690,000 (approximately HK$6,987,000). As at 31 December 2012, a down payment of Euro135,000 (approximately HK$1,367,000) has been paid to the engineer firm.

35. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 28 March 2013.

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				
	2012	2011	2010	2009	2008
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**977**	3,508	2,223	4,299	2,967
Operating loss after finance costs	**(17,529)**	(15,516)	(18,077)	(19,562)	(27,866)
Loss on disposal of property, plant and equipment	**–**	(15)	(15)	(130)	(1,916)
Gain on deregistration of a subsidiary	**–**	–	–	2,677	–
Equity-settled share-based payment expenses	**–**	(8,484)	–	(6,207)	(5,411)
Reversal of impairment loss/(impairment loss) on a deposit paid for a business acquisition and interest thereon	**24,007**	(30,727)	–	–	–
Impairment loss on intangible assets	**–**	–	–	(4,020)	(5,879)
Impairment losses on property, plant & equipment	**(3,436)**	(749)	(711)	(9,951)	–
(Loss)/gain arising from changes in fair value of biological assets less costs to sell	**–**	(722)	923	–	–
Write off of biological assets	**(4,456)**	–	–	–	–
Loss before taxation	**(1,414)**	(56,213)	(17,880)	(37,193)	(41,072)
Taxation	**–**	–	–	–	(1,106)
Loss for the year	**(1,414)**	(56,213)	(17,880)	(37,193)	(42,178)
Attributable to:					
Owners of the Company	**(1,414)**	(56,213)	(17,880)	(37,193)	(42,178)

	As at 31 December				
Assets and Liabilities	**2012**	2011	2010	2009	2008
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**36,392**	34,011	80,379	60,127	82,295
Total liabilities	**(3,869)**	(3,797)	(3,697)	(3,905)	(7,471)
Total equity attributable to owners of the Company	**32,523**	30,214	76,682	56,222	74,824