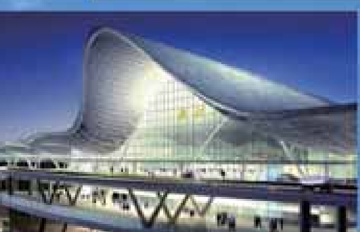
Global Energy Resources International Group Limited

(continued in Bermuda with limited liability)
Stock Code: 8192

GLOBAL ENERGY



Annual Report 2010

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This report, for which the directors (the "Directors") of Global Energy Resources International Group Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities (the "GEM Listing Rules") on GEM of the Stock Exchange for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

Contents

GLOBAL ENERGY

Group Financial Summary

	Year ended 31 December				
	2006	2007	2008	2009	**2010**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
RESULTS					
Turnover	2,823	1,417	1,193	14,553	**4,796**
Loss before taxation	(1,371)	(2,846)	(7,174)	(9,352)	**(17,896)**
Taxation	–	–	51	43	**(25)**
Loss for the year	(1,371)	(2,846)	(7,123)	(9,309)	**(17,921)**

	At 31 December				
	2006	2007	2008	2009	**2010**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
ASSETS AND LIABILITIES					
Total assets	2,389	5,172	18,548	16,349	**59,157**
Total liabilities	(1,555)	(3,501)	(3,273)	(10,371)	**(17,254)**
Net assets	834	1,671	15,275	5,978	**41,903**

Corporate Information

EXECUTIVE DIRECTORS
Ms. Li Xiao Mei *(Chairman)*
Mr. Zhang Shi Min *(Chief Executive Officer)*
Mr. Qie Bing Bing *(re-designated on 13 November 2010)*

NON-EXECUTIVE DIRECTORS
Mr. Wu Gao Yuan
Mr. Wen Wei Zhong

INDEPENDENT NON-EXECUTIVE DIRECTORS
Mr. Leung Wah
Mr. Fung Hoi Wing, Henry
Mr. Cheung Chung Leung, Richard

COMPANY SECRETARY
Ms. Li Shan Mui, HKICPA, FCCA and CTA

COMPLIANCE OFFICER
Mr. Zhang Shi Min

AUDIT COMMITTEE
Mr. Leung Wah *(Chairman)*
Mr. Fung Hoi Wing, Henry
Mr. Cheung Chung Leung, Richard

NOMINATION COMMITTEE
Mr. Zhang Shi Min *(Chairman)*
Mr. Leung Wah
Mr. Fung Hoi Wing, Henry
Mr. Cheung Chung Leung, Richard

REMUNERATION COMMITTEE
Mr. Zhang Shi Min *(Chairman)*
Mr. Leung Wah
Mr. Fung Hoi Wing, Henry
Mr. Cheung Chung Leung, Richard

AUTHORISED REPRESENTATIVES
Ms. Li Shan Mui, HKICPA, FCCA and CTA
Mr. Zhang Shi Min

AUDITORS
HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants
31st Floor, Gloucester Tower
The Landmark, 11 Pedder Street
Central
Hong Kong

LEGAL ADVISER TO THE COMPANY
As to Bermuda law
Conyers Dill & Pearman
2901 One Exchange Square
8 Connaught Place
Central
Hong Kong

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG
Unit 2803, 28th Floor
Bank of America Tower
12 Harcourt Road
Central
Hong Kong

REGISTERED OFFICE
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
Butterfield Fulcrum Group (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM06
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
Tricor Tengis Limited
26th Floor Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL BANKERS
Bank of China (Hong Kong) Limited

COMPANY HOMEPAGES
www.8192.com.hk
www.8192.todayir.com

GEM STOCK CODE
8192

Chairman's Statement

Dear shareholders,

On behalf of the board of directors (the "Board" or the" Directors") of Global Energy Resources International Group Limited (the "Company"), I herein present the results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2010.

BUSINESS AND FINANCIAL OVERVIEW

During the year, the Group's turnover and loss attributable to owners of the Company were approximately HK$4,796,000 (2009: HK$14,553,000) and approximately HK$17,921,000 (2009: HK$9,309,000) respectively, which represent a decrease of approximately 67% in turnover and an increase of approximately 93% in loss attributable to owners of the Company as compared with the previous corresponding year.

The Group is dedicated to exploring new business opportunities by venturing into new business areas. In September 2010, the Group successfully completed an acquisition of 51% of the equity interest of Shenzhen Shun Tian Yun Environmental Technology Limited ("Shun Tian Yun"), a domestic company established in the People Republic of China (the "PRC") carrying on the research and development, production and sale of environmentally friendly air-conditioners. Revenue from the sales of environmentally friendly air-conditioners and related products represented approximately 36% of the total revenue of the Group since the completion of the acquisition.

Shun Tian Yun has a vision to become an expert in developing, manufacturing and selling high quality air coolers with energy saving and environmental friendly feature. To achieve its vision, Shun Tian Yun works closely with some local universities and institutes in PRC focusing on research and development of products. Meanwhile, it also brings in innovative and high-tech skills from Sweden and the USA. Now it owns its brand, "RE Air-Cooler". Energy saving, environmental friendly and low-cost is the mission of product research and development of the company.

The Group's green building business has been running since the last year and green building practices generally have become widely accepted around the globe. The Group provides advisory services on natural ventilation and smoke ventilation system solutions. Natural ventilation is a whole-building design concept which principal function is to supply fresh air to interiors of a building to improve the indoor air quality (IAQ), and release any excessive heat from a building and most importantly reduce energy use and costs. A smoke ventilation system, on the other hand, helps release heat and smoke from a building in case of a fire hazard. During the year, the Group has pursued every opportunity to bid for the development projects in the PRC and has successfully secured a number of prominent projects, including one of the iconic project, New Wuhan Railway Station in Hubei Province, also known as the Wuguang Passenger Railway, Beijing Huawei Technologies Corporate Campus Phase One, China Mobile Building in Guangzhou, Jinan Hai Er Greenland, etc. Meanwhile, the Group continued to complete those projects, including Air China Flight Simulation Training Center in Beijing, which was secured last year.

The increase in the loss attributable to owners of the Company was partly due to the significant decrease in turnover of the provision of information technology and engineering consultancy fee income during the year under review. Although the Group successfully secured a number of new green building projects, the Group's turnover and profit were not as high as the last financial year. Higher costs of the new management team is another reason in said decrease. Furthermore, as the acquisition of Shun Tian Yun was completed on 1 September 2010, its contribution to the Group's turnover and profit have not been fully reflected in the financial year under review.

Chairman's Statement

PROSPECTS

The Group will continue to promote existing industrial environmental products and explore and introduce new products. The management of the Company has an optimistic outlook for the sale of environmentally friendly air-conditioners and expects sale of environmentally friendly air-conditioners will continue to increase and contribute a significant part of the revenue of the Group in the coming financial year. Meanwhile, the Group will also continue to adopt strict cost control policies in managing its operations and reinforce our competitive advantages so as to create greater shareholder value.

Besides, the Group intends to acquire part of equity interest of a company which is recycling of used lubricating oil into salable lubricating oil. The Company will make announcement as and when required in accordance with the GEM Listing Rules.

The Group will not only continue to improve its existing business but also keep seeking opportunities to invest in the energy and resources businesses including in particular the coalbed methane ("CBM") business with a view to bring in improved returns and provide greater value to our shareholders.

On behalf of the Board, I would like to express my heartfelt gratitude to our shareholders, customers and business partners for their continued support. My thanks also go to the board members, management and all of our staff for their dedication and hard work.

Li Xiao Mei
Chairman

Hong Kong, 22 March 2011

Management Discussion and Analysis

GENERAL

The Group is principally engaged in the provision of information technology, engineering consultancy services and production and sales of environmentally friendly air-conditioners and related products.

FINANCIAL REVIEW

Results

During the year under review, the Group recorded a turnover of approximately HK$4,796,000 (2009: approximately HK$14,553,000), representing a decrease of approximately 67% in turnover as compared with previous year. The decrease in turnover was attributable to the decrease in turnover of information technology and engineering consultancy fee income. Loss attributable to owners of the Company for the year ended 31 December 2010 amounted to approximately HK$17,921,000 (2009: approximately HK$9,309,000), representing an increase of approximately 93% as compared with previous year. The increase in the loss attributable to owners of the Company was partly due to the significant decrease in turnover of the provision of information technology and engineering consultancy fee income during the year under review and was partly attributable to higher staff costs of the new management team. Furthermore, as the acquisition of Shun Tian Yun was completed in September 2010, its contribution to the Group's turnover and profit have not been fully reflected in the financial year under review.

Liquidity, financial resources and capital structure

As at 31 December 2010, the Group had assets of approximately HK$59,157,000 (2009: approximately HK$16,349,000), including net cash and bank balances of approximately HK$26,375,000 (2009: approximately HK$8,097,000). There was no charge on the Group's assets as at 31 December 2010 (2009: nil).

During the year under review, the Group financed its operations partially with internally generated cash flow and partially with the net proceeds from the Placing (as defined below). After the Placing (as defined below) completed on 19 April 2010, the financial resources of the Company has been strengthened. As of 31 December 2010, all convertible bonds of the Company have been converted and there was no liability component of the convertible bonds (31 December 2009: approximately HK$2,543,000).

Placing Activity

Pursuant to a placing agreement entered into on 31 March 2010 and as amended by the supplemental agreement on 8 April 2010, the Company placed 180,000,000 shares to independent third parties at a price of HK$0.275 per placing share (the "Placing"). The Placing was completed on 19 April 2010. The net proceeds in the amount of approximately HK$49,100,000 was intended to be used for general working capital of the Group and/or funding for any possible acquisition or investment plan of the Group. As at the date of this report, the entire amount of proceeds has been utilized as to approximately HK$11,400,000 for the acquisition of 51% of the entire equity interest of Shun Tian Yun, details of which are set out in the announcement of Company dated 30 August 2010 and approximately HK$11,300,000 for administration and professional expenses and the balance was held as bank deposit.

Capital Structure

During the year ended 31 December 2010, an aggregate of 6,980,000,000 new Shares were issued by the Company, of which 180,000,000 new Shares were issued by the Company pursuant to the Placing and 6,800,000,000 new Shares were issued pursuant to the exercise of the convertible bonds by bondholders.

Gearing

The gearing ratio of the Group, defined as the ratio between total borrowings and shareholders' equity, was 0% for the year ended 31 December 2010 (2009: 43%) since the Group did not have any bank borrowings nor any convertible bonds for the year ended 31 December 2010 (2009: Convertible bonds of approximately HK$2,543,000).

Management Discussion and Analysis

FINANCIAL REVIEW *(Continued)*

Segment information

During the year ended 31 December 2009, the Group's operation was regarded as a single business segment which was the provision of information technology and engineering consultancy services. During the year under review, the Group has entered into a new operating segment "Manufacturing and sales of air-conditioners and related products". The Group's reportable segments are "Provision of information technology and engineering consultancy services" and "Manufacturing and sales of air-conditioners and related products". Analysis of the Group's turnover and results as well as analysis of the carrying amount of segment assets, segment liabilities and capital expenditures by geographical market have been presented.

Details of the Group's segment information are set out in note 6 to the financial statement.

SIGNIFICANT INVESTMENTS

Material acquisitions or disposals of subsidiaries and affiliated companies

On 30 August 2010, 中達博誠能源科技(深圳)有限公司, an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement to acquire from Mr. Wang Ying for the 51% of the equity interest in the Shenzhen Shun Tian Yun Environmental Technology Limited, which holds the entire equity interest in Shenzhen City Ruifeng Environmental Equipment Limited for an aggregate consideration of RMB10,000,000 (approximately HK$11,400,000). The aforesaid acquisition was completed on 1 September 2010.

Save as disclosed above, the Company did not have any material acquisitions or disposal of subsidiaries and affiliated companies during the year.

Contingent liabilities

As at 31 December 2010, the Group had no material contingent liabilities.

Treasury policies

The Group adopts a conservative approach towards its treasury policies. The Group strives to reduce its exposure to credit risk by performing ongoing credit evaluations of the financial conditions of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and commitments can meet its funding requirements.

Foreign exchange exposure

The Group's income and expenditure during the year ended 31 December 2010 were denominated either in Hong Kong dollars ("HK$") or Renminbi ("RMB"), and most of the assets and liabilities as at 31 December 2010 were denominated either in HK$ or RMB. The Group did not experience any material impact or difficulties in liquidity on its operations resulting from the fluctuation in exchange rate, and no hedging transaction or forward contract arrangement was made by the Group during the year under review.

Future plans for material investments

The Group is looking for ways to further improve its existing business and is also searching for business opportunities elsewhere to improve its financial performance and its shareholders' returns. The Group continues looking for new investment opportunities in new business areas, particularly, in the area of energy and resources. Besides, the Group intends to acquire part of equity interest of a company which is recycling of used lubricating oil into salable lubricating. The Company will make announcement as and when required in accordance with the GEM Listing Rules. The Directors believe that the strong growth in the economies of the PRC will provide good prospects for the Group.

Employees and remuneration policies

As at 31 December 2010, the Group had 87 (2009: 32) full-time employees, including Directors. Total staff costs (including Directors' remuneration) were approximately HK$9,067,000 for the year ended 31 December 2010 (2009: approximately HK$6,406,000). Remuneration is determined with reference to market terms and the performance, qualification and experience of individual employee. Other benefits include contributions to the statutory mandatory provident fund scheme for its employees in Hong Kong and social insurance for its employees in the PRC, and are paid at appropriate levels.

Directors and Senior Management Profiles

EXECUTIVE DIRECTORS

Ms. Li Xiao Mei, aged 36, was appointed as the chairman and an executive director of the Company on 12 January 2010. Ms. Li graduated from Hong Kong Institute of Fashion Design with a diploma in fashion design. Ms. Li has ten years of extensive experience in investment project management, merger and acquisition transactions and business strategies. She is an executive director of a number of PRC private companies. Ms. Li is the aunt of Mr. Qie Bing Bing, an executive director of the Company.

Mr. Zhang Shi Min, aged 53, was appointed as an executive director and a chairman of the remuneration committee and the nomination committee of the Company on 5 February 2010. Mr. Zhang was also appointed as the chief executive officer of the Company on 30 July 2010. Mr. Zhang has extensive experience in risk management. Mr. Zhang graduated from the 人文社會科學系 (Faculty of Humanities and Social Science*) of Hunan University with a 行政管理學學位 (Bachelor of Management Studies*). In addition, he was part of the senior management of 深圳康沃電氣技術有限公司 (Shenzhen Kang Wo Dian Qi Ji Shu Co., Limited*) and an executive director and the financial controller of 西安春日網絡能源有限公司 (Xi An Chun Ri Wang Luo Neng Yuan Co., Ltd.*).

Mr. Qie Bing Bing, aged 26, was appointed as a non-executive director of the Company on 5 March 2010, but has been re-designated to an executive director of the Company on 13 November 2010. Mr. Qie was also appointed as the deputy chief operating officer of the Company on 19 January 2011. Alongside with his years of experience in enterprise management and capital operation, Mr. Qie is also well-versed with the management, operation, exploration and exploitation in the field of mineral resources, petroleum and liquid petrol gas. when Mr. Qie worked for Bosch Rexroth Electric Drives and Controls (Shenzhen) Co., Ltd., he had participated in the overall market development in mainland China, as well as overseeing the merger and acquisition activities in the scope of electric drives and control in China. Mr. Qie graduated from the 中央廣播電視大學 (China Central Radio and TV University*) with 工商管理畢業證書 (certificate in Business Administration*). Mr. Qie was a sales director of 博世力士樂電子傳動與控制(深圳)有限公司 (Bosch Rexroth Electric Drives and Controls (Shenzhen) Co., Ltd.*) in East China and an investment director of 深圳市康沃資本創業投資有限公司 (Shenzhen Careall Capital Investment Co., Ltd.*). Mr. Qie Bing Bing is the nephew of Ms. Li Xiao Mei, the chairman and an executive director of the Company.

NON-EXECUTIVE DIRECTORS

Mr. Wu Gao Yuan, aged 41, was appointed as a non-executive director of the Company on 5 March 2010. Mr. Wu has extensive experience in the management of and investments in food and beverage, aqua-farming and mineral resources businesses. Mr. Wu graduated from 瀋陽體育學院 (Shenyang Sport University*). Mr. Wu is the general manager of 瀋陽恒煒物業管理有限公司 (Shenyang Heng Wei Property Management Co., Ltd*), 綏中電廠三益水產有限公司 (Sui Zhong ElectricFty San Yi Fisheries Co., Ltd.*), 南海漁港餐飲有限公司 (Nanhai Yu Gang Beverage Co., Ltd.*) and 遼寧益恒投資有限公司 (Liaoning Yi Heng Investment Co. Ltd.*).

Mr. Wen Wei Zhong, aged 40, was appointed as a non-executive director of the Company on 5 March 2010. Mr. Wen has extensive experience in property development, construction and mineral resources management. Mr. Wen graduated from Beijing University with a master of 高層經理工商管理 (Business Administration for Senior Manager*) of 光華管理學院 (Guang Hua Management Business School*). Mr. Wen is the general manager of the 濟寧建威安裝工程有限公司 (Jining Jian Wei Installation Co. Ltd.*). Mr. Wen was a member of the 10th Shandong Provincial People's Political Consultative Conference, the Corporate Supervisor of 山東聖泰農村合作銀行 (Shandong Sheng Tai Rural Cooperative Bank*) and Vice Chairman of the 濟寧市伊斯蘭教協會 (Jining Islamic Association*).

* *The English transliteration of the Chinese name(s), where indicated, is included for information only, and should not be regarded as the official English name(s) of such Chinese name(s).*

Directors and Senior Management Profiles

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Leung Wah, aged 46, was appointed as an independent non-executive director, the chairman of the audit committee of the Board and a member of the remuneration committee and the nomination committee of the Company on 12 January 2010. He is a member of the Hong Kong Institute of Certified Public Accountants, a member of the Institute of Chartered Accountants in England and Wales and a fellow member of the Association of Chartered Certified Accountants. He graduated from the University of Hong Kong with a Bachelor of Science degree. Mr. Leung has extensive experience in finance and accounting including working experience in international accounting firms, including Ernst & Young and Deloitte Touche Tohmatsu. Mr. Leung is the chief financial officer and company secretary of AUPU Group Holding Company Limited, the shares of which are listed on the Main Board of the Stock Exchange.

Mr. Fung Hoi Wing, Henry, aged 55, was appointed as an independent non-executive director, a member of the audit committee, the remuneration committee and the nomination committee of the Company on 12 January 2010. He is a Notary Public and Solicitor of Messrs. Fung, Wong, Ng & Lam, Solicitors and Notaries of Hong Kong. He is also a China-Appointed Attesting Officer. He graduated from the University of Hong Kong with a Bachelor of Social Sciences degree. Mr. Fung is an independent non-executive director and a member of the audit committee of Merdeka Resources Holdings Limited which is listed on the GEM of the Stock Exchange. Mr. Fung was an independent non-executive director and a member of the audit committee of Haier Electronics Group Co., Ltd., the shares of which are listed on the Main Board of the Stock Exchange.

Mr. Cheung Chung Leung, Richard, aged 57, was appointed as an independent non-executive director, a member of the nomination committee, the remuneration committee and the audit committee of the Company on 12 January 2010. He has over 30 years of experience as an architect and real estate investment advisor. He graduated from the University of Hong Kong with degrees of Bachelor of Arts (Architectural Studies) and Bachelor in Architecture. He possesses the People's Republic of China Class 1 Registered Architects Qualification and is a member of the Hong Kong Institute of Architects. He is also a Registered Architect pursuant to the Architects Registration Ordinance (Chapter 408 of the Laws of Hong Kong). Mr. Cheung is currently an independent non-executive director of Tomorrow International Holdings Limited and Mr. Cheung was an executive director of Way Fung Global Group Limited, the shares of both companies are listed on the Main Board of the Stock Exchange.

SENIOR MANAGEMENT

Mr. Wong Tak Shing, aged 48, joined the Group and resigned as the chief financial officer of the Company on 13 January 2010 and with effect from 1 March 2011 respectively. Mr. Wong has over 20 years of experience in corporate finance, accounting, personnel and administration, and has worked in various listed companies on the main board or the GEM of the Stock Exchange. Mr. Wong holds a Postgraduate Diploma in Financial Management from the University of New England, Australia and a Bachelor of Social Science in Business Economics and Accounting from the University of Southampton, UK. Mr. Wong is an associate member of CPA Australia and the Hong Kong Institute of Certified Public Accountants. He is currently an independent non-executive director of China Digital Licensing (Group) Limited which is listed on the GEM of the Stock Exchange.

Mr. Samuel Lai, aged 47, joined the Group as the chief administrator of the Company on 1 October 2009. Mr. Lai has over 25 years of commercial experience in Sales, Marketing, Business Development, etc. Mr. Lai has worked for many renowned and international corporations worldwide. Mr. Lai was the General Manager of Kingsmere Development Co. Ltd. in Hong Kong; the Sales Manager of iBiZ Inc. in Singapore; Regional Sales Manager (China) of City Networks Limited in the United Kingdom; Director of Business Development (Asia-Pacific) for TransPerfect Translation Inc. in the United Kingdom and the Director of Operation for Greenland Building Materials Co., In Hong Kong. Mr. Lai graduated from the University of Wales, United Kingdom with a Master of Business Administration.

Ms. Li Shan Mui, Janice, aged 37, joined the Group as the company secretary of the Company on 12 January 2010. Ms. Li has over 10 years of experience in audit, accounting, budgeting, financial analysis, administration, etc. She had even worked for many international firms. Ms. Li is a member of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Association of Chartered Certified Accountants, a member of The Taxation Institute of Hong Kong and Certified Tax Adviser, Hong Kong. Ms. Li graduated from University of Hertfordshire, United Kingdom with a Bachelor of Arts degree.

Directors' Report

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are set out in note 17 to the financial statements.

SEGMENT INFORMATION

The analysis of the business and geographical segments of the operations of the Group are set out in note 6 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2010 and the state of affairs of the Group and the Company at that date, are set out in the financial statements on pages 26 to 28.

DIVIDENDS

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2010 (2009: Nil).

SHARE CAPITAL

Details of the movements in the share capital of the Company are set out in note 27 to the financial statements.

RESERVES

Details of the movements in reserves of the Company and of the Group during the year are set out in note 29 to the financial statements and the consolidated statement of changes in equity on page 29 respectively.

The Company had no reserves available for distribution to the shareholders of the Company as at 31 December 2010 (2009: Nil).

GROUP FINANCIAL SUMMARY

A summary of the results and assets and liabilities of the Group announced in previous years are set out on page 2 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in note 14 to the financial statements.

Directors' Report

DIRECTORS

The Directors during the year ended 31 December 2010 and up to the date of this report were as follows:

Executive Directors

Ms. Li Xiao Mei *(Chairman)*	(appointed on 12 January 2010)
Mr. Zhang Shi Min	(appointed on 5 February 2010)
Mr. Gan Hongzhi	(appointed on 12 January 2010 and resigned on 5 February 2010)
Mr. Chan Wai Keung	(appointed on 5 March 2010 and resigned on 6 May 2010)
Mr. Qie Bing Bing	(re-designated on 13 November 2010)

Non-Executive Directors

Mr. Wu Gao Yuan	(appointed on 5 March 2010)
Mr. Wen Wei Zhong	(appointed on 5 March 2010)
Mr. Qie Bing Bing	(appointed on 5 March 2010 and re-designated to be Executive Director on 13 November 2010)

Independent non-executive Directors

Mr. Leung Wah	(appointed on 12 January 2010)
Mr. Fung Hoi Wing, Henry	(appointed on 12 January 2010)
Mr. Cheung Chung Leung, Richard	(appointed on 12 January 2010)

Pursuant to bye-law 87(1) of the Company's bye-laws, at least one-thirds of the Directors shall retire from office by rotation. In this connection, Mr. Zhang Shi Min, Mr. Qie Bing Bing and Mr. Wu Gao Yuan shall retire from office at the conclusion of the forthcoming annual general meeting of the Company and they, being eligible, will offer themselves for re-election. The Company has received annual confirmations of independence from Mr. Leung Wah, Mr. Fung Hoi Wing, Henry and Mr. Cheung Chung Leung, Richard and as at the date of this report still considers them to be independent.

DIRECTORS AND SENIOR MANAGEMENT BIOGRAPHIES

Biographical details of the Directors and senior management of the Group as at the date of this report are set out on pages 8 to 9.

Directors' Report

DIRECTORS' SERVICE CONTRACTS

Ms. Li Xiao Mei, the chairman and an executive director of the Company, has not entered into any service agreement with the Company.

Mr. Zhang Shi Min, an executive director of the Company, was also appointed as the chief executive officer of the Company on 30 July 2010, has entered into an employment contract with the Company. Under the employment contract, Mr. Zhang receives a basic salary of HK$1,080,000 per annum without bonus and such other remuneration as may be determined by the Board with reference to the performance of the Company, his duties and responsibilities and prevailing market conditions. Either party may terminate the employment by serving the other party not less than 3 months' written notice or payment of an amount equivalent to 3 months of the basic salary and allowances in lieu of notice at any time.

Mr. Qie Bing Bing, an executive director of the Company, was also appointed as the deputy chief operating officer of the Company on 19 January 2011, has entered into an employment contract with the Company. Under the employment contract, Mr. Qie receives a basic salary of HK$600,000 per annum without bonus and such other remuneration as may be determined by the Board with reference to the performance of the Company, his duties and responsibilities and prevailing market conditions. Either party may terminate the employment by serving the other party not less than 3 months' written notice or payment of an amount equivalent to 3 months of the basic salary and allowances in lieu of notice at any time.

Save and except that Mr. Qie has signed a letter of appointment with the Company for a term of 1 year with effect from 5 March 2010, but the letter of appointment has been terminated with effect from 13 November 2010 upon Mr. Qie was re-designated as an executive Director, each of the non-executive directors has signed a letter of appointment with the Company for a term of 1 year with effect from 5 March 2010 and has been renewed for another term of 1 year with effect from 5 March 2011 and their appointment are subject to retirement by rotation and/or re-election at the Company's annual general meeting in accordance with the bye-laws of the Company.

Each of the independent non-executive directors has signed a letter of appointment with the Company for a term of 1 year with effect from 12 January 2010 and has been renewed for another term of 1 year with effect from 12 January 2011 and their appointment are subject to retirement by rotation and/or re-election at the Company's annual general meeting in accordance with the bye-laws of the Company.

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

DIRECTORS' INTERESTS IN CONTRACTS

None of the Directors had a material interest, whether directly or indirectly, in any contract of significance subsisting during or at the end of the year to which the Company or any of its subsidiaries was a party.

MANAGEMENT CONTRACTS

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

Directors' Report

DIRECTORS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 December 2010, the interests and short positions of the Directors of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Cap. 571 of the Laws of Hong Kong ("SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange were as follows:

Long positions in shares and underlying shares of the Company

Name	Number of Shares Personal interest	Approximate percentage of shareholding
Ms. Li Xiao Mei	6,470,000,000 *(Note)*	51.56%

Note: These shares are owned by Sound Treasure Holdings Limited ("Sound Treasure"), a company wholly owned by Ms. Li Xiao Mei who is the chairman and an executive director of the Company. During the year under review, Sound Treasure has transferred and converted zero coupon convertible bonds of the Company, the principal amounts of HK$1,400,000 and HK$1,500,000 to independent third parties and into 3,000,000,000 shares of the Company respectively. As at 31 December 2010, Sound Treasure does not own any zero coupon convertible bonds of the Company.

Save as disclosed above, as at 31 December 2010, none of the Directors of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to rules 5.46 to 5.67 of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange.

SHARE OPTION SCHEME

A share option scheme was adopted and approved by the sole member of the Company on 26 October 2002 (the "Share Option Scheme"). No share options have been granted under the Share Option Scheme since its adoption.

Particulars of the Company's Share Option Scheme are set out in note 28 to the financial statements.

CONVERTIBLE BONDS

All outstanding zero coupon convertible bonds of the Company had been converted by bondholders during the year and there was no liability component of the convertible bonds as at 31 December 2010.

Particulars of the Convertible Bonds are set out in note 25 to the financial statements.

Directors' Report

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Saved as disclosed in the section headed "Directors' interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation" above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Saved as disclosed in the section headed "Directors' interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation" above, at no time during the year had the Directors and chief executives of the Company (including their spouses and children under 18 years of age) any interest in, or been granted, or exercised any rights to subscribe for shares (or warrants or debentures, if applicable) of the Company and its associated corporations (within the meaning of the SFO).

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2010, the interests or short positions of person in the shares and underlying shares and debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who is, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or any other substantial shareholders whose interests or short positions were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long positions in shares and underlying shares of the Company

Name of Shareholder	Number of shares interested	Capacity in which shares are held	Percentage of issued share capital
Sound Treasure Holdings Limited	6,470,000,000 *(Note)*	Beneficial owner	51.56%
Ms. Li Xiao Mei	6,470,000,000 *(Note)*	Interest in controlled corporation	51.56%

Note: These shares are owned by Sound Treasure Holdings Limited ("Sound Treasure"), a company wholly owned by Ms. Li Xiao Mei who is the chairman and an executive director of the Company. During the year under review, Sound Treasure has transferred and converted zero coupon convertible bonds of the Company, the principal amounts of HK$1,400,000 and HK$1,500,000 to independent third parties and 3,000,000,000 shares of the Company respectively. As at 31 December 2010, Sound Treasure does not own any zero coupon convertible bonds of the Company.

Save as disclosed above, as at 31 December 2010, the Directors were not aware of any other person (other than the directors and chief executives of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who is, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or any other substantial shareholders whose interests or short positions were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Directors' Report

MAJOR CUSTOMERS AND SUPPLIERS

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

Purchases	
– the largest supplier	14.6%
– five largest suppliers combined	53.2%
Sales	
– the largest customer	39.5%
– five largest customers combined	79.7%

None of the Directors or any of their associates or any shareholders of the Company (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the above major suppliers or largest customers of the Group for the year ended 31 December 2010.

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

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

DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the Directors and the management shareholders of the Company and their respective associates (as defined in the GEM Listing Rules) has any business or interest in companies that competes or may compete with the business of the Group or any other conflict of interests which any such person has or may have with the Group.

SUBSIDIARIES

Details of the Company's principal subsidiaries at 31 December 2010 are set out in note 17 to the financial statements.

CONNECTED TRANSACTIONS

There were no significant connected transactions entered into by the Group for the year ended 31 December 2010.

The related party transactions are set out in note 32 to the financial statements. All the related party transactions did not constitute connected transactions or continuing connected transactions of the Company under Chapter 20 of the GEM Listing Rules which are required to comply with any of the reporting, announcement or independent shareholders' approval requirements under the GEM Listing Rules.

PUBLIC FLOAT

Based on information publicly available to the Company and within the knowledge of the Directors as at the date of this annual report, the Company has maintained the prescribed public float under the GEM Listing Rules.

Directors' Report

PRE-EMPTIVE RIGHTS

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

EVENTS AFTER THE REPORTING PERIOD

Details of events after the reporting period are set out in note 37 to the financial statements.

AUDITORS

Grant Thornton Hong Kong has resigned as auditors of the Group with effect from 2 December 2010. HLB Hodgson Impey Cheng ("HLB") has been appointed as new auditors of the Group with effect from 17 December 2010 to fill the vacancy following the resignation of Grant Thornton Hong Kong and to hold office until the conclusion of the next annual general meeting of the Company. The Company's auditors, HLB, would retire at the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-appointment.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 15 of the GEM Listing Rules. The Company has applied the principles in the CG Code and complied with the provisions set out in the CG Code for the year ended 31 December 2010.

On behalf of the Board

Li Xiao Mei
Chairman

Hong Kong, 22 March 2011

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 15 of the GEM Listing Rules. The Company has applied the principles in the CG Code and complied with the provisions set out in the CG Code for the year ended 31 December 2010.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company had made specific enquiries of all Directors, the Directors have complied with such code of conduct and the required standard of dealings regarding securities transactions throughout the year ended 31 December 2010.

BOARD OF DIRECTORS AND BOARD MEETING

The Board members for the year ended 31 December 2010 and up to the date of this annual report were:

Executive Directors

Ms. Li Xiao Mei *(Chairman)*	(appointed on 12 January 2010)
Mr. Zhang Shi Min	(appointed on 5 February 2010)
Mr. Gan Hongzhi	(appointed on 12 January 2010 and resigned on 5 February 2010)
Mr. Chan Wai Keung	(appointed on 5 March 2010 and resigned on 6 May 2010)
Mr. Qie Bing Bing	(re-designated on 13 November 2010)

Non-Executive Directors

Mr. Wu Gao Yuan	(appointed on 5 March 2010)
Mr. Wen Wei Zhong	(appointed on 5 March 2010)
Mr. Qie Bing Bing	(appointed on 5 March 2010 and re-designated to be executive director on 13 November 2010)

Independent non-executive Directors

Mr. Leung Wah	(appointed on 12 January 2010)
Mr. Fung Hoi Wing, Henry	(appointed on 12 January 2010)
Mr. Cheung Chung Leung, Richard	(appointed on 12 January 2010)

The Board is responsible for the Group's corporate policy formulation, business strategies planning, business development, risk management, major acquisitions, disposals and capital transactions, and other significant operational and financial matters. Major corporate matters that are specifically delegated by the Board to the management include the preparation of quarterly, interim and annual accounts for Board approval before public reporting, execution of business strategies and initiatives adopted by the Board, implementation of adequate systems of internal controls and risk management procedures, and compliance with relevant statutory requirements and rules and regulations.

Corporate Governance Report

BOARD OF DIRECTORS AND BOARD MEETING *(Continued)*

Each of the Directors' biographical information is set out on pages 8 to 9 of this annual report. All executive directors have given sufficient time and attention to the affairs of the Group and each of them has sufficient experience to hold the position so as to carry out his duties effectively and efficiently.

The Company had appointed three independent non-executive directors who have appropriate and sufficient experience and qualification to carry out their duties so as to protect the interests of the shareholders of the Company. All of them have been appointed for a term of 1 year with commencing from the date of their appointment and renewed for another term of 1 year with commencing from 12 January 2011.

To the best knowledge of the Company, save as the relationship between Ms. Li Xiao Mei, the chairman and executive director of the Company, and Mr. Qie Bing Bing, the deputy chief operating officer and executive director of the Company as disclosed above in the section headed "Directors and Senior Management Profiles", there is no financial, business, family or other material/relevant relationship among the members of the Board.

Directors' Appointment, Re-election and Removal

Ms. Li Xiao Mei, the chairman and executive director of the Company, has not entered into any service agreement with the Company.

Mr. Zhang Shi Min, an executive director of the Company, was also appointed as the chief executive officer of the Company on 30 July 2010, has entered into an employment contract with the Company. Under the employment contract, Mr. Zhang receives a basic salary of HK$1,080,000 per annum without bonus and such other remuneration as may be determined by the Board with reference to the performance of the Company, his duties and responsibilities and prevailing market conditions. Either party may terminate the employment by serving the other party not less than 3 months' written notice or payment of an amount equivalent to 3 months of the basic salary and allowances in lieu of notice at any time.

Mr. Qie Bing Bing, an executive director of the Company, was also appointed as the deputy chief operating officer of the Company on 19 January 2011, has entered into an employment contract with the Company. Under the employment contract, Mr. Qie receives a basic salary of HK$600,000 per annum without bonus and such other remuneration as may be determined by the Board with reference to the performance of the Company, his duties and responsibilities and prevailing market conditions. Either party may terminate the employment by serving the other party not less than 3 months' written notice or payment of an amount equivalent to 3 months of the basic salary and allowances in lieu of notice at any time.

Save and except that Mr. Qie has signed a letter of appointment with the Company for a term of 1 year with effect from 5 March 2010, but the letter of appointment has been terminated with effect from 13 November 2010 upon Mr. Qie was re-designated as an executive Director, each of the non-executive directors has signed a letter of appointment with the Company for a term of 1 year with effect from 5 March 2010 and has been renewed for another term of 1 year with effect from 5 March 2011, and their appointment are subject to retirement by rotation and/or re-election at the Company's annual general meeting in accordance with the bye-laws of the Company.

Each of the independent non-executive directors has signed a letter of appointment with the Company for a term of 1 year with effect from 12 January 2010 and has been renewed for another term of 1 year with effect from 12 January 2011, and their appointment are subject to retirement by rotation and/or re-election at the Company's annual general meeting in accordance with the bye-laws of the Company.

Corporate Governance Report

BOARD OF DIRECTORS AND BOARD MEETING *(Continued)*

Directors' Appointment, Re-election and Removal *(Continued)*

Pursuant to bye-law 87(1) of the Company's bye-laws, at least one-thirds of the Directors shall retire from office by rotation and any director appointed to fill a casual vacancy or as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at that meeting. Also, all directors are subject to retirement by rotation at least once every three years. The directors to retire every year shall be those appointed by the Board during the year and those who have been longest in office since their last election or re-election.

Independent non-executive Directors

Pursuant to the requirements of the Rule 5.09 of the GEM Listing Rules, the Company has received written confirmation from each of the independent non-executive directors of his independence. Based on such confirmations of independence, the Company considers all of the independent non-executive directors to be independent under Rule 5.09 of the GEM Listing Rules.

Board Meetings and Board Practices

The Board meets four times a year to review the financial and operating performance of the Group.

Details of the attendance of the meetings of the Board are as follows:

Directors		Attendance
Ms. Li Xiao Mei *(the Chairman)*	(appointed on 12 January 2010)	3/4
Mr. Leung Wah	(appointed on 12 January 2010)	4/4
Mr. Fung Hoi Wing, Henry	(appointed on 12 January 2010)	4/4
Mr. Cheung Chung Leung, Richard	(appointed on 12 January 2010)	4/4
Mr. Zhang Shi Min	(appointed on 5 February 2010)	3/4
Mr. Wu Gao Yuan	(appointed on 5 March 2010)	0/4
Mr. Wen Wei Zhong	(appointed on 5 March 2010)	0/4
Mr. Qie Bing Bing	(appointed on 5 March 2010 and re-designated on 13 November 2010)	4/4
Mr. Gan Hongzhi	(appointed on 12 January 2010 and resigned on 5 February 2010)	0/4
Mr. Chan Wai Keung	(appointed on 5 March 2010 and resigned on 6 May 2010)	1/4

Apart from the above regular Board meetings of the year, the Board will meet on other occasions when a board-level decision on a particular matter is required. The Directors will receive details of agenda items for decision in advance of each Board meeting. The company secretary of the Company (the "Company Secretary") is responsible for distributing detailed documents to the Directors prior to the meetings of the Board to ensure that the Directors are able to make informed decisions regarding the matters discussed in the meetings so that they may receive accurate, timely and clear information. All Directors have access to the advice and services of the Company Secretary who regularly updates the Board on governance and regulatory matters. The Company Secretary is also responsible for providing to the Board opinions on matters in relation to the compliance with the procedures of the Board meetings.

Corporate Governance Report

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

In order to reinforce their respective independence, accountability and responsibility, and to avoid power being concentrated in any one individual, the role of the Chairman is separated from that of the Chief Executive Officer. The Chairman of the Group is Ms. Li Xiao Mei and the Chief Executive Officer of the Group is Mr. Zhang Shi Min who was appointed on 30 July 2010 after Mr. Chan Wai Keung resigned as the Chief Executive Officer and executive director of the Group on 6 May 2010. Their respective responsibilities are clearly established and defined by the Board in writing. The Chairman is responsible for ensuring that the Board is functioning properly, with good corporate governance practices and procedures, whilst the Chief Executive Officer, supported by the executive directors and senior management, is responsible for managing the Group's businesses, including the implementation of major strategies and initiatives adopted by the Board.

NOMINATION COMMITTEE

The nomination committee of the Company (the "Nomination Committee") was established with written terms of reference in compliance with the provisions set out in the CG Code particularly A.4.5 of the CG Code. As at the date of this annual report, the Nomination Committee comprises of four members, Mr. Zhang Shi Min, Mr. Leung Wah, Mr. Fung Hoi Wing, Henry and Mr. Cheung Chung Leung, Richard. Except for Mr. Zhang Shi Min, all of the members of the Nomination Committee are independent non-executive Directors. The chairman of the Nomination Committee is Mr. Zhang Shi Min.

The roles and functions of the Nomination Committee include the following:

(1) review the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and make recommendations to the Board;

(2) identify suitable candidates qualified to become members of the Board and select or make recommendations to the Board on the selection of, individuals nominated for directorships;

(3) assess the independence of independent non-executive directors; and

(4) make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for Directors in particular the chairman and the chief executive officer of the Company.

The Board's criteria for nominating a suitable candidate for Directorship involves the consideration of the candidate's education, background, experience, qualification, reputation and such other attributes.

Nomination Committee meetings were held on 5 February 2010, 14 May 2010 and 31 December 2010 for, amongst other matters, reviewing the structure, size and composition of the Board, assessing the continual independence of the independent non-executive directors, considering and recommending the re-election of the retiring Directors, specially nominated Mr. Chan Wai Keung and Mr. Zhang Shi Min as the chief executive officers on 5 February 2010 and 14 May 2010 respectively, nominated Mr. Chan Wai Keung as an executive director and Mr. Qie Bing Bing, Mr. Wu Gao Yuan and Mr. Wen Wei Zhong as non-executive directors, the extension of the term of services of Mr. Leung Wah, Mr. Fung Hoi Wing, Henry and Mr. Cheung Chung Leung, Richard as independent non-executive directors and the extension of term of services for Mr. Wu Gao Yuan and Mr. Wen Wei Zhong as non-executive directors.

Corporate Governance Report

NOMINATION COMMITTEE *(Continued)*

The Nomination Committee held three meetings during the year ended 31 December 2010 and the attendance record of these meetings are as follows:

Members		Attendance
Mr. Zhang Shi Min *(the Chairman)*	(appointed on 5 February 2010)	1/3
Mr. Leung Wah	(appointed on 12 January 2010)	3/3
Mr. Fung Hoi Wing, Henry	(appointed on 12 January 2010)	3/3
Mr. Cheung Chung Leung, Richard	(appointed on 12 January 2010)	2/3
Mr. Gan Hongzhi	(appointed on 12 January 2010 and resigned on 5 February 2010)	1/3

In accordance with the Company's bye-laws, any director so appointed by the Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at that meeting. Also, all directors are subject to retirement by rotation at least once every three years. The directors to retire every year shall be those appointed by the Board during the year and those who have been longest in office since their last election or re-election.

REMUNERATION COMMITTEE

The remuneration committee of the Company (the "Remuneration Committee") was established with written terms of reference in compliance with the provisions set out in the CG Code particularly B.1.3 of the CG Code. As at the date of this annual report, the Remuneration Committee comprises of four members, Mr. Zhang Shi Min, Mr. Leung Wah, Mr. Fung Hoi Wing, Henry and Mr. Cheung Chung Leung, Richard. Except for Mr. Zhang Shi Min, all of the members of the Remuneration Committee are independent non-executive directors. The chairman of the Remuneration Committee is Mr. Zhang Shi Min.

The roles and functions of the Remuneration Committee include the following:

(1) make recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration;

(2) determine the specific remuneration packages of all executive directors and senior management and make recommendations to the Board of the remuneration of non-executive directors. The Remuneration Committee considers factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, employment conditions elsewhere in the Group and desirability of performance-based remuneration;

(3) review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;

(4) review and approve the compensation payable to executive directors and senior management in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is otherwise fair and not excessive for the Company;

Corporate Governance Report

REMUNERATION COMMITTEE *(Continued)*

(5) review and approve compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and that any compensation payment is otherwise reasonable and appropriate; and

(6) ensure that no director or any of his associates is involved in deciding his own remuneration.

Remuneration Committee meetings were held on 5 February 2010, 15 June 2010 and 31 December 2010 to review, consider and approve the remuneration policy of the Group and specially reviewed the remuneration package for Mr. Chan Wai Keung and Mr. Zhang Shi Min respectively as the chief executive officers and the extension of term of services for Mr. Leung Wah, Mr. Fung Hoi Wing, Henry and Mr. Cheung Chung Leung, Richard as independent non-executive directors and the extension of term of services for Mr. Wu Gao Yuan and Mr. Wen Wei Zhong as non-executive directors.

The Remuneration Committee held three meetings during the year ended 31 December 2010 and the attendance record of these meetings are as follows:

Members		**Attendance**
Mr. Zhang Shi Min *(the Chairman)*	(appointed on 5 February 2010)	2/3
Mr. Leung Wah	(appointed on 12 January 2010)	3/3
Mr. Fung Hoi Wing, Henry	(appointed on 12 January 2010)	3/3
Mr. Cheung Chung Leung, Richard	(appointed on 12 January 2010)	2/3
Mr. Gan Hongzhi	(appointed on 12 January 2010 and resigned on 5 February 2010)	1/3

AUDIT COMMITTEE

The Company established an audit committee (the "Audit Committee") with written terms of reference in compliance with the provisions set out in the CG Code particularly C.3.3 of the CG Code and Rules 5.28 and 5.33 of the GEM Listing Rules and which had been revised on 1 March 2008. As at the date of this annual report, the Audit Committee comprises of three members, Mr. Leung Wah, Mr. Fung Hoi Wing, Henry and Mr. Cheung Chung Leung, Richard and all of them are independent non-executive directors. The chairman of the Audit Committee is Mr. Leung Wah.

The roles and functions of the Audit Committee include the following:

(1) make recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration;

(2) review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standard. The Audit Committee will also discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences;

Corporate Governance Report

AUDIT COMMITTEE *(Continued)*

(3) develop and implement policy on the engagement of an external auditors to supply non-audit services. The Audit Committee will report to the Board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken;

(4) monitor integrity of financial statements of an Company and the Company's annual report and accounts, half-year report and quarterly reports, and to review significant financial reporting judgements contained in them;

(5) review the Company's financial controls, internal control and risk management systems;

(6) to discuss with management the system of internal control and ensure that management has discharged its duty to have an effective internal control system;

(7) review the Group's financial and accounting policies and practices; and

(8) review the external auditor's management letter, any material queries raised by the auditor to the management in respect of the accounting records, financial accounts or systems of control and management's response, and to ensure that the Board provide a timely response to the issues raised.

Audit Committee meetings were held on 19 March 2010, 14 May 2010, 13 August 2010, 12 November 2010 and 3 December 2010, amongst other matters, to consider the annual results of the Group ending 31 December 2009, the quarterly results of the Group for the three months ended 31 March 2010 and the nine months ended 30 September 2010 and the interim results of the Group for the six months ended 30 June 2010, specially considered the change of auditors, reviewing of connected transactions, re-appointment of auditor, discussing with the auditors of the Company on internal control, auditors' independence and remuneration and the scope of work in relation to the annual audit.

The Audit Committee held five meetings during the year ended 31 December 2010 and the attendance record of these meetings are as follows:

Members		**Attendance**
Mr. Leung Wah *(the Chairman)*	(appointed on 12 January 2010)	5/5
Mr. Fung Hoi Wing, Henry	(appointed on 12 January 2010)	5/5
Mr. Cheung Chung Leung, Richard	(appointed on 12 January 2010)	5/5

Corporate Governance Report

INTERNAL CONTROL

The Board has overall responsibility for maintaining effective internal control to safeguard the Group's assets and the shareholders' interests. The Board has conducted regular reviews on the effectiveness of the Group's all material internal controls during the year.

The Board monitors the Group's progress on corporate governance practices. Periodic meetings are held, and circulars or guidance notes are issued to Directors and senior management of the Company to ensure awareness of best corporate governance practices.

AUDITORS' REMUNERATION

The Company has appointed Messrs. HLB Hodgson Impey Cheng as the auditors of the Group (the "Auditors") on 17 December 2010 after Messrs. Grant Thornton, Hong Kong resigned as the auditors of the Group (the "Outgoing Auditors") on 2 December 2010. The Board is authorized in the annual general meeting of the Company to determine the remuneration of the Auditors. During the year, the Outgoing Auditors did not perform the work of statutory audit for the year ended 31 December 2010, and neither the Auditors nor the Outgoing Auditors involved in any non-audit assignment of the Group. The remuneration of the Auditors for the year ended 31 December 2010 for the work of statutory audit is approximately HK$280,000.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Directors acknowledge their responsibility for the preparation and true and fair presentation of the financial statements of the Company. In preparing the financial statements, the financial reporting standards in Hong Kong have been adopted, appropriate accounting policies have been used and applied consistently, and reasonable judgements and estimates have been made.

The Board is not aware of any material uncertainties relating to the events or conditions which may cast significant doubt over the Group's ability to continue as a going concern. Accordingly, the Board has continued to adopt the ongoing concern basis in preparing the financial statements.

The Auditors' responsibilities are set out in the section headed "Independent Auditors' Report".

INVESTOR RELATIONS AND SHAREHOLDERS' RIGHT

The Board recognizes the importance of maintaining clear, timely and effective communication with the shareholders of the Company and investors. Therefore, the Company uses a number of formal communication channels to account to the shareholders and investors for the performance of the Company, which include the publication of the reports on the website of the Company, holding of the annual general meeting or extraordinary general meeting providing a forum for shareholders of the Company to raise comments and exchanging views with the Board and updating key information of the Group available on the website of the Company.

Independent Auditors' Report

HLB 國衛會計師事務所
Hodgson Impey Cheng

Chartered Accountants
Certified Public Accountants

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

TO THE SHAREHOLDERS OF GLOBAL ENERGY RESOURCES INTERNATIONAL GROUP LIMITED (FORMERLY KNOWN AS UURG CORPORATION LIMITED)
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Global Energy Resources International Group Limited (formerly known as UURG Corporation Limited) (the"Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 26 to 72, which comprise the consolidated and Company statements of financial position as at 31 December 2010, 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 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.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of 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 auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated 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 2010, 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.

HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants

Hong Kong, 22 March 2011

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2010

	Notes	**2010** **HK$'000**	2009 HK$'000
Revenue	5	**4,796**	14,553
Cost of sales		**(1,174)**	–
Gross profit		**3,622**	14,553
Other revenue	5	**117**	66
Materials and consumable used		**(2,377)**	(11,665)
Depreciation		**(165)**	(51)
Staff costs	12	**(9,067)**	(6,406)
Other operating expenses		**(9,758)**	(5,588)
Loss from operations		**(17,628)**	(9,091)
Finance costs	7	**(268)**	(261)
Loss before taxation	8	**(17,896)**	(9,352)
Taxation	9	**(25)**	43
Net loss for the year		**(17,921)**	(9,309)
Other comprehensive income (loss), net of income tax			
Exchange gain on translation of financial statements of foreign operations		**412**	12
Other comprehensive income (loss) for the year, net of income tax		**412**	12
Total comprehensive income (loss) for the year		**(17,509)**	(9,297)
Loss for the year attributable to			
Owners of the Company	10	**(17,996)**	(9,309)
Non-controlling interests		**75**	–
		(17,921)	(9,309)
Total comprehensive income (loss) for the year attributable to			
Owners of the Company		**(17,662)**	(9,297)
Non-controlling interests		**153**	–
		(17,509)	(9,297)
Loss per share	11		
– Basic and diluted		**HK(0.28) cents**	HK(0.17) cents

Consolidated Statement of Financial Position

as at 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	14	**997**	6
Goodwill	15	**10,386**	–
Other assets	16	**590**	–
		11,973	6
Current assets			
Inventories	18	**10,149**	489
Trade receivables	19	**8,823**	7,099
Other receivables, deposits and prepayments		**1,837**	658
Cash and cash equivalents	20	**26,375**	8,097
		47,184	16,343
Current liabilities			
Trade payables	22	**6,809**	6,158
Accruals and other payables	23	**4,870**	1,529
Amount due to a related party	24	**5,509**	–
Tax payable		**66**	–
		17,254	7,687
Net current assets		**29,930**	8,656
Total assets less current liabilities		**41,903**	8,662
Non-current liabilities			
Convertible bonds	25	**–**	2,543
Deferred tax liabilities	26	**–**	141
		–	2,684
Net assets		**41,903**	5,978
EQUITY			
Share capital	27	**6,274**	2,784
Reserves		**34,156**	3,194
Total equity attributable to owners of the Company		**40,430**	5,978
Non-controlling interests		**1,473**	–
Total equity		**41,903**	5,978

The consolidated financial statements were approved and authorised for issue by the board of directors on 22 March 2011 and signed on its behalf by:

Li Xiaomei	**Zhang Shi Min**
Chairman	*Director*

Statement of Financial Position

as at 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Interests in subsidiaries	17	**27,905**	2,745
Current assets			
Other receivables, deposits and prepayments		**519**	93
Cash and cash equivalents	20	**13,777**	3,932
		14,296	4,025
Current liabilities			
Accruals and other payables	23	**918**	585
Amount due to a subsidiary	21	**–**	344
		918	929
Net current assets		**13,378**	3,096
Total assets less current liabilities		**41,283**	5,841
Non-current liabilities			
Convertible bonds	25	**–**	2,543
Deferred tax liabilities	26	**–**	141
		–	2,684
Net assets		**41,283**	3,157
EQUITY			
Share capital	27	**6,274**	2,784
Reserves	29	**35,009**	373
Total equity		**41,283**	3,157

The financial statements were approved and authorised for issue by the board of directors on 22 March 2011 and signed on its behalf by:

Li Xiaomei
Chairman

Zhang Shi Min
Director

Consolidated Statement of Changes in Equity

for the year ended 31 December 2010

	Share capital	Capital reserve (note (i))	Share premium	Special reserve (note(ii))	Convertible bonds equity reserve	Exchange reserve	Accumulated losses	Subtotal	Non-controlling interests	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2009	2,784	1,030	20,273	11	1,190	(3)	(10,010)	15,275	–	15,275
Net loss for the year	–	–	–	–	–	–	(9,309)	(9,309)	–	(9,309)
Other comprehensive income (loss)										
Translation difference	–	–	–	–	–	12	–	12	–	12
Total comprehensive income (loss) for the year	–	–	–	–	–	12	(9,309)	(9,297)	–	(9,297)
At 31 December 2009 and 1 January 2010	2,784	1,030	20,273	11	1,190	9	(19,319)	5,978	–	5,978
Non-controlling interests arising on the acquisition of subsidiaries	–	–	–	–	–	–	–	–	1,320	1,320
Conversion of convertible bonds	3,400	–	698	–	(1,190)	–	–	2,908	–	2,908
Issue of new shares	90	–	49,410	–	–	–	–	49,500	–	49,500
Share issue expenses	–	–	(372)	–	–	–	–	(372)	–	(372)
Transactions with owners	3,490	–	49,736	–	(1,190)	–	–	52,036	1,320	53,356
Net loss for the year	–	–	–	–	–	–	(17,996)	(17,996)	75	(17,921)
Other comprehensive income (loss)										
Translation difference	–	–	–	–	–	412	–	412	78	490
Total comprehensive income (loss) for the year	–	–	–	–	–	412	(17,996)	(17,584)	153	(17,431)
At 31 December 2010	**6,274**	**1,030***	**70,009***	**11***	**–***	**421***	**(37,315)***	**40,430**	**1,473**	**41,903**

* The aggregated amount of these balances of HK$34,156,000 (2009: HK$3,194,000) in surplus is included as reserves in the consolidated statement of financial position.

Notes:

(i) The capital reserve of the Group represents a capital contribution by a shareholder company during the year ended 31 December 2007.

(ii) The special reserve of the Group represents the difference between the nominal amount of the shares issued by the Company and the amount of the share capital of a subsidiary acquired pursuant to a group reorganisation in 2002.

Consolidated Statement of Cash Flows

for the year ended 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
Cash flows from operating activities			
Loss before taxation		**(17,896)**	(9,352)
Adjustments for:			
Interest income	5	**(17)**	(66)
Finance costs	7	**268**	261
Depreciation	8	**165**	51
Property, plant and equipment written off	8	**–**	143
Operating loss before working capital changes		**(17,480)**	(8,963)
Increase in inventories		**(1,529)**	(489)
Increase in trade receivables		**(1,420)**	(7,099)
(Increase)/decrease in other receivables, deposits and prepayments		**(728)**	202
Increase in trade payables		**139**	6,120
Increase in accruals and other payables		**2,675**	760
Cash used in operating activities		**(18,343)**	(9,469)
PRC enterprise income tax paid		**(3)**	–
Net cash used in operating activities		**(18,346)**	(9,469)
Cash flows from investing activities			
Interest received		**17**	66
Net cash outflow from acquisition of subsidiaries	31	**(11,084)**	–
Addition of other assets		**(590)**	–
Purchase of property, plant and equipment		**(988)**	(7)
Net cash (used in)/generated from investing activities		**(12,645)**	59
Cash flows from financing activities			
Proceeds from the issue of shares		**49,500**	–
Shares issue expenses		**(372)**	–
Net cash generated from financing activities		**49,128**	–
Net increase/(decrease) in cash and cash equivalents		**18,137**	(9,410)
Cash and cash equivalents at beginning of the year		**8,097**	17,495
Effect of foreign exchange rate changes		**141**	12
Cash and cash equivalents at end of the year		**26,375**	8,097

Notes to the Financial Statements

for the year ended 31 December 2010

1. GENERAL INFORMATION

Global Energy Resources International Group Limited is a limited liability company incorporated in the Cayman Islands and continued in Bermuda. The address of the Company's registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and its principal place of business in Unit 2803, 28th Floor, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong. The Company's shares are listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The principal activity of the Company is investment holding. Its subsidiaries are principally engaged in provision of information technology, engineering consultancy services in the People's Republic of China (the "PRC") and manufacturing and sales of air-conditioners and related products.

The consolidated financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

The financial statements for the year ended 31 December 2010 were approved for issue by the board of directors on 22 March 2011.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited ("the GEM Listing Rules"). A summary of the significant accounting policies adopted by the Group is set out below.

2.2 Basis of preparation

The consolidated financial statements comprise the Company and its subsidiaries.

The measurement basis used in the preparation of the financial statements is the historical cost basis. The measurement bases are fully described in the amounting policies below.

The functional currencies of the Company and its subsidiaries in the PRC are HK$ and Renminbi ("RMB") respectively. For the purposes of presenting the consolidated financial statements, the Group adopted HK$ as its presentation currency.

The preparation of financial statements in conformity with HKFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. 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.

Judgments made by management in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 4.

Notes to the Financial Statements

for the year ended 31 December 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.3 Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from their activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the portion of the net assets of subsidiaries attributable to interests that are not owned by the Group, whether directly or indirectly through subsidiaries, and in respect of which the Group has not agreed by any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the owners of the Company.

Where losses applicable to the minority exceed the non-controlling interests in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group’s interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group’s interest is allocated all such profits until the minority’s share of losses previously absorbed by the Group has been recovered.

Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position.

When the Group acquires any non-controlling interests, no fair value adjustment is made to the identifiable net assets acquired. The excess of the purchase price over the carrying value of non-controlling interests acquired is recognised in equity. Where the Group’s interest in a subsidiary is decreased without losing control, any gain or loss on the partial disposal or deemed disposal is recognised in equity.

In the Company’s statement of financial position, an investment in subsidiaries is stated at cost less any impairment losses. The results of the subsidiaries are amounted for by the company on the basis of dividends received and receivable at the end of the reporting period. All dividends whether received out of the investee’s pre or post-acquisition profits are recognised in the Company’s profit or loss.

2.4 Goodwill

Goodwill represents the excess of the cost of a business combination or an investment in a jointly controlled entity over the Group’s interest in the net fair value of the acquiree’s identifiable assets, liabilities and contingent liabilities at the date of acquisition.

Notes to the Financial Statements

for the year ended 31 December 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.4 Goodwill *(Continued)*

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment. In respect of jointly controlled entities, the carrying amount of goodwill is included in the carrying amount of the interest in jointly controlled entity and the investment as a whole is tested for impairment whenever there is objective evidence of impairment. For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss for goodwill is not reversed in subsequent periods.

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination or an investment in a jointly controlled entity is recognised immediately in profit or loss.

On disposal of a cash generating unit, or a jointly controlled entity during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

2.5 Foreign currencies

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

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At the end of the reporting period, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the reporting date retranslation of monetary assets and liabilities are recognised in profit or loss.

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 and are reported as part of the fair value gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into Hong Kong dollars. Assets and liabilities have been translated into Hong Kong dollars at the closing rates at the end of the reporting period. Income and expenses have been converted into the Hong Kong dollars at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been recognised in other comprehensive income and accumulated separately in the translation reserve in equity.

When a foreign operation is sold, such exchange differences are recognised in profit and loss as part of the gain or loss on sale.

Notes to the Financial Statements

for the year ended 31 December 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.6 Revenue recognition

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

Sales of services are recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Sales of goods are recognised when the goods are delivered and title has passed.

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

2.7 Property, plant and equipment

Depreciation is provided to write off the cost of property, plant and equipment over their estimated useful lives, using the straight-line method, at the rate of 10% to 20% per annum.

The assets' useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

The gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit and loss.

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. All other costs, such as repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

2.8 Impairment testing of non-financial assets

Property, plant and equipment and interests in subsidiaries are subject to impairment testing at the end of each reporting period. Individual assets or cash-generating units are tested for impairment whenever there are indications that the asset's carrying amount 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. 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 time value of money and 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 cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and 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, if no impairment loss had been recognised.

Notes to the Financial Statements

for the year ended 31 December 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.9 Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

Operating lease charges as the lessee

Where the Group has the right to use assets held under operating leases, payments made under the leases are charged to the profit or loss on a straight line basis over the lease terms except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets.

Lease incentives received are recognised in profit and loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit and loss in the accounting period in which they are incurred.

2.10 Financial assets

The Group's financial assets include trade and other receivables, cash and cash equivalents.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any impairment losses. Any changes in their value are recognised in the statement of comprehensive income.

Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at the end of each reporting period.

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Derecognition of financial assets occurs when the rights to receive cash flows from the financial assets expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

At the end of each reporting period, financial assets are reviewed to assess whether there is objective evidence of impairment. If any such evidence exists, impairment loss is determined and recognised based on the classification of the financial asset.

Impairment of financial assets

At the end of each reporting period, financial assets are reviewed to determine whether there is any objective evidence of impairment.

Notes to the Financial Statements

for the year ended 31 December 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.10 Financial assets *(Continued)*

Objective evidence of impairment of individual financial assets includes observable data that comes to the attention of the Group about one or more of the following loss events:

– Significant financial difficulty of the debtor;

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

– It becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

– Significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

– A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

Loss events in respect of a group of financial assets include observable data indicating that there is measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data includes but not limited to adverse changes in the payment status of debtors in the group and, national or local economic conditions that correlate with defaults on the assets in the group.

If any such evidence exists, the impairment loss is measured and recognised as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in profit or loss of the period in which the impairment occurs.

If, in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not recognised in profit or loss of the period in which the reversal occurs.

2.11 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined on the weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated costs necessary to make the sale.

2.12 Trade receivables and other receivables

Trade receivables and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts, except where the receivables are interest free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

Notes to the Financial Statements

for the year ended 31 December 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.13 Business combinations

Business combinations that took place on or after 1 January 2010

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

(i) deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 Income Taxes and HKAS 19 Employee Benefits respectively;

(ii) liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment transactions with share-based payment transactions of the Group are measured in accordance with HKFRS 2 Share-based Payment at the acquisition date; and

(iii) assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or another measurement basis required by another Standard.

Where the consideration the Group transfers in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and considered as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments being made against goodwill or gain on bargain purchase. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period about facts and circumstances that existed as of the acquisition date. Measurement period does not exceed one year from the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

Notes to the Financial Statements

for the year ended 31 December 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.13 Business combinations *(Continued)*

Business combinations that took place on or after 1 January 2010 (Continued)

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

Changes in the value of the previously held equity interest recognised in other comprehensive income and accumulated in equity before the acquisition date are reclassified to profit or loss when the Group obtains control over the acquiree. If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

Business combinations that took place prior to 1 January 2010

Acquisition of businesses was accounted for using the purchase method. The cost of the acquisition was measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that met the relevant conditions for recognition were generally recognised at their fair value at the acquisition date.

Goodwill arising on acquisition was recognised as an asset and initially measured at cost, being the excess of the cost of the acquisition over the Group's interest in the recognised amounts of the identifiable assets, liabilities and contingent liabilities recognised. If, after assessment, the Group's interest in the recognised amounts of the acquiree's identifiable assets, liabilities and contingent liabilities exceeded the cost of the acquisition, the excess was recognised immediately in profit or loss.

The non-controlling interest in the acquiree was initially measured at the non-controlling interest's proportionate share of the recognised amounts of the assets, liabilities and contingent liabilities of the acquiree. Contingent consideration was recognised, if and only if, the contingent consideration was probable and could be measured reliably. Subsequent adjustments to contingent consideration were recognised against the cost of the acquisition. Business combinations achieved in stages were accounted for as separate steps. Goodwill was determined at each step. Any additional acquisition did not affect the previously recognised goodwill.

2.14 Taxation

Income tax comprises current tax payable and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the end of the reporting period. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in the profit and loss.

Deferred tax is calculated using the liability method on temporary differences at the end of the reporting period between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Notes to the Financial Statements

for the year ended 31 December 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.14 Taxation *(Continued)*

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 differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the end of the reporting period.

Changes in deferred tax assets or liabilities are recognised in profit and loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly to equity.

2.15 Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

2.16 Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, demand deposits with banks 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.

2.17 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

The transaction costs of an equity transaction are accounted for as a deduction from equity (net of any related income tax benefits) to the extent they are incremental costs directly attributable to the equity transaction.

2.18 Provisions and contingent liabilities

Contingent liabilities acquired in business combinations

Contingent liabilities acquired as part of a business combination are initially recognised at fair value, provided the fair value can be reliably measured. At the end of the subsequent reporting periods, such contingent liabilities are recognised at the higher of the amount recognised in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets and the amount initially recognised less accumulated amortisation recognised in accordance with HKAS 18 Revenue.

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

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 events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Notes to the Financial Statements

for the year ended 31 December 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.19 Related parties

For the purposes of these financial statements, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decision, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

(iv) the party is a member of the key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parities.

2.20 Retirement benefit costs and short term employee benefits

Retirement benefits

Retirement benefits to employees are provided through defined contribution plans.

The Group contributes to a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all of its employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries.

The employees of the Group's subsidiary which operates in the People's Republic of China (the "PRC") are required to participate in a central pension scheme operated by the local municipal government. This subsidiary is required to contribute a certain percentage of its payroll costs to the central pension scheme. The contributions are charged to profit and loss as they become payable in accordance with the rules of the central pension scheme.

Contributions are recognised as an expense in profit or loss as employees render services during the year. The Group's obligations under these plans is limited to the fixed percentage contributions payable.

Short-term employee benefits

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

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

Notes to the Financial Statements

for the year ended 31 December 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.21 Borrowing costs

Borrowing costs incurred for the acquisition, construction or production of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are expensed when incurred.

Borrowing costs are capitalised as part of the cost of a qualifying asset when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are being undertaken. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are completed.

2.22 Financial liabilities

The Group's financial liabilities include trade payables, accruals and other payables and convertible bonds. They are included in the line items in the consolidated statement of financial position as "Trade payables", "Accruals and other payables" and "Convertible bonds" under current and non-current liabilities.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised in accordance with the Group's accounting policy for borrowing cost.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability and the difference in the respective carrying amount is recognised in profit and loss.

Convertible bonds

Convertible bonds that can be converted to equity share capital at the option of the holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component.

Convertible bonds issued by the Company that contain both financial liability and equity components are classified separately into respective liability and equity components on initial recognition. On initial recognition, the fair value of the liability component is determined using the prevailing market interest rate for similar non-convertible debts. The difference between the proceeds of the issue of the convertible bonds and the fair value assigned to the liability component, representing the call option for conversion of the bonds into equity, is included in equity as equity components of convertible bonds.

The liability component is subsequently carried at amortised cost using the effective interest method. The equity component will remain in equity until conversion or redemption of the bonds.

When the bonds are converted, the convertible bonds equity reserve and the carrying value of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the bonds are redeemed, the convertible bonds equity reserve is released directly to accumulated losses.

Notes to the Financial Statements

for the year ended 31 December 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.22 Financial liabilities *(Continued)*

Trade payables and accruals and other payables

Trade payables and accruals and other payables are recognised initially at their fair values and subsequently measured at amortised costs, using the effective interest method.

2.23 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major product and service lines.

Individually material operating segments are not aggregate 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 of 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.

3. CHANGES IN ACCOUNTING POLICIES

Application of new and revised Hong Kong Financial Reporting Standards ("HKFRSs")

The following new and revised standards and interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") have been applied by the Group in the current year and have affected the amounts reported in these consolidated financial statements and/or disclosures set out in these consolidated financial statements. The impact of the application of the new and revised standards and interpretations is discussed below.

The impact of the application of HKFRS 3 (as revised in 2008) is as follows:

(i) HKFRS 3 (as revised in 2008) allows a choice on a transaction-by-transaction basis for the measurement of non-controlling interests at the date of acquisition (previously referred to as 'minority' interests) either at fair value or at the non-controlling interests' share of recognised identifiable net assets of the acquiree. In the current year, in accounting for the acquisition of Shenzhen Shun Tian Yun Environment Technology Limited, the Group has elected to measure the non-controlling interests at their share of recognised identifiable net assets at the date of acquisition.

(ii) HKFRS 3 (as revised in 2008) changes the recognition and subsequent accounting requirements for contingent consideration. Previously contingent consideration was recognised at the acquisition date only if payment of the contingent consideration was probable and it could be measured reliably; any subsequent adjustments to the contingent consideration were always made against the cost of the acquisition. Under the revised standard, contingent consideration is measured at fair value at the acquisition date; subsequent adjustments to the consideration are recognised against the cost of acquisition only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 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.

(iii) HKFRS 3 (as revised in 2008) requires the recognition of a settlement gain or loss when the business combination in effect settles a pre-existing relationship between the Group and the acquiree. HKFRS 3 (as revised in 2008) requires acquisition-related costs to be accounted for separately from the business combination, generally leading to those costs being recognised as an expense in profit or loss as incurred, whereas previously they were accounted for as part of the cost of the acquisition.

Notes to the Financial Statements

for the year ended 31 December 2010

3. CHANGES IN ACCOUNTING POLICIES *(Continued)*

Application of new and revised Hong Kong Financial Reporting Standards ("HKFRSs") *(Continued)*

New and revised standards and interpretations applied with no material effects on the consolidated financial statements

The following new and revised standards and interpretations have also been applied in these consolidated financial statements. The application of these new and revised standards and Interpretations has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

Amendments to HKFRS 2 Share-based Payment – Group Cash-settled Share-based Payment Transactions

The amendments clarify the scope of HKFRS 2, as well as the accounting for group cash-settled share-based payment transactions in the separate (or individual) financial statements of an entity receiving the goods or services when another group entity or shareholder has the obligation to settle the award.

Amendments to HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations (as part of Improvements to HKFRSs issued in 2009)

The amendments to HKFRS 5 clarify that the disclosure requirements in HKFRSs other than HKFRS 5 do not apply to non-current assets (or disposal groups) classified as held for sale or discontinued operations unless those HKFRSs require (i) specific disclosures in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations, or (ii) disclosures about measurement of assets and liabilities within a disposal group that are not within the scope of the measurement requirement of HKFRS 5 and the disclosures are not already provided in the consolidated financial statements.

The amendments clarify that all the assets and liabilities of a subsidiary should be classified as held for sale when the Group is committed to a sale plan involving loss of control of that subsidiary, regardless of whether the Group will retain a non-controlling interest in the subsidiary after the sale.

Amendments to HKAS 1 Presentation of Financial Statements (as part of Improvements to HKFRSs issued in 2009)

The amendments to HKAS 1 clarify that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current.

Amendments to HKAS 7 Statement of Cash Flows (as part of Improvements to HKFRSs issued in 2009)

The amendments to HKAS 7 specify that only expenditures that result in a recognised asset in the statement of financial position can be classified as investing activities in the statement of cash flows.

Amendments to HKAS 17 Leases

As part of Improvements to HKFRSs issued in 2009, HKAS 17 Leases has been amended in relation to the classification of leasehold land. Before the amendments to HKAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the consolidated statement of financial position. The amendments to HKAS 17 have removed such a requirement. The amendments require that the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee.

Notes to the Financial Statements

for the year ended 31 December 2010

3. CHANGES IN ACCOUNTING POLICIES *(Continued)*

Application of new and revised Hong Kong Financial Reporting Standards ("HKFRSs") *(Continued)*

New and revised standards and interpretations applied with no material effects on the consolidated financial statements *(Continued)*

HKAS 27 (as revised in 2008) Consolidated and Separate Financial Statements

The application of HKAS 27 (as revised in 2008) has resulted in changes in the Group's accounting policies for the Group's changes in ownership interests in subsidiaries of the Group.

Specifically, the revised standard has affected the Group's accounting policies regarding changes in the Group's ownership interests in its subsidiaries that do not result in loss of control. In prior years, in the absence of specific requirements in HKFRSs, increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised, when appropriate; for decreases in interests in existing subsidiaries that did not involve a loss of control, the difference between the consideration received and the adjustment to the non-controlling interests was recognised in profit or loss. Under HKAS 27 (as revised in 2008), all such increases or decreases are dealt with in equity, with no impact on goodwill or profit or loss.

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the revised standard requires the Group to derecognise all assets, liabilities and non-controlling interests at their carrying amounts and to recognise the fair value of the consideration received. Any retained interest in the former subsidiary is recognised at its fair value at the date control is lost. The resulting difference is recognised as a gain or loss in profit or loss.

These changes have been applied prospectively from 1 January 2010 in accordance with the relevant transitional provisions.

In addition, under HKAS 27 (as revised in 2008), the definition of non-controlling interest has been changed. Specifically, under the revised standard, non-controlling interest is defined as the equity in a subsidiary not attributable, directly or indirectly, to a parent.

HKAS 28 (as revised in 2008) Investments in Associates

The principle adopted under HKAS 27 (as revised in 2008) (see above) that a loss of control is recognised as a disposal and re-acquisition of any retained interest at fair value is extended by consequential amendments to HKAS 28. Therefore, when significant influence over an associate is lost, the investor measures any investment retained in the former associate at fair value, with any consequential gain or loss recognised in profit or loss.

Amendments to HKAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items

The amendments provide clarification on two aspects of hedge accounting: identifying inflation as a hedged risk or portion, and hedging with options.

Notes to the Financial Statements

for the year ended 31 December 2010

3. CHANGES IN ACCOUNTING POLICIES *(Continued)*

Application of new and revised Hong Kong Financial Reporting Standards ("HKFRSs") *(Continued)*

New and revised standards and interpretations applied with no material effects on the consolidated financial statements *(Continued)*

Hong Kong Interpretation 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* ('HK Int 5') clarifies that term loans that include a clause that gives the lender the unconditional right to call the loans at any time ('repayment on demand clause') should be classified by the borrower as current liabilities. The Group has applied HK Int 5 for the first time in the current year. Hong Kong Interpretation 5 requires retrospective application.

In order to comply with the requirements set out in HK Int 5, the Group has changed its accounting policy on classification of term loans with a repayment on demand clause. In the past, the classification of such term loans were determined based on the agreed scheduled repayment dates set out in the loan agreements. Under HK Int 5, term loans with a repayment on demand clause are classified as current liabilities. The application of HK Int 5 has had no material impact on the amounts reported for the current and prior years.

HK (IFRIC) – Int 17 Distributions of Non-cash Assets to Owners

The Interpretation provides guidance on the appropriate accounting treatment when an entity distributes assets other than cash as dividends to its shareholders.

HK (IFRIC) – Int 18 Transfers of Assets from Customers

The Interpretation addresses the accounting by recipients for transfers of property, plant and equipment from 'customers' and concludes that when the item of property, plant and equipment transferred meets the definition of an asset from the perspective of the recipient, the recipient should recognise the asset at its fair value on the date of the transfer, with the credit being recognised as revenue in accordance with HKAS 18 Revenue.

Improvements to HKFRSs issued in 2009

The application of Improvements to HKFRSs issued in 2009 has not had any material effect on amounts reported in the consolidated financial statements.

Notes to the Financial Statements

for the year ended 31 December 2010

3. CHANGES IN ACCOUNTING POLICIES *(Continued)*

Standards and interpretations in issue but not yet effective

The Group has not early applied the following new and revised standards and interpretations that have been issued but are not yet effective:

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010[1]
HKFRS 1 (Amendments)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[2]
HKFRS 7 (Amendments)	Disclosure – Transfers of Financial Assets[7]
HKFRS 9	Financial Instruments[3]
HKAS 12 (Amendments)	Deferred tax : Recovery of Underlying Assets[6]
HKAS 24 (as revised in 2009)	Related Party Disclosures[4]
HKAS 32 (Amendments)	Classification of Rights Issues[5]
HK (IFRIC) – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement[4]
HK (IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[2]

1 Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate
2 Effective for annual periods beginning on or after 1 July 2010
3 Effective for annual periods beginning on or after 1 January 2013
4 Effective for annual periods beginning on or after 1 January 2011
5 Effective for annual periods beginning on or after 1 February 2010
6 Effective for annual periods beginning on or after 1 January 2012
7 Effective for annual periods beginning on or after 1 July 2011

HKFRS 9 *Financial Instruments* (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 *Financial Instruments* (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that HKFRS 9 that will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new standard may have a significant impact on amounts reported in respect of the Group's financial assets. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

Notes to the Financial Statements

for the year ended 31 December 2010

3. CHANGES IN ACCOUNTING POLICIES *(Continued)*

Standards and interpretations in issue but not yet effective *(Continued)*

The amendments to HKFRS 7 titled *Disclosures – Transfers of Financial Assets* increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

The directors do not anticipate that these amendments to HKFRS 7 will have a significant effect on the Group's disclosures regarding transfers of trade receivables previously effected. However, if the Group enters into other types of transfers of financial assets in the future, disclosures regarding those transfers may be affected.

HKAS 24 *Related Party Disclosures* (as revised in 2009) modifies the definition of a related party and simplifies disclosures for government-related entities.

The disclosure exemptions introduced in HKAS 24 (as revised in 2009) do not affect the Group because the Group is not a government-related entity. However, disclosures regarding related party transactions and balances in these consolidated financial statements may be affected when the revised version of the standard is applied in future accounting periods because some counterparties that did not previously meet the definition of a related party may come within the scope of the standard.

The amendments to HKAS 32 titled *Classification of Rights Issues* address the classification of certain rights issues denominated in a foreign currency as either an equity instrument or as a financial liability. To date, the Group has not entered into any arrangements that would fall within the scope of the amendments. However, if the Group does enter into any rights issues within the scope of the amendments in future accounting periods, the amendments to HKAS 32 will have an impact on the classification of those rights issues.

HK(IFRIC) – Int 19 provides guidance regarding the accounting for the extinguishment of a financial liability by the issue of equity instruments. To date, the Group has not entered into transactions of this nature. However, if the Group does enter into any such transactions in the future, HK(IFRIC) – Int 19 will affect the required accounting. In particular, under HK(IFRIC) – Int 19, equity instruments issued under such arrangements will be measured at their fair value, and any difference between the carrying amount of the financial liability extinguished and the fair value of equity instruments issued will be recognised in profit or loss.

4. ACCOUNTING ESTIMATES AND JUDGMENTS

In the application of the Group's accounting policies which are described in note 2, the directors of the Company are required to make judgments, 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 is the critical judgment, apart from those involving estimations that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Notes to the Financial Statements

for the year ended 31 December 2010

4. ACCOUNTING ESTIMATES AND JUDGMENTS *(Continued)*

4.1 Depreciation

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. The Group annually reviews the useful life of an asset and its residual value, if any. The useful life is based on the Group's historical experience with similar assets and taking into account anticipated technology changes. The depreciation expenses for future periods are adjusted if there are significant changes from previous estimates.

4.2 Valuation of inventories

Inventories are stated at the lower of cost and net realisable value at the end of the reporting period. Net realisable value is determined on the basis of the estimated selling price less the estimated costs necessary to make the sale. The directors estimate the net realisable value for raw materials and finished goods based primarily on the latest invoice prices and current market conditions. In addition, the directors perform an inventory review on a product-by-product basis at the end of each reporting period and assess the need for write down of inventories.

4.3 Allowance for impairment of doubtful debts

The impairment of trade and other receivables are based on the ongoing evaluation of collectability and aging analysis of the outstanding receivables and on management's judgment. From time to time, the Group may experience delays in collection. Where recoverability of trade and other debtor balances are called into doubts, resulting in an impairment of their ability to make payments, provision may be required. Certain receivables may be initially identified as collectable, yet subsequently become uncollectable and result in a subsequent write-off of the related receivable to the consolidated statement of comprehensive income. Changes in the collectability of trade and other receivables for which provisions are not made could affect our results of operations.

4.4 Impairment losses for property, plant and equipment

Property, plant and equipment are assessed at the end of each reporting period to identify indications that they may be impaired. If any such indication exists, the recoverable amount of the property, plant and equipment is estimated. The recoverable amount of the property, plant and equipment is based on value-in-use calculations. These calculations are determined based on cash flow projections with reasonable assumptions that represent management's best estimate of the range of economic conditions over the remaining useful life of the assets. Changes in facts and circumstances may result in revisions to whether an indication of impairment exists and revised estimates of recoverable amounts, which would affect profit of loss in future years.

4.5 Income taxes

The Group is subject to income taxes in several jurisdictions. There are certain transactions and calculations for which the ultimate tax determination may be uncertain. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

4.6 Estimated impairment of goodwill

The Group performs annual tests on whether there has been impairment of goodwill in accordance with the accounting policy stated in note 2. The recoverable amounts of cash-generating units are determined based on value-in-use calculations. These calculations require the use of estimates and assumptions made by management on the future operation of the business, pre-tax discount rates, and other assumptions underlying the value-in-use calculations.

Notes to the Financial Statements

for the year ended 31 December 2010

5. REVENUE

Revenue, which is also the Group's turnover, represents the aggregate of the amounts received and receivable from third parties in connection with the sales of air-conditioners and related products, provision of information technology and engineering consultancy services. Revenue and other income recognised during the year are as follows:

	2010 **HK$'000**	2009 HK$'000
Revenue		
Sales of air-conditioners and related products	**1,705**	–
Service income	**3,091**	14,553
	4,796	14,553
Other revenue		
Interest income	**17**	66
Sundry income	**100**	–
	117	66

6. SEGMENT INFORMATION

Information reported to executive directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. During the year ended 31 December 2009, the executive directors have identified the Group's operation is regarded as a single business segment, which is the provision of information technology and engineering consultancy services. During the year ended 31 December 2010, the Group has entered into a new operating segment "Manufacturing and sales of air-conditioners and related products". Specifically, the Group's reportable segments under HKFRS 8 are as follows:

– Provision of information technology and engineering consultancy services

– Manufacturing and sales of air-conditioners and related products

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable segment.

For the year ended 31 December 2010:

	Provision of information technology and engineering consultancy services **HK$'000**	**Manufacturing and sales of air-conditioners and related products** **HK$'000**	**Total** **HK$'000**
Segment revenue	**3,091**	**1,705**	**4,796**
Segment results	**(1,949)**	**(514)**	**(2,463)**
Other gains			**117**
Central administrative costs			**(15,282)**
Finance costs			**(268)**
Loss before taxation			**(17,896)**

Notes to the Financial Statements

for the year ended 31 December 2010

6. SEGMENT INFORMATION *(Continued)*

Segment revenues and results *(Continued)*

For the year ended 31 December 2009:

	Provision of information technology and engineering consultancy services HK$'000	Total HK$'000
Segment revenue	14,553	14,553
Segment results	(343)	(343)
Other gains		66
Central administrative costs		(8,814)
Finance costs		(261)
Loss before taxation		(9,352)

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current year. (2009: Nil)

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 2. Segment results represent the results from each segment without allocation of central administrative costs including directors' remuneration, other gains, finance costs and taxation. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

Segment assets and liabilities

The segment assets and liabilities at 31 December 2010 and capital expenditure for the year then ended by reportable segments are as follows:

	Provision of information technology and engineering consultancy services HK$'000	**Manufacturing and sales of air-conditioners and related products HK$'000**	**Total HK$'000**
Segment assets	**8,842**	**22,151**	**30,993**
Unallocated assets			**28,164**
Total assets			**59,157**
Segment liabilities	**6,552**	**9,104**	**15,656**
Unallocated liabilities			**1,598**
Total liabilities			**17,254**

Notes to the Financial Statements

for the year ended 31 December 2010

6. SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities *(Continued)*

The segment assets and liabilities at 31 December 2009 and capital expenditure for the year then ended by reportable segments are as follows:

	Provision of information technology and engineering consultancy services HK$'000	Total HK$'000
Segment assets	10,816	10,816
Unallocated assets		5,533
Total assets		16,349
Segment liabilities	6,680	6,680
Unallocated liabilities		3,691
Total liabilities		10,371

For the purpose of monitoring segment performance and allocating resources between segments:

– all assets are allocated to reportable segments. Goodwill is allocated to reportable segments of "Manufacturing and sales of air conditioners and related products"; and

– all liabilities are allocated to reportable segments.

Other segment information

For the year ended 31 December 2010

	Provision of information technology and engineering consultancy services HK$'000	**Manufacturing and sales of air-conditioners and related products HK$'000**	**Unallocated HK$'000**	**Total HK$'000**
Depreciation of property, plant and equipment	**3**	**6**	**156**	**165**
Capital expenditure	**12**	**93**	**883**	**988**

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for the year ended 31 December 2010

6. SEGMENT INFORMATION *(Continued)*

Other segment information *(Continued)*

For the year ended 31 December 2009

	Provision of information technology and engineering consultancy services HK$'000	Unallocated HK$'000	Total HK$'000
Depreciation of property, plant and equipment	1	50	51
Capital expenditure	7	–	7

Geographical information

The Group's revenue from external customers and its non-current assets (other than financial instruments and deferred tax assets) are divided into the following geographical areas:

	Revenue from external customers		Non-current assets	
	2010 HK$'000	2009 HK$'000	**2010 HK$'000**	2009 HK$'000
Bermuda (domicile)	**–**	–	**–**	–
PRC	**4,796**	14,553	**11,247**	6
Hong Kong	**–**	–	**726**	–
Total	**4,796**	14,553	**11,973**	6

The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the non-current assets is based on the physical location of the assets.

Information about major customers

During the year ended 31 December 2010, HK$3,332,000 or 69% of the Group's revenue depended on three customers (2009: HK$10,137,000 or 70%). No other single customer contributed 10% or more to the Group's revenue to both 2010 and 2009.

At the end of the reporting period, 93% of the Group's trade receivables were due from the top three customers (2009: 79%).

Notes to the Financial Statements

for the year ended 31 December 2010

7. FINANCE COSTS

	2010 **HK$'000**	2009 HK$'000
Interest expenses on convertible bonds carried at amortised cost	**268**	261

8. LOSS BEFORE TAXATION

	2010 **HK$'000**	2009 HK$'000
Loss before taxation is arrived at after charging and crediting:		
Auditors' remuneration	**280**	313
Depreciation of owned assets	**165**	51
Net foreign exchange (gain)/loss	**(212)**	9
Cost of inventories recognised as an expense	**1,174**	–
Operating lease rentals in respect of rented premises	**2,568**	2,291
Property, plant and equipment written off	**–**	143

9. TAXATION

The Company is not subject to taxes in profits, income or dividends in Bermuda. Its subsidiaries in Hong Kong are subject to Hong Kong profits tax at the rates of 16.5% (2009: 16.5%) on the estimated assessable profits for the year.

No provision for taxation has been made in the financial statements as the subsidiaries in Hong Kong had no assessable profit for the year (2009: Nil).

The income tax provision in respect of operations in the PRC is calculated at the applicable rates on the estimated assessable profits for the year based on the unification of income tax rates for domestic-invested and foreign-invested enterprises at 25%. The income tax provision in respect of operations in Malaysia is calculated at the applicable rate 25%. No provision for taxation has been made in the financial statements as the subsidiaries in Malaysia had no assessable profit for the year (2009: Nil).

	2010 **HK$'000**	2009 HK$'000
Current tax:		
PRC enterprise income tax	**69**	–
Deferred tax: (Note 26)		
Reversal of deferred tax liabilities	**(44)**	(43)
Total taxation expense/(credit)	**25**	(43)

Notes to the Financial Statements

for the year ended 31 December 2010

9. TAXATION *(Continued)*

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

	2010 HK$'000	2009 HK$'000
Loss before taxation	**(17,896)**	(9,352)
Tax on loss before taxation, calculated at the rates applicable to loss in the tax jurisdiction concerned	**(3,169)**	(1,572)
Tax effect of non-deductible expenses	**278**	1,599
Tax effect of non-taxable income	**(61)**	(60)
Tax effect of temporary differences not recognised	**(92)**	–
Tax effect of unused tax losses not recognised	**3,113**	33
Reversal of deferred tax liabilities	**(44)**	(43)
Total income tax expense/(credit)	**25**	(43)

10. LOSS ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

The consolidated loss attributable to owners of the Company includes a loss of HK$13,910,000 (2009: HK$13,548,000) has been dealt with in the financial statements of the Company.

11. LOSS PER SHARE

The calculation of the basic loss per share is based on the net loss for the year attributable to owners of the Company of HK$17,996,000 (2009: HK$9,309,000) and on the weighted average number of 6,443,000,000 ordinary shares (2009: 5,568,000,000 ordinary shares) in issue during the year.

For the year ended 31 December 2010, the diluted loss per share was the same as basic loss per share as the Group has no outstanding dilutive potential ordinary shares. For the year ended 31 December 2009, no diluted result per share has been presented because the potential ordinary shares had anti-dilutive effect.

12. STAFF COSTS (including directors' remuneration)

	2010 HK$'000	2009 HK$'000
Wages and salaries	**8,596**	6,113
Retirement benefits scheme contributions	**116**	112
Staff benefits	**355**	181
	9,067	6,406

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13. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' remuneration

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Employer's retirement benefit schemes HK$'000	Total HK$'000
2010				
Executive directors				
Ms. Li Xiao Mei (appointed on 12 January 2010)	1,558	–	–	1,558
Mr. Zhang Shi Min (appointed on 5 February 2010)	527	448	–	975
Mr. Chan Wai Keung (appointed on 5 March 2010 and resigned on 6 May 2010)	–	250	2	252
Mr. Gan Hongzhi (appointed on 12 January 2010 and resigned on 5 February 2010)	90	–	–	90
Mr. Qie Bing Bing (re-designated on 13 November 2010)	–	–	–	–
Mr. Chan Chun Tin, Stanley (resigned on 12 January 2010)	–	–	–	–
Mr. Ying Kan Man (resigned on 12 January 2010)	–	–	–	–
	2,175	698	2	2,875
Non-executive directors				
Mr. Wu Gao Yuan (appointed on 5 March 2010)	148	–	–	148
Mr. Wen Wei Zhong (appointed on 5 March 2010)	148	–	–	148
Mr. Qie Bing Bing (appointed on 5 March 2010 and re-designated to be executive director on 13 November 2010)	124	–	–	124
	420	–	–	420
Independent non-executive directors				
Mr. Lung Hung Cheuk (resigned on 12 January 2010)	1	–	–	1
Mr. Yip Tai Him (resigned on 12 January 2010)	1	–	–	1
General Dato Seri Mohd Azumi bin Mohamed (resigned on 12 January 2010)	8	–	–	8
Mr. Leung Wah (appointed on 12 January 2010)	174	–	–	174
Mr. Fung Hoi Wing, Henry (appointed on 12 January 2010)	174	–	–	174
Mr. Cheung Chung Leung, Richard (appointed on 12 January 2010)	174	–	–	174
	532	–	–	532
Total	3,127	698	2	3,827

Notes to the Financial Statements

for the year ended 31 December 2010

13. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS *(Continued)*

(a) Directors' remuneration *(Continued)*

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Employer's retirement scheme contributions HK$'000	Total HK$'000
2009				
Executive directors:				
Mr. Chan Chun Tin, Stanley (resigned on 12 January 2010)	–	68	7	75
Mr. Ying Kan Man (resigned on 12 January 2010)	–	160	8	168
	–	228	15	243
Independent non-executive directors:				
Mr. Lung Hung Cheuk (resigned on 12 January 2010)	50	–	–	50
Mr. Yip Tai Him (resigned on 12 January 2010)	50	–	–	50
General Dato' Seri Mohd Azumi bin Mohamed (resigned on 12 January 2010)	240	–	–	240
	340	–	–	340
Total	340	228	15	583

(b) Five highest paid individuals

The five highest paid individuals during the year included two directors and one former director (2009: nil). The details of the emoluments of the remaining two (2009: remaining five) highest paid individuals are as follows:

	2010 HK$'000	2009 HK$'000
Basic salaries and allowances	**796**	3,930
Retirement benefits scheme contributions	**12**	90
	808	4,020

None of the above highest paid individuals (2009: one) received individual emoluments in excess of HK$1 million. The remaining two of the above highest paid individuals (2009: four) received individual emoluments below HK$1 million.

During each of the two years ended 31 December 2010 and 2009, no emoluments were paid by the Group to the directors of the Company or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived or agreed to waive any emoluments during each of the two years ended 31 December 2010 and 2009.

Notes to the Financial Statements

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14. PROPERTY, PLANT AND EQUIPMENT

The Group

	Furniture, fixtures and equipment HK$'000
Cost:	
At 1 January 2009	357
Additions	7
Written off	(357)
At 31 December 2009 and 1 January 2010	7
Additions	988
Acquisition of subsidiaries	164
Exchange alignment	4
At 31 December 2010	1,163
Accumulated depreciation and impairment:	
At 1 January 2009	164
Charge for the year	51
Written off	(214)
At 31 December 2009 and 1 January 2010	1
Charge for the year	165
At 31 December 2010	166
Carrying amount:	
At 31 December 2010	**997**
At 31 December 2009	6

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15. GOODWILL

The Group

	HK$'000
Cost:	
At 1 January 2009, 31 December 2009 and 1 January 2010	–
Acquisition of subsidiaries (Note 31)	10,041
Exchange alignment	345
At 31 December 2010	10,386
Accumulated impairment:	
At 1 January 2009, 31 December 2009, 1 January 2010 and 31 December 2010	–
Carrying amount:	
At 31 December 2010	**10,386**
At 31 December 2009	–

Impairment testing on goodwill

For the purpose of impairment testing, goodwill with indefinite useful lives have been allocated to cash-generating unit ("CGU") determined based on the related segment. The carrying amount of goodwill (net of impairment loss) at 31 December 2010 and 2009 allocated to this unit is as follows:

	2010 HK$'000	2009 HK$'000
Manufacturing and sales of air-conditioners and related products	**10,386**	–

Manufacturing and sales of air-conditioners and related products

The recoverable amount of the manufacturing and sales of air-conditioners and related products CGU has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 17.26%.

The key assumptions used in the value in use calculations for CGU allocated to air-conditioners and related products are as follows:

Assumed growth rate	The growth rate is consistent with the directors' plans for focusing operations in the markets of air-conditioners and related products. The directors believe that the planned growth rate per year for the next five years is reasonably achievable.

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for the year ended 31 December 2010

16. OTHER ASSETS

	The Group	
	2010	2009
	HK$'000	HK$'000
Golf club membership, at cost	**590**	–

The club membership represents entrance fee paid to a golf club held on long-term basis.

17. INTERESTS IN SUBSIDIARIES

	The Company	
	2010	2009
	HK$'000	HK$'000
Unlisted shares, at cost	**50**	390
Less: Impairment	**–**	–
	50	390
Amounts due from subsidiaries	**40,590**	16,582
Less: Provision for amounts due from subsidiaries	**(12,735)**	(14,227)
	27,855	2,355
	27,905	2,745

The amounts due from subsidiaries are unsecured, interest-free and not repayable within twelve months from 31 December 2010. In the opinion of the directors, the settlement of these amounts due from subsidiaries is neither planned nor likely to occur in the foreseeable future and in substance, these amounts are extensions of the Company's investments in these subsidiaries.

Details of the Company's subsidiaries at 31 December 2010 are as follows:

Name of Subsidiary	Place of incorporation and kind of legal entity	Issued and paid-up share capital	Percentage of issued capital held by the Company Directly	Indirectly	Principal activities and place of operations
UURG (Hong Kong) Limited	Hong Kong, limited liability company	1 ordinary share of HK$1	100%	–	Provision of information technology and engineering consultancy services in Hong Kong
UURG (China) Limited	Hong Kong, limited liability company	1 ordinary share of HK$1	100%	–	Investment holding in Hong Kong

Notes to the Financial Statements

for the year ended 31 December 2010

17. INTERESTS IN SUBSIDIARIES *(Continued)*

Name of Subsidiary	Place of incorporation and kind of legal entity	Issued and paid-up share capital	Percentage of issued capital held by the Company Directly	Percentage of issued capital held by the Company Indirectly	Principal activities and place of operations
UURG Controls (Shenzhen) Limited	The PRC, limited liability company	Registered and paid-up capital of HK$5,000,000	–	100%	Provision of information technology and engineering consultancy services in the PRC
8192 Limited*	Hong Kong, limited liability company	1 ordinary share of HK$1	100%	–	Provision of services in Hong Kong
China Glory International Holdings Limited*	Hong Kong, limited liability company	1 ordinary share of HK$1	100%	–	Dormant
SINO CMB (Group) Holding Company Limited*	Hong Kong, limited liability company	1 ordinary share of HK$1	100%	–	Dormant
Energy China Investment Company Limited*	Hong Kong, limited liability company	50,000 ordinary share of HK$50,000	100%	–	Investment holding
中達博誠能源科技(深圳)有限公司*	The PRC, limited liability company	Registered and paid up capital of RMB10,467,840	–	100%	Investment holding
深圳市順天運環保科技有限公司	The PRC, limited liability company	Registered and paid up capital of RMB500,000	–	51%	Manufacturing and sales of air-conditioners and related products
深圳市瑞風節能環保設備有限公司	The PRC, limited liability company	Registered and paid up capital of RMB500,000	–	51%	Manufacturing and sales of air-conditioners and related products

None of the subsidiaries had any debt securities outstanding at the end of the year, or at any time during the year. The financial statements of the above subsidiaries were audited by HLB Hodgson Impey Cheng, Hong Kong for statutory purpose and/or for the purpose of group consolidation.

* Subsidiaries newly set up during the year

Impairment on amounts due from subsidiaries is determined using the lower of amounts due from subsidiaries and the net liabilities value of the relevant subsidiary.

Notes to the Financial Statements

for the year ended 31 December 2010

18. INVENTORIES

	The Group	
	2010 **HK$'000**	2009 HK$'000
Raw materials	**1,460**	–
Finished goods	**8,689**	489
	10,149	489

19. TRADE RECEIVABLES

	The Group	
	2010 **HK$'000**	2009 HK$'000
Trade receivables	**8,823**	7,099

The directors of the Company consider that the fair values of trade receivables which are expected to be recovered within one year are not materially different from their carrying amounts because these balances have short maturity periods on their inception.

The average credit periods on sales of goods are 30 days. The following is an ageing analysis of trade receivables at the end of the reporting period:

	2010 **HK$'000**	2009 HK$'000
0-30 days	**494**	6,788
31-60 days	**79**	–
61-90 days	**70**	–
Over 90 days	**8,180**	311
	8,823	7,099

The ageing analysis of the Group's trade receivables that were past due as at the end of the reporting period but not impaired is as follows:

	2010 **HK$'000**	2009 HK$'000
1-90 days past due	**149**	268
91-180 days past due	**2,093**	–
181-360 days past due	**6,087**	43
	8,329	311

As at 31 December 2010, trade receivables of HK$494,000 (2009: HK$6,788,000) were neither past due nor impaired. These related to certain member of diversified customers for whom there was no recent history of default.

Trade receivables that were past due but not impaired related to a number of diversified customers that had a good track record of credit with the Group. Based on past credit history, the management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered to be fully recoverable. The Group did not hold any collaterals in respect of trade receivables past due but not impaired.

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20. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash at bank and in hand	**26,375**	8,097	**13,777**	3,932

The effective interest rates of the bank balances of the Group and the Company ranged from 0.5% to 1.1% (2009: 0.5% to 1.1%) per annum.

Included in bank and cash balances of the Group is HK$12,476,000 (2009: HK$2,809,000) of bank balances dominated in RMB placed with banks in the PRC. RMB is not a freely convertible currency. Under the Mainland China's Foreign Exchange Control Regulations and Administration of Settlement and Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business.

21. AMOUNT DUE TO A SUBSIDIARY

The amount due was unsecured, interest-free and repayable on demand.

22. TRADE PAYABLES

The Group was granted by its suppliers credit periods ranging from 30 – 60 days. Based on the invoice dates, the ageing analysis of the trade payables were as follows:

	The Group	
	2010	2009
	HK$'000	HK$'000
0-30 days	**169**	6,135
31-60 days	**–**	–
61-90 days	**1**	23
Over 90 days	**6,639**	–
	6,809	6,158

23. ACCRUALS AND OTHER PAYABLES

	The Group		The Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Accruals	**767**	955	**318**	337
Receipt in advances	**2,507**	199	**–**	–
Other payables	**1,596**	375	**600**	248
	4,870	1,529	**918**	585

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24. AMOUNT DUE TO A RELATED PARTY

The amount due to a related party is unsecured, interest-free, and repayable on demand.

25. CONVERTIBLE BONDS

	The Group and the Company	
	2010	2009
	HK$'000	HK$'000
Convertible bonds	**–**	2,543

On 4 September 2007, the Company issued convertible bonds with principal amount of HK$4,000,000 which is no interest-bearing. The bonds are convertible into ordinary shares of the Company at any time between the date of issue of the bonds and their settlement date.

On 4 February 2008, the convertible bonds with principal amount of HK$600,000 were converted in 1,200,000,000 ordinary shares at the conversion price of HK$0.0005 per share. As at 31 December 2010, there was no outstanding balance of principal amount of convertible bonds (31 December 2009: HK$3,400,000).

During the year ended 31 December 2010, the convertible bonds with principal amount of HK$3,400,000 were converted into 6,800,000,000 ordinary shares at the conversion price of HK$0.0005 per share. The date of convertible bonds converted into the number of ordinary shares were presented as follows:

	The Group and the Company	
Date of conversion	The principal amount of convertible bonds HK$'000	The number of ordinary shares '000
30 June 2010	200	400,000
28 September 2010	200	400,000
11 October 2010	100	200,000
24 November 2010	1,300	2,600,000
3 December 2010	300	600,000
21 December 2010	1,300	2,600,000
	3,400	6,800,000

The convertible bonds have been fully coverted during the year. If the convertible bonds have not been converted, they will be redeemed on 4 September 2012 at par. The convertible bonds do not bear any interests.

The fair value of the liability component, included in the convertible bonds, was calculated using a market interest rate for an equivalent non-convertible bond. The excess of consideration received on issue of the convertible bonds over the fair value of liability component, representing the value of the equity conversion component, is included in shareholders' equity in convertible bonds equity reserve, net of deferred taxes.

The carrying amount of the convertible bonds is denominated in Hong Kong dollars which is the functional currency of the Company.

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25. CONVERTIBLE BONDS *(Continued)*

The convertible bonds recognised in the statement of financial position are calculated as follows:

	The Group and the Company	
	2010	2009
	HK$'000	HK$'000
Nominal value of convertible bonds	**4,000**	4,000
Equity component	**(1,676)**	(1,676)
Liability component on initial recognition	**2,324**	2,324
Conversion of the convertible bonds	**(3,176)**	(365)
Accumulated interest expenses recognised	**852**	584
Liability component at 31 December	**–**	2,543

Interest expenses on the convertible bonds of HK$268,000 (2009: HK$261,000) is calculated using the effective interest method by applying the effective interest rate of 11.473% per annum to the liability component.

26. DEFERRED TAXATION

Deferred taxation is calculated in full on temporary difference under the liabilities method using a principal taxation rate of 16.5% (2009: 16.5%).

Recognised deferred tax liabilities

	The Group and the Company	
	2010	2009
	HK$'000	HK$'000
Convertible bonds	**–**	141
Net deferred tax liabilities	**–**	141

The movement in the deferred tax liabilities is as follows:

	The Group and the Company	
	2010	2009
	HK$'000	HK$'000
At 1 January	**141**	184
Conversion of convertible bonds	**(97)**	–
Credited to statement of comprehensive income (note 9)	**(44)**	(43)
At 31 December	**–**	141

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26. DEFERRED TAXATION *(Continued)*

Unrecognised deferred tax assets

As at 31 December 2010, the Group and the Company had unutilised tax losses of HK$35,737,000 (2009: HK$16,369,000) and HK$26,087,000 (2009: HK$12,539,000) respectively available for offsetting against future profits. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams. Unused tax losses of the Group of HK$32,478,000 (2009: HK$15,753,000) have no expiry date whereas the balance of HK$3,259,000 (2009: HK$616,000) will expire in 2013 and the unused tax losses of the Company of HK$26,087,000 (2009: HK$12,539,000) have no expiry date.

27. SHARE CAPITAL

	2010		2009	
	Number of shares ‘000	**Amount HK$’000**	Number of shares ‘000	Amount HK$’000
Authorised:				
Ordinary shares of HK$0.0005 each at end of year	**40,000,000**	**20,000**	40,000,000	20,000
Issued and fully paid:				
Ordinary shares of HK$0.0005 each at beginning of year	**5,568,000**	**2,784**	5,568,000	2,784
Issue of ordinary shares (Note (i))	**180,000**	**90**	–	–
Issue of ordinary shares upon conversion of convertible bonds (Note 25)	**6,800,000**	**3,400**	–	–
Ordinary shares of HK$0.0005 each at end of year	**12,548,000**	**6,274**	5,568,000	2,784

Note:

(i) Issue of ordinary shares

The Company entered into a placing agreement with placing agent. Pursuant to the placing agreement, the Company issued a total of 180,000,000 new shares at placing price of HK$0.275 per placing share. The issued share capital was then increased from HK$2,784,000 to HK$2,874,000 as enlarged by the allotment and issue of the placing shares on 19 April 2010.

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28. SHARE OPTION SCHEME

The current share option scheme in force was adopted and approved by the sole member of the Company on 26 October 2002 (the "Share Option Scheme").

The Share Option Scheme was adopted for a period of 10 years commencing from 26 October 2002 pursuant to a written resolution of the sole member passed on 26 October 2002 for the primary purpose of providing incentives or rewards to directors and eligible employees. Under the Share Option Scheme, the Company may grant options to eligible employees and directors of the Company and its subsidiaries, to subscribe for shares in the Company. In addition, under the Share Option Scheme, the Company may, from time to time, grant share options to any contractor, supplier, customer, agent or advisor, of the Group at the discretion of the board of directors.

The number of shares which may be issued under the Share Option Scheme is subject to the following limits:

(i) the maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme of the Company must not in aggregate exceed 30% of the total number of issued shares of the Company from time to time.

(ii) as refreshed by the shareholders in the general meeting on 5 May 2008, the total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme is not permitted to exceed 556,800,000 shares, representing 10% of the issued share capital of the Company at 5 May 2008.

A nominal consideration of HK$10 is payable upon acceptable of the grant of the options. The exercise price is determined by the directors of the Company and will be the highest of: (a) the closing price of the ordinary shares of the Company on the date of offer; (b) the average of the closing prices of the ordinary shares of the Company for the five business days immediately preceding the date of offer; and (c) the nominal value of the ordinary shares of the Company.

Any options granted under the Share Option Scheme must be exercised during such option period as may be determined and notified by the directors of the Company, which shall not exceed 10 years from the date of grant of the options.

No options had been granted or remained outstanding for each of the two years ended 31 December 2010 and 2009.

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29. RESERVES

The Company

	Share premium HK$'000	Capital reserve HK$'000	Contributed surplus HK$'000	Convertible bonds equity reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2009	20,273	1,030	742	1,190	(9,314)	13,921
Net loss for the year	–	–	–	–	(13,548)	(13,548)
At 31 December 2009 and 1 January 2010	20,273	1,030	742	1,190	(22,862)	373
Conversion of convertible bonds	698	–	–	(1,190)	–	(492)
Issue of new shares	49,410	–	–	–	–	49,410
Share issue expenses	(372)	–	–	–	–	(372)
Net loss for the year	–	–	–	–	(13,910)	(13,910)
At 31 December 2010	**70,009**	**1,030**	**742**	**–**	**(36,772)**	**35,009**

The contributed surplus of the Company represents the difference between the aggregate net assets of the subsidiaries acquired by the Company under the group reorganisation in 2002 and the nominal amount of the Company's shares issued for the acquisition.

30. OPERATING LEASE COMMITMENTS

As at 31 December 2010, the total future minimum lease payments of the Group under non-cancellable operating lease in respect of rented premises are payable as follows:

	The Group	
	2010 HK$'000	2009 HK$'000
Within one year	**2,411**	246
In the second to fifth years inclusive	**3,454**	–
	5,865	246

The Group leases an office premise under operating leases. The leases run for an initial period of two years, without any option to renew the lease terms at the expiry date and do not include any contingent rentals.

31. ACQUISITION OF SUBSIDIARIES

On 30 August 2010, 中達博誠能源科技(深圳)有限公司, an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement (the "Sale and Purchase Agreement") to acquire from Mr. Wang Ying (the "Vendor") for the 51% of the equity interest in the Shenzhen Shun Tian Yun Environmental Technology Limited, which holds the entire equity interest in Shenzhen City Ruifeng Environmental Equipment Limited (collectively referred to "Shun Tian Yun Group"), at a total consideration of RMB10,000,000 (approximately HK$11,416,000). The acquisition was completed on 1 September 2010.

Notes to the Financial Statements

for the year ended 31 December 2010

31. ACQUISITION OF SUBSIDIARIES *(Continued)*

The net assets acquired in the transaction were as follows:

	Carrying amount immediately before the combination HK$'000	Fair value adjustment HK$'000	Fair value HK$'000
Net asset acquired			
Property, plant and equipment	164	–	164
Inventories	8,131	–	8,131
Trade receivables	304	–	304
Other receivables, deposits and prepayments	451	–	451
Cash and cash equivalents	332	–	332
Trade payables	(512)	–	(512)
Accruals and other payables	(614)	–	(614)
Amount due to a minority shareholder	(5,561)	–	(5,561)
	2,695	–	2,695
Non-controlling interests			(1,320)
Goodwill			10,041
			11,416
Satisfied by:			
Cash			11,416
Net cash outflow arising on acquisition:			
Cash and cash equivalents acquired			332
Cash consideration			(11,416)
			(11,084)

Notes:

(i) Goodwill arose in the business combination because the cost of the combination included a control premium paid to acquire Shun Tian Yun Group. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development of Shun Tian Yun Group. These benefits are not recognised separately from goodwill as the future economic benefits arising from them cannot be reliably measured.

(ii) Shun Tian Yun Group from the date of acquisition to the end of the reporting period attributed profit of approximately HK$287,000 to the Group's loss for the year. Revenues for the year includes approximately HK$1,705,000 in respect of Shun Tian Yun Group.

(iii) If the acquisition had been completed on 1 January 2010, total Group revenue for the year would have been approximately HK$6,251,000, and loss for the year attributable to owners of the Company would have been approximately HK$17,856,000. The pro forma information is for illustrative purpose only and is not necessarily an indication of revenue and results of the Group that actually would have been achieved had the acquisition been completed on 1 January 2010, nor is it intended to be a projection of future results.

Notes to the Financial Statements

for the year ended 31 December 2010

31. ACQUISITION OF SUBSIDIARIES *(Continued)*

Notes: *(Continued)*

(iv) Pursuant to the Sale and Purchase Agreement, the Vendor guaranteed that the profit after tax of the Shun Tian Yun Group for the year ended 31 December 2011 shall not be less than RMB2,200,000 (the "Profit Guarantee"). Any shortfall in the guaranteed profits shall be compensated by the Vendor to the Group on a dollar-to-dollar basis. For further details, please refer to the Company's announcement dated on 30 August 2010.

(v) According to the interim report of the Group for the six months ended 30 June 2010, it is the intention of the Group to actively seek for investment opportunities in order to broaden the business of the Group. According to a market analysis dated 24 February 2009 from 暖通空調在線 (Air Conditioning Online) (www.ehvacr.com), the market share of commercial air conditioning products in the PRC (excluding the four biggest foreign brands) has been progressively increased from 3.5% in 2008 to 14.2% in 2009. In view of the potential growth of the environmental air-conditioning market, the directors consider that the acquisition provides a good opportunity for the Company to venture into a new business and broaden its revenue base. Meanwhile, the Company will continue to explore further business opportunities to diversify into other industries with good business potential and growth prospects.

After considering the Profit Guarantee provided by the Vendor under the Sale and Purchase Agreement and the future prospects of the commercial air conditioning products in the PRC, the Directors consider that the terms of the acquisition are fair and reasonable and are in the interests of the Company and the shareholders as a whole.

32. RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Save as disclosed elsewhere in the financial statement, details of other related party transactions during the year ended 31 December 2010 are disclosed as follows:

	2010	2009
	HK$'000	HK$'000
Compensation of key management personnel:		
Total remuneration of directors and other members of key management personnel during the year	**4,635**	583

33. DIVIDENDS

The directors do not recommend the payment of any dividend in respect of the year ended 31 December 2010 (2009: Nil).

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to market risk through its use of financial instruments and specifically to currency risk, interest risk and certain other price risks, which result from both its operating and investing activities. Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk) whether these changes are caused by factors specific to the individual financial instrument or its issuers, or factors affecting all similar financial instrument traded in the market. The Group does not have written risk management policies and guidelines. However, the directors closely monitor and focus on actively securing the Group's short to medium term cash flows by minimising the exposure to financial market.

The Group does not actively involve in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Group is exposed to are described below.

Notes to the Financial Statements

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34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(i) Interest rate risk

The Group's exposure to changes in interest rates mainly due to cash and cash equivalents which earn interest at floating rates. However, the directors are of the opinion that the sensitivity of the Group's result for the year to the reasonably possible change in interest rate in the coming twelve months is considered as minimal.

(ii) Foreign currency risk

The Group mainly operates in Hong Kong and the PRC. The functional currencies of the Company and its subsidiaries are mainly HK$ and RMB with certain of their business transactions being settled in RMB. In addition, the conversion of RMB into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government. As the functional currency of the PRC subsidiary is also RMB, thus, the management considered the foreign exchange exposure is minimal.

(iii) Credit risks

Credit risk arises from the possibility that the counterparty to a transaction is unwilling or unable to fulfil its obligation which results in financial loss. The carrying amounts of cash and cash equivalents and trade and other receivables included in the statement of financial position represent the Group's maximum exposure to credit risk in relation to its financial assets.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer and therefore significant concentrations of credit risk primarily arises when the Group has significant exposure to individual customers. At the end of the reporting period, 79% (2009: Nil) of the total trade receivables was due from the Group's largest customer.

(iv) Liquidity risk

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash-outflows due in day-to-day business. Liquidity needs are monitored on a day-to-day basis. Long-term liquidity needs are identified monthly.

The Group's liquidity is dependent upon the cash received from its customers. The directors of the Company are satisfied that the Group will be able to meet in full its financial obligations as and when they fall due in the foreseeable future.

As at 31 December 2010 and 31 December 2009, the remaining contractual maturities of the Group's and the Company's financial liabilities which are based on contractual undiscounted cash flows are summarised below:

The Group

	Total carrying amount HK$'000	**Total undiscounted cash flows HK'$000**	**Within 1 year or on demand HK'$000**	**More than 1 year but less than 5 year HK'$000**
At 31 December 2010				
Trade payables	**6,809**	**6,809**	**6,809**	**–**
Other payables	**4,103**	**4,103**	**4,103**	**–**
Amount due to a related party	**5,509**	**5,509**	**5,509**	**–**
	16,421	**16,421**	**16,421**	**–**
At 31 December 2009				
Trade payables	6,158	6,158	6,158	–
Other payables	1,330	1,330	1,330	–
Convertible bonds	2,543	3,400	–	3,400
	10,031	10,888	7,488	3,400

Notes to the Financial Statements

for the year ended 31 December 2010

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(iv) Liquidity risk *(Continued)*

The Company

	Total carrying amount HK$'000	Total undiscounted cash flows HK'$000	Within 1 year or on demand HK'$000	More than 1 year but less than 5 year HK'$000
At 31 December 2010				
Other payables	**600**	**600**	**600**	**–**
At 31 December 2009				
Other payables	585	585	585	–
Amount due to a subsidiary	344	344	344	–
Convertible bonds	2,543	3,400	–	3,400
	3,472	4,329	929	3,400

(v) Summary of financial assets and liabilities by category

The carrying amounts of the Group's and the Company's financial assets and liabilities as recognised at 31 December 2010 and 2009 may be categorised as follows. See notes 2.10 and 2.22 for explanations about how the category of financial instruments affects their subsequent measurement.

(i) *Financial assets*

	The Group		The Company	
	2010 HK$'000	2009 HK$'000	**2010 HK$'000**	2009 HK$'000
Cash and cash equivalents	**26,375**	8,097	**13,777**	3,932
Loans and receivables:				
Trade receivables	**8,823**	7,099	**–**	–
Other receivables	**335**	265	**–**	–
	35,533	15,461	**13,777**	3,932

(ii) *Financial liabilities*

Financial liabilities at amortised cost:

	The Group		The Company	
	2010 HK$'000	2009 HK$'000	**2010 HK$'000**	2009 HK$'000
Current liabilities:				
Trade payables	**6,809**	6,158	**–**	–
Other payables	**4,103**	1,330	**600**	585
Amount due to a related party	**5,509**	–	**–**	–
Amount due to a subsidiary	**–**	–	**–**	344
Non-current liabilities:				
Convertible bonds	**–**	2,543	**–**	2,543
	16,421	10,031	**600**	3,472

Notes to the Financial Statements

for the year ended 31 December 2010

35. CAPITAL MANAGEMENT

The Group's capital management objectives are:

(i) to ensure the Group's ability to continue as a going concern;

(ii) to provide an adequate return to the owners of the Company;

(iii) to support the Group's sustainable growth; and

(iv) to provide capital for the purpose of potential mergers and acquisitions.

The Group sets the amount of equity capital in proportion to its overall financing structure. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to owners of the Company; return capital to owners of the Company; issue new shares; or sell assets to reduce debt.

Management regards total equity and convertible bonds presented below as capital, for capital management purpose.

	2010	2009
	HK$'000	HK$'000
Convertible bonds	**–**	2,543
Total equity	**41,903**	5,978
	41,903	8,521

36. CONTINGENT LIABILITIES

As at 31 December 2010, the Group and the Company had no material contingent liabilities.

37. EVENTS AFTER THE REPORTING PERIOD

On 22 March 2011, Energy China Investment Company Limited, a wholly owned subsidiary of the Company, entered into a memorandum of understanding with Fortune Champ Group Limited and Greenhaven Technologies Ltd, in respect of a possible acquisition of 50.76% of the shareholding in Yi Feng Petrochemical Limited ("Yi Feng"). For more details, please refer to the Company's announcement dated 22 March 2011.

38. AUTHORISATION OF ISSUE OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 22 March 2011.