China Sciences Conservational Power Limited

中科環保電力有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 351)

AUDITED FINANCIAL REPORT

FOR THE TEN-MONTH PERIOD ENDED 31 OCTOBER 2008

12 December 2008

CONTENTS

The board of directors (the "Board") of China Sciences Conservational Power Limited (the "Company") is pleased to present the audited financial statements of the Company and its subsidiaries (together, the "Group") for the ten months ended 31 October 2008. These audited financial statements were published with the purpose of showing the financial position of the Group after the completion of the share subscription and the convertible bonds subscription under the Subscription Agreements (as defined in the circular of the Company dated 30 July 2008). These audited financial statements have been reviewed by the audit committee of the Company (the "Audit Committee").

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

For the ten months ended 31 October 2008, the Group's turnover had reached approximately HK$89,796,000 (year ended 31 December 2007: approximately HK$81,428,000). Loss after taxation for the period under review was approximately HK$15,836,000 (year ended 31 December 2007: approximately HK$35,382,000). Loss per share were 0.81 HK cents (year ended 31 December 2007: Loss per share: 2.69 HK cents).

The increase in turnover was attributed to the increase in selling price of electricity. The loss suffered from operations was mainly caused by the increase in cost of coal which countered the increase in selling price of electricity and the increase in 'other revenue and net gains'.

BUSINESS REVIEW

In the period under review, the Group placed much attention to its core business, waste incineration power generation.

The series of macroeconomic events in 2008 adversely affected many industries, including the one which the Group operates in. One significant impact to the Group was the steep rise of thermal coal prices in the People's Republic of China ("PRC") due to a global surge in commodity prices and supply problems caused by transport disruptions due to an unusually cold winter. Coal price fluctuations have a large impact on our business as it accounts for more than 70% of our operating costs. This was partially compensated by the increased selling price of electricity.

In July 2008, the Company received confirmation from Dongguan Development and Reform Bureau of an approval from the National Development and Reform Commission for the use and commercial operation of its new power generator. The Company subsequently signed a new agreement with the local power grid company for supplying electricity to the grid in August 2008.

PROSPECTS

Despite the global fear generated by the recent financial tsunami, the Company continues to strive for improvement in its value by searching for business and investment opportunities.

Until October 2008, RMB2 trillion investments in railways had been approved by the State Council of the PRC. Of those investments, over RMB1.2 trillion was injected for on-going construction projects. In November 2008, the PRC government announced a fiscal stimulus package of RMB4 trillion in aggregate, which is to be implemented up to 2010. Transportation infrastructure, with focus on railways, highways and airports, was highlighted as one of the ten key areas covered in the stimulus package. Following this trend, the Company believes that the PRC government will invest more rather than less in transportation infrastructure to boost economic growth; as such, it is the Company's view that to invest in railway infrastructure will create value and benefit to the shareholders of the Company in the long run.

On 6 November 2008, Sharprise Holdings Limited, a wholly-owned subsidiary of the Company, entered into a memorandum of understanding (the "MOU") with Fast Sky Holdings Limited ("Fast Sky") to negotiate the terms of an investment of 49% equity interests of the Gofar Holdings Limited. Pursuant to the MOU, Fast Sky will procure the purchase by its subsidiary of equity interest in three PRC companies, which will be engaged in the construction of a railway connecting Tangshan City (唐山市) and Chengde City (承德市), Hebei Province (河北省), the PRC, with a total length of approximately 121 kilometres. Two of these PRC companies had also been approved by local authorities to carry on the container and self-owned rail wagon chartering services.

LIQUIDITY AND FINANCIAL RESOURCES

The Group is mainly financed by resources from its equity capital base, various borrowings and the internal cash flow generated by operations.

As at 31 October 2008, the Group had net current assets of approximately HK$264,530,000 (31 December 2007: net current liabilities of approximately HK$114,760,000) and shareholders' funds of approximately HK$377,057,000 (31 December 2007: approximately HK$32,627,000). The increase in net current assets and shareholders' funds was mainly attributable to the placing and subscription agreements as mentioned in the fund-raising activities below.

The gearing ratio of the Group, which is calculated as net debt divided by total capital, is 16% (31 December 2007: 91%).

During the period under review, the Company had strengthened its financial position through the following fund-raising activities:

- On 3 January 2008, the Company entered into a loan agreement with a company controlled and wholly owned by a substantial shareholder of the Company for a borrowing of HK$30,000,000.

- On 27 February 2008, the Company entered into a subscription agreement (as amended and supplemented by four supplemental agreements dated 27 February 2008, 22 May 2008, 23 June 2008 and 25 September 2008) with a company controlled and wholly owned by a substantial shareholder of the Company (the Subscription Agreements) to issue and allot 3,497,970,325 new shares in, for an aggregate amount of HK$174,898,516 at the subscription price of HK$0.05 per share and to issue HK$200,000,000 convertible bonds of the Company.

LIQUIDITY AND FINANCIAL RESOURCES *(Continued)*

- On 23 June 2008, the Company entered into a placing agreement with Metro Capital Securities Limited (the "Placing Agreement") for private placing of 502,029,675 new shares of the Company, which will generate net proceeds of approximately HK$24,800,000.

On 14 January 2008, the Company redeemed a borrowing in respect of HK$20,000,000 8.5% per annum extendable convertible notes which was outstanding at the beginning of the period under review.

On 30 September 2008, the Company repaid a loan of HK$30,000,000 2% interest per annum advanced by King Castle Enterprises Limited with interest accrued, by setting off against the consideration from the Subscription Agreements and Placing Agreement.

On 15 October 2008, the Company settled a loan of HK$15,000,000 2% interest per annum advanced by Mr. Chan Wai Ming with interest accrued, using the net proceeds from the Subscription Agreements and Placing Agreement.

On 15 and 16 October 2008, the Company redeemed from China Conservation Power Holdings Limited 80,000,000 preference shares for cash consideration of HK$60,800,000, using the net proceeds from the Subscription Agreements and Placing Agreement.

FOREIGN EXCHANGE MANAGEMENT

The Group's business dealings in the PRC are subject to the foreign currency fluctuations. During the period under review, the fluctuation did not have significant adverse impact on the Group's financial position and the Group did not use any financial instruments for hedging purposes.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31 October 2008.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

The Group did not have significant new acquisitions or disposal during the ten months ended 31 October 2008 and up to the date of this report.

EMPLOYEE AND REMUNERATION POLICY

As at 31 October 2008, the Group has 191 employees, 172 of whom were based in the PRC. Their salary and benefits are maintained at competitive levels and are based on their duties, working experience and the prevailing market practices. Employees are rewarded by a share option scheme based on the performance of the Group and individual employees. The Group has also participated in an approved Mandatory Provident Fund ("MPF") scheme for eligible employees.

DISCLOSURE OF INTERESTS

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES AND DEBENTURES

As at 31 October 2008, the interests and short positions of the directors in the share capital and underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

Long positions in ordinary shares of the Company

Name of the Director	Capacity	Personal interests	Family interests	Corporate interests	Other interests	Total	Approximate percentage of shareholding
Liang Jun	Beneficial owner	2,000,000	—	—	—	2,000,000	0.025%
Chan Wai Ming	Interest of a controlled corporation and beneficial owner	2,800,000	—	70,000,000	—	72,800,000 *(Note)*	0.89%

Note: Of these shares, 70,000,000 ordinary shares are deemed interest of Mr. Chan Wai Ming held by Smartest Assets Management Limited, a company wholly owned by him.

Save as disclosed above, as at 31 October 2008, none of the members of the Board or their respective associates had an interest or short position in any shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO).

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 October 2008, the register of interests and short positions in the shares and underlying shares of the Company kept under section 336 of the SFO showed that, the following shareholders had an interest of 5% or more in the issued share capital of the Company:

Name	Capacity	Number of Shares and underlying shares held	Approximate percentage of shareholding
Mr. Ko Fong ("Mr. Ko")	Interest of controlled corporations	5,152,970,325 *(Note 1)*	63.17%
B M Intelligence International Limited ("BM Intelligence")	Interest of a controlled corporation	600,000,000 *(Note 2)*	7.36%

Notes:

1. Pursuant to the individual substantial shareholder notice filed by Mr. Ko dated 28 October 2008, Mr. Ko's interest in 5,152,970,325 Shares comprised (i) 295,000,000 Shares held by Delight Assets Management Limited and 4,857,970,325 Shares held by King Castle Enterprises Limited, both companies were wholly and beneficially owned by Mr. Ko.

2. Pursuant to the corporate substantial shareholder notice filed by BM Intelligence dated 28 October 2008, the 600,000,000 underlying shares, representing convertible bonds in the principal amount of HK$30,000,000 convertible into 600,000,000 Shares, were directly held by Full Century International Limited, a wholly-owned subsidiary of Full Union Holdings Limited which in turn wholly-owned by B M Intelligence Limited, a wholly-owned subsidiary of BM Intelligence.

Save as disclosed above, as at 31 October 2008, the Directors of the Company were not aware of any other person or corporation having an interest or short position in the Shares and underlying Shares of the Company representing 5% or more of the issued ordinary share capital of the Company.

SHARE OPTIONS

2002 Option Scheme

On 27 May 2002, a share option scheme (the "2002 Option Scheme") was adopted. The purpose of the 2002 Option Scheme is to enable the Group to grant options to selected participants as incentives or rewards for their contributions to the Group. The participants include (i) any eligible employee; (ii) any supplier of goods or services to any member of the Group or any entity in which any member of the Group holds any interest ("Invested Entity"); (iii) any customer of the Group or any Invested Entity; (iv) any person or entity that provides research, development or other technological support to the Group or any Invested Entity; (v) any shareholder or any member of the Group or any Invested Entity; and (vi) any company wholly owned by any participant. The Option Scheme will remain in force for a period commencing on 27 May 2002 and expiring at the close of business on the business day preceding the tenth anniversary.

SHARE OPTIONS *(Continued)*

2002 Option Scheme *(Continued)*

The total number of shares which may be issued upon exercise of all options to be granted under the 2002 Option Scheme and any other scheme of the Company shall not in aggregate exceed 10% of the issued share capital of the Company as at the date on which the 2002 Option Scheme was adopted, without prior approval from the Company's shareholders. The total number of shares issued and to be issued upon exercise of the options granted and to be granted to each participant in any 12-month period up to and including the date of grant of options shall not exceed 1% of the shares in issue.

The subscription price will be determined by the Directors, which shall not be less than the higher of the closing price of the shares as stated in the Stock Exchange's daily quotations sheets on the date of grant of option or the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five days immediately preceding the date of grant of option. Options may generally be exercised in whole or part at any time during the period commencing on the first business day from the date of grant of the option and expiring on the close of business on the last day of such period as determined by the directors and notified to the grantee (in any event such period must not be more than 10 years from the date of grant of the option).

The following table discloses the movements in the Company's share options under the 2002 Option Scheme during the period under review:

								Market value per share *(Note)*	
Date of grant of share options	Exercise period of share options	Exercise price of share options *HK$*	As at 1.1.2008	Granted during the period	Exercised during the period	Lapsed during the period	As at 31.10.2008	Immediately preceding the grant date of share options *HK$*	Immediately preceding the exercise date of share options *HK$*
Employees - In aggregate									
12.08.2004	12.08.2004 to 11.08.2014	0.385	26,800,000	—	—	(26,800,000)	0	0.38	—
01.12.2004	01.12.2004 to 30.11.2014	0.67	8,000,000	—	—	(8,000,000)	0	0.67	—
26.05.2005	26.05.2005 to 25.05.2015	0.69	700,000	—	—	—	700,000	0.68	—
03.08.2005	03.08.2005 to 02.08.2015	0.688	500,000	—	—	—	500,000	0.66	—

Note: The share price of the Company disclosed as at the date of the grant of the share options was the closing price as quoted on the Stock Exchange of the trading day immediately prior to the date of the grant of the share options. The share price of the Company disclosed as the date of the exercise of the share options was the weighted average closing price of the shares immediately before the date on which the share options with the disclosure category were exercised.

SHARE OPTIONS *(Continued)*

2002 Option Scheme *(Continued)*

No option under the 2002 Option Scheme was cancelled during the period under review.

As at the date of this report, the 2002 Option Scheme was terminated with the passing of an ordinary resolution at the extraordinary general meeting of the Company held on 20 August 2008. The outstanding options are exercisable in accordance with the terms of the terminated Scheme.

2008 Option Scheme

On 20 August 2008, a new share option scheme (the "2008 Option Scheme") was adopted by the Company. The purpose of the 2008 Option Scheme is to attract, retain and motivate talented participants to strive for future developments and expansion of the Group. The participants are as follows:—

(i) any full-time employee and director (including non-executive director and independent non-executive director) of the Group; and any part time employee with weekly working hours of ten hours and above of the Group (collectively "Employee");

(ii) any advisor or consultant to the Group; any provider of goods and/or services to the Group; or any other person who, at the sole determination of the Board, has contributed to the Group (the assessment criterion of which are (a) such person's contribution to the development and performance of the Group; (b) the quality of work performed by such person for the Group; and (c) the initiative and commitment of such person in performing his or her duties; and (d) the length of service or contribution of such person to the Group) (collectively "Business Associate"); and

(iii) the trustee of any trust (whether family, discretionary or otherwise) whose beneficiaries or objects include any Employee or Business Associate of the Group.

The 2008 Option Scheme shall be valid and effective for a period of ten years commencing on the date of adoption.

The total number of shares which may be issued upon exercise of all options to be granted under the 2008 Option Scheme and any other scheme of the Company shall not in aggregate exceed 10% of the issued share capital of the Company as at the date on which the 2008 Option Scheme was adopted, without prior approval from the Company's shareholders. The total number of shares issued and to be issued upon exercise of the option granted and to be granted to each participant in any 12-month period shall not exceed 1% of the shares in issue.

The subscription price will be determined by the directors, which shall not be less than the higher of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheets on the date of grant of options; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five days immediately preceding the date of grant of option; or (iii) the nominal value of a share.

SHARE OPTIONS *(Continued)*

2008 Option Scheme *(Continued)*

Options may generally be exercised in whole or part at any time during the period commencing on the first business day from the date of grant of the option and expiring on the close of business on the last day of such period as determined by the directors and notified to the grantee (in any event such period must not be more than 10 years from the date of grant of the option) subject to any restrictions as may be imposed on the exercise of an option during the period in which an option may be exercised.

As at the date of this report, no share option had been granted under the 2008 Option Scheme.

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE PRACTICE

It is one of the continuing commitments of the Board and of management of the Company to maintain high standards of corporate governance. The Company has adopted and applied the principles as set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Company considers that effective corporate governance makes significant contribution to corporate success and enhancement of shareholder value.

Throughout the period of ten months ended 31 October 2008, the Company has complied with the CG Code, save for the single exception specified and explained below:

Code Provision A.4.1

All existing non-executive directors of the Company during the period under review do not have a specific term of appointment but are subject to retirement by rotation and re-election pursuant to the articles of association of the Company ("Articles"). According to the Articles, at each annual general meeting one-third of the directors for the time being (or, if their number is not a multiple of three, then the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years.

MODEL CODE OF SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules as the Company's code of conduct (the "Code") for dealings in securities of the Company by directors.

Specific enquiry has been made of the directors during the period under review and they have confirmed that they have complied with the Code.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period under review.

THE AUDIT COMMITTEE

During the period under review, the Audit Committee performed its duties according to written terms of reference which complies with Code C.3.3 of Appendix 14 of the Listing Rules.

The audited consolidated results of the Group for the ten months ended 31 October 2008 have been reviewed by the Audit Committee.

INDEPENDENT AUDITOR'S REPORT

Shu Lun Pan Horwath Hong Kong CPA Limited
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TO THE SHAREHOLDERS OF CHINA SCIENCES CONSERVATIONAL POWER LIMITED
(中科環保電力有限公司)
(Incorporated in Hong Kong with limited liability)

We have audited the financial statements of China Sciences Conservational Power Limited (the "Company") and its subsidiaries (hereinafter referred to as the "Group") set out on pages 13 to 96, which comprise the consolidated and Company balance sheets as at 31 October 2008, the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the period then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the 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 financial statements give a true and fair view of the state of affairs of the Group and of the Company as at 31 October 2008 and the Group's loss and cash flows for the period then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

SHU LUN PAN HORWATH HONG KONG CPA LIMITED
Certified Public Accountants

12 December 2008
Li Pak Ki
Practising Certificate number P01330

20th Floor, Central Plaza
18 Harbour Road
Wanchai
Hong Kong

CONSOLIDATED INCOME STATEMENT

For the ten months ended 31 October 2008

	Notes	Ten months ended 31 October 2008 HK$'000	Year ended 31 December 2007 HK$'000 (Restated)
CONTINUING OPERATION			
Turnover	5	**89,796**	81,428
Other revenue and net gains	6	**52,009**	26,473
Fuel costs		**(74,173)**	(44,276)
Depreciation and amortisation	9	**(16,510)**	(27,988)
Employee costs	9	**(14,715)**	(16,567)
Impairment loss on construction in progress	17	**(2,449)**	(3,165)
Concession intangible assets maintenance provision	29	**(4,512)**	—
Other operating expenses		**(23,703)**	(27,820)
Finance costs	8	**(21,582)**	(23,713)
Loss before taxation	9	**(15,839)**	(35,628)
Income tax	10	**3**	—
Loss for the period/year from continuing operation		**(15,836)**	(35,628)
DISCONTINUED OPERATIONS			
Profit for the period/year from discontinued operations	34	**—**	246
Loss for the period/year		**(15,836)**	(35,382)
Attributable to:			
Equity holders of the Company		**(13,936)**	(31,111)
Minority interests		**(1,900)**	(4,271)
		(15,836)	(35,382)

CONSOLIDATED INCOME STATEMENT *(Continued)*

For the ten months ended 31 October 2008

	Notes	Ten months ended 31 October 2008 HK$'000	Year ended 31 December 2007 HK$'000 (Restated)
Basic loss per share			
(expressed in HK cents per share)			
— from continuing and discontinued operations	13	**(0.81)**	(2.69)
— from continuing operation		**(0.81)**	(2.71)
Dividends	12	**—**	—

The accompanying notes form part of these financial statements.

CONSOLIDATED BALANCE SHEET

As at 31 October 2008

	Notes	31 October 2008 HK$'000	31 December 2007 HK$'000 (Restated)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	*14*	**4,892**	5,631
Concession intangible assets	*15*	**375,710**	352,777
Land use rights	*16*	**4,648**	4,447
Construction in progress	*17*	**—**	—
Goodwill	*20*	**27,199**	25,642
Pledged bank deposits	*19*	**17,000**	16,026
		429,449	404,523
Current assets			
Inventories	*21*	**1,149**	1,822
Trade and other receivables	*22*	**22,166**	25,369
Tax recoverable		**—**	29
Bank balances and cash	*23*	**293,271**	46,893
		316,586	74,113
Assets of a disposal group classified as held for sale	*34*	**—**	17
		316,586	74,130
Current liabilities			
Trade and other payables	*24*	**50,631**	71,361
Amount due to a minority shareholder of a subsidiary	*39(a)(iii)*	**979**	923
Amount due to a shareholder	*39(a)(iii)*	**446**	—
Loan from a director	*39(a)(iv)*	**—**	15,100
Convertible notes	*26*	**—**	20,000
Convertible preference shares	*27*	**—**	78,570
		52,056	185,954
Liabilities directly associated with the assets classified as held for sale	*34*	**—**	2,936
		52,056	188,890

CONSOLIDATED BALANCE SHEET *(Continued)*

As at 31 October 2008

	Notes	**31 October 2008** ***HK$'000***	31 December 2007 *HK$'000* (Restated)
Net current assets/(liabilities)		**264,530**	(114,760)
Non-current liabilities			
Bank loans	*25*	**258,392**	251,608
Provision for maintenance of concession intangible assets	*29*	**4,512**	—
Convertible bonds	*28*	**50,053**	—
		312,957	251,608
Net assets		**381,022**	38,155
EQUITY			
Share capital	*31*	**81,570**	11,570
Reserves		**295,487**	21,057
Equity attributable to equity holders of the Company		**377,057**	32,627
Minority interests		**3,965**	5,528
Total equity		**381,022**	38,155

These financial statements were approved and authorised for issue by the board of directors on 12 December 2008.

Liang Jun	**Chan Wai Ming**
Director	*Director*

The accompanying notes form part of these financial statements.

BALANCE SHEET

As at 31 October 2008

	Notes	31 October 2008 HK$'000	31 December 2007 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Interests in subsidiaries	*18*	**20,099**	19,879
Current assets			
Trade and other receivables	*22*	**706**	194
Bank balances and cash	*23*	**284,022**	8,196
		284,728	8,390
Current liabilities			
Trade and other payables	*24*	**1,978**	5,693
Amounts due to subsidiaries	*39(a)(iii)*	**1,281**	—
Amount due to a shareholder	*39(a)(iii)*	**446**	—
Loan from a director	*39(a)(iv)*	**—**	15,100
Convertible notes	*26*	**—**	20,000
Convertible preference shares	*27*	**—**	78,570
		3,705	119,363
Net current assets/(liabilities)		**281,023**	(110,973)
Non-current liabilities			
Convertible bonds	*28*	**50,053**	—
Net assets/(liabilities)		**251,069**	(91,094)

BALANCE SHEET *(Continued)*

As at 31 October 2008

	Notes	**31 October 2008** *HK$'000*	31 December 2007 *HK$'000*
EQUITY			
Share capital	*31*	**81,570**	11,570
Reserves	*33*	**169,499**	(102,664)
Total equity		**251,069**	(91,094)

These financial statements were approved and authorised for issue by the board of directors on 12 December 2008.

Liang Jun
Director

Chan Wai Ming
Director

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the ten months ended 31 October 2008

	Attributable to equity holders of the Company									
	Share capital *HK$'000* *(Note 31)*	Share premium *HK$'000* *(Note 33)*	Share option reserve *HK$'000* *(Note 32)*	Capital reserve *HK$'000* *(Note 33)*	Equity component of convertible notes *HK$'000* *(Note 26)*	Translation reserve *HK$'000* *(Note 33)*	Accumulated losses *HK$'000*	Total *HK$'000*	Minority interests *HK$'000*	Total equity *HK$'000*
Ten months ended 31 October 2008										
As at 1 January 2008	11,570	459,967	7,020	–	550	10,631	(457,111)	32,627	5,528	38,155
Exchange difference arising on translation of financial statements of foreign operations	–	–	–	–	–	4,222	–	4,222	337	4,559
Reclassification *(Note 27)*	–	4,190	–	–	–	–	–	4,190	–	4,190
Total income and expenses recognised directly in equity	–	4,190	–	–	–	4,222	–	8,412	337	8,749
Loss for the period	–	–	–	–	–	–	(13,936)	(13,936)	(1,900)	(15,836)
Total recognised income and expenses for the period	–	4,190	–	–	–	4,222	(13,936)	(5,524)	(1,563)	(7,087)
Shares issued at premium *(Note 31)*	40,000	160,000	–	–	–	–	–	200,000	–	200,000
Shares issued on conversion of convertible bonds *(Note 28)*	30,000	119,941	–	–	–	–	–	149,941	–	149,941
Redemption of convertible notes	–	–	–	550	(550)	–	–	–	–	–
Recognition of share option expenses *(Note 32)*	–	–	13	–	–	–	–	13	–	13
Share options lapsed *(Note 32)*	–	–	(1,291)	–	–	–	1,291	–	–	–
As at 31 October 2008	81,570	744,098	5,742	550	–	14,853	(469,756)	377,057	3,965	381,022

The accompanying notes form part of these financial statements.

For the year ended 31 December 2007

	Attributable to equity holders of the Company									
	Share capital HK$'000 (Note 31)	Share premium HK$'000 (Note 33)	Share options reserve HK$'000 (Note 32)	Equity component of convertible notes HK$'000 (Note 26)	Equity component of convertible preference shares HK$'000 (Note 27)	Translation reserve HK$'000 (Note 33)	Accumulated losses HK$'000	Total HK$'000	Minority interests HK$'000	Total equity HK$'000
Year ended 31 December 2007										
As at 1 January 2007	11,570	459,967	9,270	550	20,952	5,525	(428,275)	79,559	9,332	88,891
Exchange difference arising on translation of financial statements of foreign operations	–	–	–	–	–	5,106	–	5,106	467	5,573
Reclassification as liabilities *(Note 27)*	–	–	–	–	(20,952)	–	–	(20,952)	–	(20,952)
Total income and expenses recognised directly in equity	–	–	–	–	(20,952)	5,106	–	(15,846)	467	(15,379)
Loss for the year	–	–	–	–	–	–	(31,111)	(31,111)	(4,271)	(35,382)
Total recognised income and expenses for the year	–	–	–	–	(20,952)	5,106	(31,111)	(46,957)	(3,804)	(50,761)
Recognition of share option expenses *(Note 32)*	–	–	25	–	–	–	–	25	–	25
Share options lapsed *(Note 32)*	–	–	(2,275)	–	–	–	2,275	–	–	–
As at 31 December 2007	11,570	459,967	7,020	550	–	10,631	(457,111)	32,627	5,528	38,155

The accompanying notes form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the ten months ended 31 October 2008

	Ten months ended 31 October 2008 *HK$'000*	Year ended 31 December 2007 *HK$'000*
Operating activities		
Loss before taxation	**(15,839)**	(35,382)
Adjustments for:		
Gains on liquidation and disposal of subsidiaries	**(3,726)**	—
Gain on disposal of investments held for trading	**—**	(140)
Interest income	**(864)**	(120)
Depreciation of property, plant and equipment	**906**	27,913
Amortisation of land use rights	**69**	75
Amortisation of concession intangible assets	**15,535**	—
Loss on disposal of property, plant and equipment	**—**	470
Impairment loss on construction in progress	**2,449**	3,165
Reversal of provision for impairment of other receivables	**(13,401)**	(20,770)
Equity-settled share-based expenses	**13**	25
Interest on bank loans	**17,346**	17,740
Interest on loan from a director	**234**	100
Interest on loan from a shareholder	**446**	—
Interest on convertible bonds	**374**	—
Interest on convertible preference shares	**3,182**	5,873
Concession intangible assets maintenance provision	**4,512**	—
Interest expenses waived on convertible notes/ convertible preference shares	**(5,472)**	(604)
Gain on redemption of convertible preference shares	**(11,290)**	—
Effect of foreign exchange rate changes	**(5,502)**	(5,627)
Operating cash flows before working capital changes	**(11,028)**	(7,282)
Decrease/(increase) in inventories	**673**	(1,333)
Decrease in trade and other receivables	**4,444**	33,548
Decrease in amount due from a director	**—**	500
(Decrease)/increase in trade and other payables	**(21,383)**	25,017
Increase in amount due to a minority shareholder of a subsidiary	**—**	22
Cash (used in)/generated from operations	**(27,294)**	50,472
Income tax refunded/(paid)	**3**	(29)
Interest on bank loans	**(17,346)**	(17,740)
Interest received	**197**	120
Interest on loan from a director	**(334)**	—
Net cash (used in)/generated from operating activities	**(44,774)**	32,823

CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

For the ten months ended 31 October 2008

	Ten months ended 31 October 2008	Year ended 31 December 2007
	HK$'000	*HK$'000*
Investing activities		
Purchase of property, plant and equipment	**(18)**	(24,208)
Additions to concession intangible assets	**(12,648)**	—
Payments for construction in progress	**(2,562)**	(2,314)
Proceeds from disposal of investments held for trading	**—**	216
Proceeds from disposal of property, plant and equipment	**—**	508
VAT refund for property, plant and equipment	**—**	11,288
VAT refund for additions to concession intangible assets	**9,575**	—
Net cash used in investing activities	**(5,653)**	(14,510)
Financing activities		
Issue of shares	**200,000**	—
Net proceeds of convertible bonds	**199,620**	—
New bank loans	**—**	10,684
Repayment of bank loans	**—**	(4,808)
Redemption of convertible preference shares	**(60,800)**	—
Redemption of convertible notes	**(20,000)**	—
Repayment of other borrowings	**(8,500)**	—
Loan from a director	**—**	15,000
Repayment of loan from a director	**(15,000)**	—
Net cash generated from financing activities	**295,320**	20,876
Net increase in cash and cash equivalents	**244,893**	39,189
Cash and cash equivalents at beginning of period/year	**46,910**	7,666
Cash attributable to liquidation and disposal of subsidiaries	**(56)**	—
Effect of foreign exchange rate changes	**1,524**	55
Cash and cash equivalents at end of period/year representing bank balances and cash	**293,271**	46,910

The accompanying notes form part of these financial statements.

1. ORGANISATION AND OPERATIONS

The Company is a public company incorporated in Hong Kong with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and has its registered office and principal place of business at Rooms 1208-1210, Dah Sing Financial Centre, 108 Gloucester Road, Wan Chai, Hong Kong.

The Company acts as an investment holding company and provides corporate management services. The principal activities and other particulars of its principal subsidiaries are set out in Note 18.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current period, the Group has adopted all of the new and revised 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") that are relevant to its operations and effective for the current accounting period of the Group and the Company. The adoption of these new and revised HKFRSs did not result in substantial changes to the Group's accounting policies, except for HK(IFRIC) — Int 12 "Service Concession Arrangements" as described below.

(a) The impact of the adoption of HK(IFRIC) — Int 12

HK(IFRIC) — Int 12 gives guidance on the accounting by operators for public-to-private service concession arrangements and sets out the general principles on recognising and measuring the obligations and related rights in service concession arrangements. For arrangements falling within its scope, depending on the terms of the arrangement, the infrastructure assets will, instead of being recognised as property, plant and equipment, be recognised as either (i) a financial asset; (ii) an intangible asset; or (iii) both a financial asset and an intangible asset.

The Group has been granted by the Dongguan Provincial Government the concessions for operating a waste incineration power generation plant in Dongguan. Prior to 1 January 2008, the buildings, plant and equipment within the scope of the service concession were included in property, plant and equipment. As at 1 January 2008, due to the retrospective application of HK(IFRIC) — Int 12 being impracticable, the Group reclassified these buildings, plant and equipment as concession intangible assets, and amortised them over the remaining operating periods in accordance with the transitional provisions of HK(IFRIC) — Int 12. The reclassification of the assets' book values for 2007 has no impact on the loss for the year ended 31 December 2007 and accumulated losses at the beginning of the period.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

(a) The impact of the adoption of HK(IFRIC) — Int 12 *(Continued)*

Contractual obligations to maintain or restore infrastructure

As part of its obligations under the service concession, the Group assumes responsibility for maintenance of the waste incineration power generation plant and equipment. The resulting maintenance costs, except for upgrade services, are recognised in accordance with the requirements of HKAS 37, "Provisions, Contingent Liabilities and Contingent Assets".

Provision for maintenance obligations is measured at the present value of the expenditures expected to be required to settle the obligations using a pre-tax rate that reflects current market assessments of time value of money and the risks specific to the obligations.

Other than as described above, the adoption of the new HKFRSs had no material effect on the results and financial position of the Group. Accordingly, no prior period adjustment is required.

The effects of changes in the accounting policies are as follows:

	31 December 2007	**Change**	**31 December 2007**
	HK$'000	*HK$'000*	*HK$'000*
			(Restated)
Items on balance sheet			
Non-current assets			
Property, plant and equipment *(Note 14)*	356,197	(350,566)	5,631
Construction in progress *(Note 17)*	2,211	(2,211)	—
Concession intangible assets *(Note 15)*	—	352,777	352,777
Total effects on assets	358,408	—	358,408

(Expressed in Hong Kong dollars)

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

(b) Standards and Interpretations issued but not effective

At the date of authorisation of these financial statements, the following Standards and Interpretations were in issue but not yet effective:

		Effective date
HKAS 1 (Revised)	Presentation of financial statements	(i)
HKAS 23 (Revised)	Borrowing costs	(i)
HKAS 32 & HKAS 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation	(i)
HKFRS 1 & HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate	(i)
HKFRS 8	Operating segments	(i)
HK(IFRIC) — Int 15	Agreements for the construction of real estates	(i)
HKFRS 2 (Amendment)	Vesting conditions and cancellation	(i)
HKAS 27 (Revised)	Consolidated and separate financial statements	(ii)
HKFRS 3 (Revised)	Business combinations	(ii)
HK(IFRIC) — Int 13	Customer loyalty programmes	(iii)
HK(IFRIC) — Int 16	Hedges of a net investment in a foreign operation	(iv)
2008 Improvements to HKFRSs that may result in accounting changes for presentation, recognition or measurement	— HKAS 1, HKAS 16, HKAS 19, HKAS 20, HKAS 23, HKAS 27, HKAS 28, HKAS 29, HKAS 31, HKAS 36, HKAS 38, HKAS 39, HKAS 40 & HKAS 41	(i)
	— HKFRS 5	(ii)

Effective date

(i) Annual periods beginning on or after 1 January 2009

(ii) Annual periods beginning on or after 1 July 2009

(iii) Annual periods beginning on or after 1 July 2008

(iv) Annual periods beginning on or after 1 October 2008

The Group is in the process of making an assessment of what the impact of these new or revised Standards or Interpretations is expected to be in the period of their initial application.

3. PRINCIPAL ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with HKFRSs and 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 Stock Exchange.

(b) Basis and purpose of preparation of financial statements

These financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain financial instruments which have been measured at fair value.

These financial statements present the Group's trading results for the ten months ended 31 October 2008 and the Group's financial position as at that date (the "Special Purpose Financial Statements"), following the completion of the share subscription and the convertible bonds subscription in October 2008.

The Special Purpose Financial Statements do not represent the annual statutory financial statements of the Group under the Companies Ordinance. The annual statutory financial statements of the Group for the year ended 31 December 2008 will not be affected by the issue of the Special Purpose Financial Statements.

The consolidated income statement is presented by nature of expenses which the Directors considered is more appropriate to reflect the operating results of the Group.

(c) Basis of consolidation

These financial statements incorporate the financial statements of the Company and its subsidiaries made up to ten months ended 31 October 2008.

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

Minority interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(c) Basis of consolidation *(Continued)*

The gain or loss on disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any goodwill and exchange difference which was not previously charged or recognised in profit or loss.

(d) Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities assumed in a business combination are recognised at their fair values at the acquisition date.

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

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

(e) Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities. Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Investments in subsidiaries are included in the Company's balance sheet at cost less any impairment loss. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(f) Goodwill

Goodwill arising on acquisition of a subsidiary represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill on acquisitions of subsidiaries is presented separately.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit, and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

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

(g) Property, plant and equipment

Property, plant and equipment are stated in the balance sheet at their historical costs, less any subsequent accumulated depreciation and accumulated impairment losses.

Historical cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after the asset has been put into operation, such as repairs and maintenance and overhaul costs, is charged to profit or loss in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the assets, the expenditure is capitalised as an additional cost of the asset or a separate asset.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(g) Property, plant and equipment *(Continued)*

Depreciation is charged so as to write off the cost of assets, other than construction in progress, over their estimated useful lives, using the straight-line method. The estimated useful lives and depreciation method are reviewed at each balance sheet date, with the effect of any changes in estimate accounted for on a prospective basis. The principal annual rates are as follows:

Building, plant, and equipment	2% – 5%
Leasehold improvements	Over the remaining term of the lease but not exceeding 5 years
Furniture, fixtures and equipment	20% – 33%
Motor vehicles	20%

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

Construction in progress is stated at cost less any impairment losses, and is not depreciated.

(h) Impairment of assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value 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 assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(h) Impairment of assets excluding goodwill *(Continued)*

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the profit and loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(i) Assets held for sale and discontinued operations

i) Assets held for sale

Disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the disposal group is available for immediate sale in its present condition.

Disposal groups classified as held for sale are measured at the lower of the disposal groups' previous carrying amount and fair value less costs to sell.

ii) Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. It also occurs when the operation is abandoned.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(j) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method of costing and includes all costs incurred in bringing the goods to their present location and condition. Net realisable value is determined by reference to the anticipated sales proceeds of items sold in the ordinary course of business less estimated selling expenses after the balance sheet date or to management estimates based on prevailing market conditions.

(k) Financial assets

i) Loans and receivables

Trade and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

ii) Impairment

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

Objective evidence of impairment could include:

— significant financial difficulty of the issuer or counterparty; or

— default or delinquency in interest or principal payments; or

— it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(k) Financial assets *(Continued)*

ii) Impairment (Continued)

If any such evidence exists, any impairment loss is determined and recognised as follows:

— for trade and other current receivables, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate, where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which have been determined had no impairment loss been recognised in prior years.

Impairment losses recognised in respect of trade and other receivables, whose recovery is considered doubtful but not remote, are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade and other receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

iii) Effective interest method

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

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(k) Financial assets *(Continued)*

iv) Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

(l) Financial liabilities and equity instrument issued by the Group

i) Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or equity in accordance with the substance of the contractual arrangement.

ii) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

iii) Compound financial instruments

I. Convertible notes that contain an equity component

Convertible notes that can be converted to equity share capital at the options of the holders, 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.

At initial recognition, the fair value of the liability component is measured as the present value of the future interest and principal payments, discounted at the prevailing market interest rate for a similar non-convertible instrument. Any excess of proceeds over the amount initially recognised as the liability component is recognised as the equity component.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(l) Financial liabilities and equity instrument issued by the Group *(Continued)*

iii) Compound financial instruments *(Continued)*

I. Convertible notes that contain an equity component (Continued)

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. The portion relating to the equity component is charged directly to equity, while the portion relating to the liability component is included in the carrying amount of the liability portion and amortised over the period of the convertible notes using the effective interest method.

The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method. The equity component is recognised in the equity (equity component of convertible notes) until either the notes are converted or redeemed.

If the convertible notes are converted, the equity component of convertible notes, together with the carrying amount of the liability component at the time of conversion, are transferred to share capital and share premium as consideration for the shares issued. If the notes are redeemed, the equity component of convertible notes is released directly to accumulated losses and any difference between the amount paid and the carrying amount of liability component is recognised in profit or loss.

II. Convertible preference shares and convertible bonds

Convertible preference shares and convertible bonds are accounted for as follows:

At initial recognition the derivative component of the convertible preference shares and convertible bonds is measured at fair value. Any excess of proceeds over the amount initially recognised as the derivative component is recognised as the liability component. Transaction costs that relate to the issue of the convertible preference shares and convertible bonds are allocated to the liability and derivative components in proportion to the allocation of proceeds. The portion of the transaction costs relating to the liability component is recognised initially as part of the liability. The portion relating to the derivative component is recognised immediately in profit or loss.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(l) Financial liabilities and equity instrument issued by the Group *(Continued)*

iii) Compound financial instruments *(Continued)*

II. Convertible preference shares and convertible bonds (Continued)

The derivative component is subsequently remeasured at fair value with changes in fair value recognised in profit or loss. The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method.

If the convertible preference shares or convertible bonds are converted, the carrying amounts of the derivative and liability components are transferred to share capital and share premium as consideration for the shares issued. If the convertible preference shares or convertible bonds are redeemed, any difference between the amount paid and the carrying amounts of both components are recognised in profit or loss.

iv) Financial liabilities

The Group's financial liabilities, including bank borrowings, are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost using the effective interest method.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(l) Financial liabilities and equity instrument issued by the Group *(Continued)*

v) Effective interest method

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

vi) Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

(m) Leases

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

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The cost of acquiring land use right held under an operating lease is amortised on a straight-line basis over the period of the lease term. Land use rights are stated at cost less accumulated amortisation and any impairment losses.

(n) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(o) Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Where it is probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as 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 not remote.

(p) Taxation

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

i) Current tax

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

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(p) Taxation *(Continued)*

ii) Deferred tax

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

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(q) Foreign currencies

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates ("functional currency"). The consolidated financial statements are expressed in Hong Kong dollars which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency ("foreign currencies") are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for:

— exchange differences which relate to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on foreign currency borrowings;

— exchange differences on transactions entered into in order to hedge certain foreign currency risks; and

— exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, and which are recognised in the translation reserve and recognised in profit or loss on disposal of the net investment.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operation are expressed in Hong Kong dollars using exchange rates prevailing on the balance sheet date. Income and expenses items are translated at the average exchange rates for the period unless exchange rates fluctuate significantly. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(r) Employees' benefits

i) Short term employee benefits

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

ii) Pension obligations

The Group has participated in an approved Mandatory Provident Fund ("MPF") scheme effective from 1 December 2000 to provide MPF scheme to all eligible employees in Hong Kong. The contributions borne by the Group are calculated at 5% of the salaries and wages (monthly contribution limited to 5% of HK$20,000 for each eligible employee) as calculated under the MPF legislation. Contributions to MPF scheme are recognised as an expense in the income statement as incurred. There were no forfeited contributions used to reduce future contributions as at 31 October 2008.

Employees of the Company's subsidiaries in the People's Republic of China ("PRC") are required to participate in defined contribution retirement scheme operated by relevant government authorities. The PRC subsidiaries are required to contribute a certain percentage of the employee payroll to the scheme in accordance with the relevant regulations in the PRC and such contributions are charged to the income statement as incurred. There were no forfeited contributions used to reduce future contributions as at 31 October 2008.

iii) Equity-settled share-based payments

The Group issues share options to certain employees. Share options are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the share options is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Fair value is measured using the Black-Scholes pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(s) Borrowing costs

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

(t) Repair and maintenance costs

Replacement spares and labour costs for the routine repairs of the infrastructure of the concession intangible assets are charged to profit or loss in the period in which they are incurred.

The Group's obligations to maintain or restore the infrastructure of the concession intangible assets are measured and recognised in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets". Provision for maintenance obligations is measured at the present value of the expenditures expected to settle the obligations using a pre-tax rate that reflects current market assessments of time value of money and the risks specific to the obligations.

(u) Related parties

Two parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the Group or of any entity that is a related party of the Group.

(v) Revenue recognition

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

i) Waste incineration power generation income is earned and recognised upon transmission of electricity to the power grid companies.

ii) Waste handling income is recognised when services are provided.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(v) Revenue recognition *(Continued)*

iii) Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

iv) Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

(w) Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching with them and that the grants will be received.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Government grants that compensate the Groups for the cost of an asset are deducted in arriving at the carrying amount of the asset and consequently are recognised in profit or loss over the useful life of the asset.

(x) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting, the Group has determined that business segment information be presented as the primary reporting format and geographical segment information as the secondary reporting format for the purposes of these financial statements.

In respect of geographical segment reporting, sales are based on the country in which the customer is located. Total assets and capital expenditure are where the assets are located.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. Segment revenue, expenses, assets, and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between Group enterprises within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(x) Segment reporting *(Continued)*

Segment capital expenditure is the total cost incurred during the year to acquire segment assets (both tangible and intangible) that are expected to be used for more than one year.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, corporate and financing expenses and minority interests.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Service concession arrangement

In prior years, the Group entered into a service concession arrangement in respect of its waste incineration power generation plant.

The Group concluded that this service concession arrangement is service concession arrangement under HK(IFRIC) Int-12, because the local government controls and regulates the services that the Group must provide with the infrastructure at a pre-determined service charge. In addition, upon expiry of concession right agreement, the infrastructure will be transferred to the local government at nil consideration.

The provision for maintenance obligations is estimated by the Directors based on the data compiled by the engineers of the Group, which includes the major maintenance cycles of each of the key components of the infrastructure and the estimated labour and material costs for such major maintenance cycles.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(b) Impairment of trade and other receivables

The Group makes provision for impairment of trade and other receivables based on an estimate of the recoverability of these receivables. Provisions are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of impairment of trade and other receivables requires the use of estimates. Where the expectation is different from the original estimates, such difference will impact carrying value of receivables and provision for impairment losses in the period in which such estimate has been changed.

(c) Assessment of impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in Note 3(f). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the Group to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate. In cases where the actual future cash flows generated are less than expected, a material portion of the goodwill may be derecognised, which would be charged to profit or loss for the year in which such a derecognition takes place. As at 31 October 2008, the carrying amount of goodwill was HK$27,199,000 (31 December 2007: HK$25,642,000). Details of the impairment assessment are disclosed in Note 20.

(d) Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at each balance sheet date.

5. TURNOVER

Turnover represents the amount received and receivable for waste incineration power generation:

	Ten months ended 31 October 2008 *HK$'000*	Year ended 31 December 2007 *HK$'000* (Restated)
From continuing operation:		
Waste incineration power generation income	**85,083**	76,782
Waste handling fees	**4,713**	4,646
	89,796	81,428

6. OTHER REVENUE AND NET GAINS

	Ten months ended 31 October 2008 *HK$'000*	Year ended 31 December 2007 *HK$'000* (Restated)
From continuing operation:		
VAT refund on waste incineration power generation income *(Note)*	**13,585**	—
Gains on liquidation and disposal of subsidiaries *(Note 35)*	**3,726**	—
Reversal of provision for impairment of other receivables *(Note 22)*	**13,401**	20,770
Interest expenses waived on convertible notes/ convertible preference shares *(Notes 26 and 27)*	**5,472**	604
Gain on redemption of convertible preference shares *(Note 27)*	**11,290**	—
Bank interest income	**864**	120
Gain on disposal of investments held for trading	**—**	140
Net exchange gains	**3,643**	4,809
Others	**28**	30
	52,009	26,473
From discontinued operations:		
Net exchange gains *(Note 34)*	**—**	364

Note: During the period ended 31 October 2008, 東莞中科 being a designated environmental protection enterprise, was entitled to VAT refund based on the excess of the output VAT on electricity sale over the input VAT on purchases.

7. SEGMENT INFORMATION

Business segments

The Group has only one continuing business segment which is waste incineration power generation business in the PRC. The Group's computer hardware and maintenance support and related services business segments were discontinued during the previous year.

Ten months ended 31 October 2008

	Continuing operation	Discontinued operations	
	Waste incineration power generation business	Computer hardware and maintenance support and related services	Consolidated
	HK$'000	*HK$'000*	*HK$'000*
Results			
Turnover	89,796	—	89,796
Segment results	(1,700)	—	(1,700)
Unallocated corporate income and expenses (net)			7,443
Profit from operations			5,743
Finance costs			(21,582)
Loss before taxation			(15,839)
Income tax			3
Loss for the period			(15,836)
Minority interests			1,900
Loss for the period attributable to equity holders of the Company			(13,936)

7. SEGMENT INFORMATION *(Continued)*

Ten months ended 31 October 2008 and as at 31 October 2008

	Continuing operation	Discontinued operations	
	Waste incineration power generation business	Computer hardware and maintenance support and related services	Consolidated
	HK$'000	*HK$'000*	*HK$'000*
Balance Sheet			
Segment assets	449,329	—	449,329
Unallocated corporate assets			296,706
Consolidated total assets			746,035
Segment liabilities	312,230	—	312,230
Unallocated corporate liabilities			52,783
Consolidated total liabilities			365,013
Other Information			
Capital expenditure	26,621	—	
Depreciation and amortisation	15,855	—	
Reversal of provision for impairment of other receivables	(13,401)	—	

7. SEGMENT INFORMATION *(Continued)*

Year ended 31 December 2007

	Continuing operation	Discontinued operations	
	Waste incineration power generation business	Computer hardware and maintenance support and related services	Consolidated
	HK$'000	*HK$'000*	*HK$'000*
	(Restated)	(Restated)	(Restated)
Results			
Turnover	81,428	—	81,428
Segment results	(25,419)	(1,486)	(26,905)
Gain on disposal of investments held for trading			140
Unallocated corporate income and expenses (net)			15,096
Loss from operations			(11,669)
Finance costs			(23,713)
Loss before taxation			(35,382)
Income tax			—
Loss for the year			(35,382)
Minority interests			4,271
Loss for the year attributable to equity holders of the Company			(31,111)

7. SEGMENT INFORMATION *(Continued)*

Year ended 31 December 2007 and as at 31 December 2007

	Continuing operation	Discontinued operations	
	Waste incineration power generation business	Computer hardware and maintenance support and related services	Consolidated
	HK$'000	*HK$'000*	*HK$'000*
	(Restated)	(Restated)	(Restated)
Balance Sheet			
Segment assets	437,267	17	437,284
Unallocated corporate assets			41,369
Consolidated total assets			478,653
Segment liabilities	317,646	2,936	320,582
Unallocated corporate liabilities			119,916
Consolidated total liabilities			440,498
Other Information			
Capital expenditure	24,894	—	
Depreciation and amortisation	27,186	—	

Geographical segments

As the Group only operates in the PRC, no geographical segment information is presented.

8. FINANCE COSTS

	Ten months ended 31 October 2008	Year ended 31 December 2007
	HK$'000	*HK$'000*
		(Restated)
From continuing operation:		
Interest on bank borrowings wholly repayable after five years	**17,346**	17,740
Imputed interest on convertible bonds *(Note 28)*	**374**	—
Imputed interest on convertible preference shares *(Note 27)*	**3,182**	5,873
Interest on loan from a director	**234**	100
Interest on amount due to a shareholder	**446**	—
	21,582	23,713

9. LOSS BEFORE TAXATION

	Ten months ended 31 October 2008	Year ended 31 December 2007
	HK$'000	*HK$'000*
		(Restated)
The Group's loss before taxation from continuing operation is arrived at after charging/(crediting):—		
Amortisation of concession intangible assets *(Note 15)*	**15,535**	—
Depreciation of property, plant and equipment *(Note 14)*	**906**	27,913
Amortisation of land use rights *(Note 16)*	**69**	75
Auditor's remuneration	**852**	1,037
Loss on disposal of property, plant and equipment	**—**	470
Impairment loss on construction in progress *(Note 17)*	**2,449**	3,165
Concession intangible assets maintenance provision *(Note 29)*	**4,512**	—
Operating lease rentals in respect of land and buildings	**2,089**	1,347
Staff costs, including directors' remuneration *(Note 11)*		
— Salaries, wages and other benefits	**14,056**	15,943
— Equity-settled share-based payments *(Note 32)*	**13**	25
— Contributions to defined contribution retirement scheme	**646**	599
	14,715	16,567
Net exchange gains	**(3,643)**	(5,173)
Reversal of provision for impairment of other receivables *(Note 22)*	**(13,401)**	(20,770)
Gain on redemption of convertible preference shares *(Note 27)*	**(11,290)**	—
Gains on liquidation and disposal of subsidiaries *(Note 35)*	**(3,726)**	—
Gain on disposal of investments held for trading	**—**	(140)

10. INCOME TAX

(a) Hong Kong profits tax is calculated at 16.5% (2007: 17.5%) on the estimated assessable profit for the period. Taxation for overseas subsidiaries is similarly charged at the appropriate current rates of taxation ruling in the relevant countries.

No provision for Hong Kong profits tax has been made in the financial statements as the companies operating in Hong Kong had no assessable profit for the ten months ended 31 October 2008 (year ended 31 December 2007: Nil).

No provision for PRC enterprise income tax (EIT) has been made in the financial statements as the companies operating in the PRC had no assessable profit for the ten months ended 31 October 2008 (year ended 31 December 2007: Nil).

On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress promulgated the Corporate Income Tax Law of the PRC ("the New Tax Law"), which became effective on 1 January 2008. Further, on 6 December 2007, the State Council released the Implementation Rules to the Corporate Income Tax Law.

According to the New Tax Law, the standard EIT rate for enterprises in the PRC was reduced from 33% to 25% with effect from 1 January 2008. However, a "new and high technology enterprise" will continue to be entitled to a reduced EIT rate of 15%.

(b) The taxation on the Group's loss before taxation differs from the theoretical amount that would arise using the enacted tax rate of the Company as follows:

	Ten months ended 31 October 2008 *HK$'000*	Year ended 31 December 2007 *HK$'000* (Restated)
Loss before taxation		
— continuing operation	**(15,839)**	(35,628)
— discontinued operations	**—**	246
	(15,839)	(35,382)
Calculated at the tax rate of 16.5% (2007: 17.5%)	**(2,613)**	(6,192)
Tax effect of expenses not deductible for taxation purpose	**7,107**	30,391
Tax effect of non-taxable items	**(4,535)**	(24,151)
Tax effect of unrecognised tax losses and temporary differences	**41**	(48)
Overprovision in prior years	**3**	—
Tax credit for the period/year	**3**	—

11. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

Ten months ended 31 October 2008

	Directors' fees *HK$'000*	Salaries, and other benefits *HK$'000*	Pension fund contributions *HK$'000*	Total *HK$'000*
Executive directors				
Liang Jun	—	600	10	610
Chan Wai Ming	—	600	10	610
Chan Ka Fat	—	508	10	518
Non-executive directors				
His Royal Highness Prince Idris*	—	—	—	—
Alan Grant Quasha*	—	—	—	—
Tse On Kin	326	—	—	326
Independent non-executive directors				
Chan Chi Yuen	84	—	—	84
Tsang Kwok Wa	84	—	—	84
Zhang Xi	84	—	—	84
	578	1,708	30	2,316

* *Resigned as director of the Company with effect from 29 January 2008.*

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

(a) Directors' emoluments *(Continued)*

Year ended 31 December 2007

	Directors' fees	Salaries, and other benefits	Pension fund contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors				
Liang Jun	—	780	12	792
Chan Wai Ming	—	504	8	512
Chan Ka Fat	—	184	4	188
Zhu Xirong	—	32	—	32
Tse On Kin*	—	214	3	217
Ping Kim	—	278	5	283
Non-executive directors				
His Royal Highness Prince Idris	389	—	—	389
Alan Grant Quasha	389	—	—	389
Tse On Kin*	293	—	—	293
John Douglas Kuhns	97	—	—	97
Independent non-executive directors				
Chan Chi Yuen	100	—	—	100
Tsang Kwok Wa	50	—	—	50
Zhang Xi	100	—	—	100
Cheung Pui Hung	14	—	—	14
Leung Po Hung	11	—	—	11
Tai Sik Fung, George	25	—	—	25
	1,468	1,992	32	3,492

* *Re-designated from executive director to non-executive director on 1 April 2007.*

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

(b) Five highest paid individuals

The five highest paid individuals of the Group included three (2007: three) directors, details of whose emoluments are set out in (a) above. The emoluments of the highest paid non-director individuals for the ten months ended 31 October 2008, are as follows:

	Ten months ended 31 October 2008	Year ended 31 December 2007
	HK$'000	*HK$'000*
Salaries and other benefits	**807**	1,061
Contributions to defined contribution retirement scheme	**20**	21
	827	1,082

The emoluments of the highest paid individuals, other than the directors of the Company, were within the following band:

	Ten months ended 31 October 2008	Year ended 31 December 2007
	Number of employees	*Number of employees*
HK$Nil to HK$1,000,000	**2**	2

(c) No emoluments were paid or payable to any directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the period/year.

12. DIVIDENDS

No dividend has been paid or declared by the Company during the ten months ended 31 October 2008 (year ended 31 December 2007: Nil).

The Directors do not recommend the payment of an interim dividend in respect of the ten months ended 31 October 2008 (year ended 31 December 2007: Nil).

13. BASIC LOSS PER SHARE

(a) Loss for the period/year

The calculation of basic loss per share from continuing and discontinued operations attributable to equity holders of the Company is based on the following data:

	Ten months ended 31 October 2008 *HK$'000*	Year ended 31 December 2007 *HK$'000* (Restated)
Loss for the period attributable to equity holders of the Company	**(13,936)**	(31,111)
Less:		
Profit for the period/year from discontinued operations used in the calculation of basic loss per share from discontinued operation	**—**	246
Loss for the period/year used in the calculation of basic loss per share from continuing operation	**(13,936)**	(31,357)

(b) Weighted average number of ordinary shares

1,714,856,047 ordinary shares were in issue during the ten months ended 31 October 2008 (year ended 31 December 2007: 1,157,027,100).

	Ten months ended 31 October 2008 *HK cents*	Year ended 31 December 2007 *HK cents* (Restated)
Basic (loss)/profit per share from:		
— continuing operation	**(0.81)**	(2.71)
— discontinued operations	**—**	0.02
Basic loss per share for the period/year	**(0.81)**	(2.69)

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings, plant and equipment *HK$'000*	Leasehold improvements *HK$'000*	Furniture, fixtures and office equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
The Group					
Cost:					
As at 1 January 2007	262,125	425	3,352	3,144	269,046
Exchange adjustments	18,912	31	121	105	19,169
Additions	29,899	489	756	487	31,631
Transfer from construction in progress *(Note 17)*	81,469	—	—	—	81,469
VAT refund *(Note 14(a))*	(11,288)	—	—	—	(11,288)
Reclassification as concession intangible assets *(Note 2(a))*	(378,411)	—	—	—	(378,411)
Disposals	(48)	(227)	(1,034)	(1,454)	(2,763)
Assets held for sale	—	—	(33)	—	(33)
As at 31 December 2007 (restated)	2,658	718	3,162	2,282	8,820
Exchange adjustments	77	14	107	61	259
Through disposal of subsidiaries *(Note 35)*	—	—	(370)	—	(370)
Additions	—	—	18	—	18
Disposals	—	—	(364)	(893)	(1,257)
As at 31 October 2008	2,735	732	2,553	1,450	7,470

14. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Buildings, plant and equipment *HK$'000*	Leasehold improvements *HK$'000*	Furniture, fixtures and office equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
The Group					
Accumulated depreciation:					
As at 1 January 2007	192	98	1,702	1,795	3,787
Assets held for sale	—	—	(33)	—	(33)
Exchange adjustments	1,040	10	35	51	1,136
Charge for the year *(Note 9)*	26,928	120	437	428	27,913
Written back on disposal	—	(94)	(864)	(811)	(1,769)
Reclassification as concession intangible assets (*Note 2(a)*)	(27,845)	—	—	—	(27,845)
As at 31 December 2007 (restated)	315	134	1,277	1,463	3,189
Exchange adjustments	19	5	31	37	92
Charge for the period *(Note 9)*	111	182	363	250	906
Written back on disposal	—	—	(364)	(893)	(1,257)
Through disposal of subsidiaries *(Note 35)*	—	—	(352)	—	(352)
As at 31 October 2008	445	321	955	857	2,578
Net carrying amount:					
As at 31 October 2008	2,290	411	1,598	593	4,892
As at 31 December 2007 (restated)	2,343	584	1,885	819	5,631

Note:

a) VAT refund represents refund by the PRC government for purchases of plant and machinery manufactured in the PRC which are used in the PRC.

b) Assets pledged as security

The Group has pledged buildings, plant and equipment having a carrying amount at 31 October 2008 of $1,572,345 (2007: $1,850,108) to secure banking facilities granted to the Group (Note 25).

14. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Furniture, fixtures and office equipment *HK$'000*	**Motor vehicles** *HK$'000*	**Total** *HK$'000*
The Company			
Cost:			
As at 1 January 2007 and 31 December 2007	364	893	1,257
Disposals	(364)	(893)	(1,257)
As at 31 October 2008	—	—	—
Accumulated depreciation:			
As at 1 January 2007 and 31 December 2007	364	893	1,257
Disposals	(364)	(893)	(1,257)
As at 31 October 2008	—	—	—
Net carrying amount:			
As at 31 December 2007 and 31 October 2008	—	—	—

15. CONCESSION INTANGIBLE ASSETS

	The Group
	HK$'000
Cost:	
As at 31 December 2007	—
— reclassification from property, plant and equipment and construction in progress *(Note 2(a))*	352,777
Additions	26,603
VAT refund for additions *(Note 15(b))*	(9,575)
Exchange adjustments	21,430
As at 31 October 2008	391,235
Accumulated amortisation:	
As at 31 December 2007	—
Charge for the period *(Note 9)*	15,535
Exchange adjustments	(10)
As at 31 October 2008	15,525
Net carrying amount:	
As at 31 October 2008	375,710
As at 31 December 2007 (restated)	352,777

Notes:

a) The Group has been granted by the Dongguan Provincial Government the concession for operating a waste incineration power generation plant in Dongguan for a period of 25 years from November 2003.

The concession intangible assets are amortised on a straight-line basis over the remaining duration of the concessionary period from 1 January 2008. Details of the concession are set out in Note 2(a).

b) VAT refund represents refund by the PRC government for purchases of plant and machinery manufactured in the PRC which are used in the PRC.

c) Assets pledged as security

The Group has pledged concession intangible assets having a carrying amount at 31 October 2008 of $375,710,000 (2007: $352,777,000) to secure banking facilities granted to the Group (Note 25).

16. LAND USE RIGHTS

	The Group
	HK$'000
Cost:	
Additions and as at 31 December 2007	4,570
Exchange adjustments	276
As at 31 October 2008	4,846
Accumulated amortisation:	
As at 1 January 2007	42
Charge for the year *(Note 9)*	75
Exchange adjustments	6
As at 31 December 2007	123
Charge for the period *(Note 9)*	69
Exchange adjustments	6
As at 31 October 2008	198
Net carrying amount:	
As at 31 October 2008	4,648
As at 31 December 2007	4,447

Land use rights are held in the PRC under a medium term lease.

17. CONSTRUCTION IN PROGRESS

	The Group	
	31 October 2008	31 December 2007
	HK$'000	*HK$'000* (Restated)
Cost:		
As at beginning of period/year	**—**	92,572
Additions	**2,562**	2,314
Exchange adjustments	**(113)**	6,559
Other adjustments *(Note)*	**—**	(14,600)
Impairment loss *(Note 9)*	**(2,449)**	(3,165)
Transferred to property, plant and equipment *(Note 14)*	**—**	(81,469)
Reclassification as concession intangible assets *(Note 2a)*	**—**	(2,211)
As at end of period/year (restated)	**—**	—

Note: Other adjustments include a reduction of purchase price by a supplier of machinery purchased in previous years and a refund receivable from a supplier of machinery.

18. INTERESTS IN SUBSIDIARIES

	The Company	
	31 October 2008	31 December 2007
	HK$'000	*HK$'000*
Unlisted shares, at cost	**1**	1
Amounts due from subsidiaries	**261,888**	587,882
	261,889	587,883
Less: Impairment loss	**(241,790)**	(568,004)
	20,099	19,879

The amounts due from subsidiaries are unsecured, interest-free and in substance represent the Company's investments in the subsidiaries in the form of quasi-equity loans.

The Directors assessed that only a portion of the amounts due from subsidiaries is expected to be recoverable. Consequently an impairment loss was made.

(Expressed in Hong Kong dollars)

18. INTERESTS IN SUBSIDIARIES *(Continued)*

Particulars of the Company's principal subsidiaries which are limited liability companies as at 31 October 2008 are as follows:

Name of subsidiary	Country of incorporation and operation	Issued and fully paid share capital/ registered capital	Attributable equity interest held by the Company		Principal activities
			Directly	Indirectly	
Teleroute Enterprises Limited	British Virgin Islands	1 ordinary share of USD1	100%	—	Investment holding
China Sciences Green Energy Investments Limited	Hong Kong	1 ordinary share of HK$1	—	100%	Management and corporate service
Hong Tong Hai Investments Limited	Hong Kong	2 ordinary shares of HK$1	—	100%	Investment holding
東莞中科環保電力有限公司（「東莞中科」）*(Note)*	PRC	RMB110,000,000	—	90%	Waste incineration power generation business
桂林中科環保電力有限公司（「桂林中科」）*(Note)*	PRC	RMB41,471,279	—	94.21%	Waste incineration power generation business

Note: The statutory accounts of these subsidiaries were not audited by Shu Lun Pan Horwath Hong Kong CPA Limited.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the period or formed a substantial portion of net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

The consolidated financial statements for the period have not included certain subsidiaries which were in the course of liquidation for which the appointed liquidators had assumed overall control of those companies' financial and operating policies. The results and cash flows of these subsidiaries up to the respective dates of appointment of liquidators have not been consolidated as the amounts involved are immaterial.

19. PLEDGED BANK DEPOSITS

As at 31 October 2008, the Group had pledged bank deposits of RMB15,000,000, equivalent to approximately HK$16,999,500 (31 December 2007: RMB15,000,000, equivalent to approximately HK$16,026,000) to secure certain bank loans granted to the Group (Note 25).

20. GOODWILL

	The Group
	HK$'000
Cost:	
As at 1 January 2007	66,767
Exchange adjustment	4,817
As at 31 December 2007	71,584
Adjustment on liquidation and disposal of subsidiaries *(Note 35)*	(33,258)
Exchange adjustment	2,328
As at 31 October 2008	40,654
Accumulated impairment:	
As at 1 January 2007	42,851
Exchange adjustment	3,091
As at 31 December 2007	45,942
Adjustment on liquidation and disposal of subsidiaries *(Note 35)*	(33,258)
Exchange adjustment	771
As at 31 October 2008	13,455
Net carrying amount:	
As at 31 October 2008	27,199
As at 31 December 2007	25,642

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (CGUs) that are expected to benefit from that business combination. Before recognition of impairment losses, the carrying amount of goodwill had been allocated to waste incineration power generation operation of 東莞中科.

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

20. GOODWILL *(Continued)*

During the period, the Group assessed the recoverable amount of goodwill, and determined that no additional goodwill impairment was required. The recoverable amounts of the CGUs are determined based on a value in use calculation using cash flow projections based on financial budgets approved by management covering a period of 21 years. The discount rate applied to cash flow projections is 15.98% and cash flows beyond next financial years are extrapolated using a growth rate of 3% which is determined with reference to the long term business prospects and the general economic outlook of the PRC. Management estimated the budgeted gross margin based on the past performance and their expectations for market development.

21. INVENTORIES

	The Group	
	31 October 2008	31 December 2007
	HK$'000	*HK$'000*
Fuel and supplies for power generation	**1,149**	1,822

22. TRADE AND OTHER RECEIVABLES

	The Group		**The Company**	
	31 October 2008	31 December 2007	**31 October 2008**	31 December 2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Trade receivables	**11,881**	11,456	**—**	—
Less: Allowance for doubtful debts	**—**	(3,008)	**—**	—
Trade receivables, net	**11,881**	8,448	**—**	—
Other receivables	**87,856**	167,990	**36,606**	36,094
Less: Allowance for doubtful debts	**(77,571)**	(151,069)	**(35,900)**	(35,900)
Other receivables, net	**10,285**	16,921	**706**	194
	22,166	25,369	**706**	194

22. TRADE AND OTHER RECEIVABLES *(Continued)*

i) The movement in the allowance for doubtful debts for trade receivables during the period/year, including both specific and collective loss components, is as follows:

	The Group		The Company	
	31 October 2008	31 December 2007	**31 October 2008**	31 December 2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
At beginning of period/year	**3,008**	3,008	**—**	—
Provision attributable to liquidation and disposal of subsidiaries	**(3,008)**	—	**—**	—
At end of period/year	**—**	3,008	**—**	—

The allowance for doubtful debts has been made for the estimated irrecoverable amounts from the sale of goods. This allowance has been determined by the Directors with reference to past default experience.

ii) The movement in the allowance for doubtful debts for other receivables during the period/year, including both specific and collective loss components, is as follows:

	The Group		The Company	
	31 October 2008	31 December 2007	**31 October 2008**	31 December 2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
At beginning of period/year	**151,069**	177,021	**35,900**	35,900
Reversal of provision *(Note 6 and 9)*	**(13,401)**	(20,770)	**—**	—
Provision attributable to liquidation and disposal of subsidiaries *(Note 35)*	**(63,259)**	—	**—**	—
Uncollectible amounts written off	**—**	(9,387)	**—**	—
Exchange adjustments	**3,162**	4,205	**—**	—
At end of period/year	**77,571**	151,069	**35,900**	35,900

22. TRADE AND OTHER RECEIVABLES *(Continued)*

iii) The Group normally allows an average credit period of 30 days to its trade customers. The ageing analysis of trade receivables as at the balance sheet date is as follows:

	The Group	
	31 October 2008	31 December 2007
	HK$'000	*HK$'000*
Trade receivables		
— Current and up to 30 days	**11,881**	8,448

iv) The Directors consider the carrying amounts of trade and other receivables approximate their fair values.

v) The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired is as follows:

	The Group	
	31 October 2008	31 December 2007
	HK$'000	*HK$'000*
Neither past due nor impaired	**10,924**	7,968
Less than 1 month past due	**957**	480
	11,881	8,448

Trade receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Trade receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

22. TRADE AND OTHER RECEIVABLES *(Continued)*

vi) The carrying amounts of trade and other receivables are denominated in the following currencies:

	The Group		The Company	
	31 October 2008	31 December 2007	**31 October 2008**	31 December 2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong dollars	**1,769**	1,252	**706**	194
Renminbi	**37,397**	24,117	**—**	—
	39,166	25,369	**706**	194

23. BANK BALANCES AND CASH

	The Group		The Company	
	31 October 2008	31 December 2007	**31 October 2008**	31 December 2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash and bank balances	**91,138**	39,815	**81,889**	1,118
Time deposits	**202,133**	7,078	**202,133**	7,078
Cash and bank balances	**293,271**	46,893	**284,022**	8,196

Cash at banks earns interest at floating rates based on daily bank deposit rates. The Directors consider the carrying amounts of cash and cash equivalents approximate their fair values.

The carrying amounts of bank balances and cash are denominated in the following currencies:

	The Group		The Company	
	31 October 2008	31 December 2007	**31 October 2008**	31 December 2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong dollars	**284,452**	8,278	**284,022**	8,196
Renminbi	**8,819**	38,615	**—**	—
	293,271	46,893	**284,022**	8,196

RMB is not a freely convertible currency and the remittance of funds out of the PRC is subject to the exchange restriction imposed by the PRC government.

24. TRADE AND OTHER PAYABLES

The ageing analysis of trade payables as at the balance sheet date is as follows:

	The Group		The Company	
	31 October 2008	31 December 2007	**31 October 2008**	31 December 2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Current and up to 30 days	**16,049**	7,290	**—**	—
31 to 60 days	**—**	2,606	**—**	—
Over 90 days	**—**	2,002	**—**	
Total trade payables	**16,049**	11,898	**—**	—
Other payables	**34,582**	59,463	**1,978**	5,693
	50,631	71,361	**1,978**	5,693

The carrying amounts of trade and other payables are denominated in the following currencies:

	The Group		The Company	
	31 October 2008	31 December 2007	**31 October** 2008	31 December 2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong dollars	**2,279**	5,962	**1,978**	5,693
Renminbi	**48,352**	65,399	**—**	—
	50,631	71,361	**1,978**	5,693

The Directors consider the carrying amounts of trade and other payables approximate their fair values.

25. BANK LOANS

	The Group	
	31 October 2008	31 December 2007
	HK$'000	*HK$'000*
Wholly repayable after five years	**258,392**	251,608

25. BANK LOANS *(Continued)*

The amount of bank loans in the original denominated borrowing currency is RMB228,000,000 (31 December 2007: RMB235,500,000). The average effective interest rate for the period is 8.55% (2007: 7.08%) per annum. The Directors estimated that the fair value of the bank loans is not significantly different from their carrying amount.

The bank loans are secured by a deposit of RMB15,000,000 (equivalent to approximately HK$16,999,500) (31 December 2007: RMB15,000,000 equivalent to approximately HK$16,026,000) *(Note 19)*. In addition, the Group pledged to the bank property, plant and equipment, concession intangible assets and construction in progress amounted to RMB332,905,880 (31 December 2007: RMB330,664,060) in respect of the waste incineration project in the PRC, corresponding waste incineration licence and related income generated from the project (including waste handling income and electricity generation income).

26. CONVERTIBLE NOTES

The convertible notes were issued by the Company on 24 August 2004. The maturity date of the convertible notes is 24 August 2006 provided that the Company may at its option, on giving not less than 30 days' prior notice to the holders of the convertible notes (the "Noteholder"), extend the maturity date so that, upon the giving of such notice, the maturity date shall be 24 August 2007. By agreement, the maturity date of the convertible note has been extended to 14 January 2008.

The convertible notes are convertible, at the option of the Noteholder, into ordinary shares of the Company at an initial conversion price of HK$0.3 per share, subject to the usual adjustments, at any time on or after 25 August 2005 and up to the close of business on maturity date.

The convertible notes bear interest at 8.5% per annum, payable quarterly in arrears. Unless previously redeemed, converted or purchased or cancelled, the convertible notes will be redeemed at 100% of their principal amount on maturity date. None of the convertible notes have been converted since their issue.

The fair value of the liability component was calculated at the issuance date using a market borrowing rate of 10.66%. The residual amount is assigned as the equity component and is included in shareholders' equity.

Pursuant to a settlement agreement signed between the Company and the Noteholder dated 14 January 2008, both parties agreed that the Company redeemed on 14 January 2008 the convertible notes in consideration of HK$20,000,000 and discharge all of the Company's liabilities and obligations, including but not limited to interest payment obligations, under the convertible notes. As a result, the liability component was stated at its principal repayment amount of HK$20,000,000 as at 31 December 2007.

26. CONVERTIBLE NOTES *(Continued)*

The movement of the liability component of the convertible notes during the period is as follows:

	The Group and the Company	
	Ten months ended 31 October 2008	Year ended 31 December 2007
	HK$'000	*HK$'000*
Liability component at 1 January 2008/1 January 2007	**20,000**	20,604
Interest expenses waived *(Note 6)*	**—**	(604)
Redemption	**(20,000)**	—
Liability component as at 31 October 2008/ 31 December 2007	**—**	20,000

27. CONVERTIBLE PREFERENCE SHARES

On 5 July 2005, the Company issued 100 million convertible preference shares with par value of HK$0.01 per share as a consideration of HK$76 million for acquisition of Hong Tong Hai Investments Limited, a subsidiary of the Company. Details of the terms of the convertible preference shares are set out in Note 31.

The fair value of the liability component was calculated at the issuance date using a market borrowing rate of 11.35%. The residual amount is assigned as the equity component and is included in shareholders' equity.

In relation to the accounting treatment of the convertible preference shares, the Directors realised that with reference to the terms of the convertible preference shares, the conversion option embedded in the convertible preference shares did not meet the definition of equity instrument upon its initial recognition, and thus should be accounted for as a derivative component of the convertible preference shares and measured at fair value upon initial recognition, and remeasured at fair value at each balance sheet date, with changes being recognised in the income statement of the period in which they arose, and with the derivative component being presented as a derivative financial instrument on the balance sheet.

In this connection, the Directors have consulted a firm of professional valuers with experience in the valuation of compound financial instruments, which advised that in estimating the fair value of the derivative component of the convertible preference shares, they had to obtain the share price information of the Company for the past years, but they had noted that the Company's shares, which are listed on The Stock Exchange of Hong Kong Limited, had been suspended for trading since 29 September 2005. As a result, the required share price information of the Company is not available to them to value the derivative component of the convertible preference shares.

27. CONVERTIBLE PREFERENCE SHARES *(Continued)*

The firm of professional valuers further advised that they had considered an alternative method of valuing the derivative component of the convertible preference shares, that is by reference to the share prices of comparable companies listed on The Stock Exchange Hong Kong Limited. However, this approach involves many subjective judgement and would not reflect the actual fair value of the derivative component of the convertible preference shares. Consequently, the firm of professional valuers concluded that this approach would not give a fair estimation of the value of the derivative component of the convertible preference shares, and that unappropriate valuation of the derivative component of the convertible preference shares would not be feasible until the quoted market price of the Company's shares is available.

In considering the accounting treatment for the convertible preference shares as at 31 December 2007, the Directors have had due regard to the above advice obtained from the firm of professional valuers and the fact that the maturity date of the convertible preference shares is 4 July 2008 and that the Company has applied to The Stock Exchange of Hong Kong Limited for a redemption of trading of the Company's shares. After due and careful consideration, the Directors considered that it would be more appropriate for the carrying amount in the equity component of the convertible preference shares reserve to be reclassified as a current liability as at 31 December 2007, notwithstanding the fact that it was impracticable to determine the effect of any fair value change associated with the liability, pending the future redemption or conversion of the convertible preference shares in 2008.

The movement of the convertible preference shares is as follows:

	The Group and the Company	
	Ten months ended 31 October 2008	Year ended 31 December 2007
	HK$'000	*HK$'000*
As at 1 January 2008 and 2007	**78,570**	51,745
Imputed interest *(Note 8)*	**3,182**	5,873
Reclassification (to)/from equity	**(4,190)**	20,952
Interest expenses waived on redemption *(Note 6)*	**(5,472)**	—
Gain on redemption *(Note 6)*	**(11,290)**	—
Redemption	**(60,800)**	—
As at 31 October 2008/31 December 2007	**—**	78,570

28. CONVERTIBLE BONDS

On 30 September 2008, the Company issued 2% convertible bonds at a nominal value of HK$200,000,000. Interest will be payable annually. The convertible bonds have a maximum maturity period of 2 years from the issue date and are convertible into ordinary shares of the Company at a conversion price of HK$0.05 each at the holder's option. This conversion price is subject to adjustments under certain circumstances as stipulated in the terms and conditions of the convertible bonds contemplated under the Subscription Agreements.

As the convertible bonds do not entitle their holders to convert them into a fixed number of equity instruments of the Company at a fixed conversion price, they are regarded as compound financial instruments consisting of liability and derivative components.

At the date of issue, the fair value of the derivative component was estimated by an independent valuer using Black-Scholes Option Pricing Model, and this amount is carried as a derivative liability until extinguished on conversion or redemption. The remainder of the proceeds of the convertible bonds was allocated to the liability component and is carried as a liability at amortised cost using the effective interest method until extinguished on conversion or redemption. The derivative component is measured at fair value with gains or losses recognised in profit or loss. The assumptions of the valuation of the conversion option embedded in the convertible bonds are set out as follows:

Share price	HK$0.072
Exercise Price	HK$0.050
Expected volatility	57.96%
Expected option life	2 years
Expected dividends	nil
Risk-free interest rate	1.499%

The movement of the convertible bonds is summarised as follows:

	Liability component *HK$'000*	**Derivative component** *HK$'000*	**Total** *HK$'000*
As at 1 January and 31 December 2007	—	—	—
Nominal value of convertible bonds issued on 30 September 2008	68,240	131,760	200,000
Transaction cost	(380)	—	(380)
Imputed interest *(Note 8)*	374	—	374
Fair value gains or losses	—	—	—
Partial conversion into ordinary shares	(51,121)	(98,820)	(149,941)
As at 31 October 2008	17,113	32,940	50,053

28. CONVERTIBLE BONDS *(Continued)*

During the period, convertible bonds in an aggregate principal amount of HK$150,000,000 were converted into 3,000,000,000 ordinary shares with a par value of HK$0.01 each of the Company at a conversion price of HK$0.05 each. Convertible bonds in principal amount of HK$50,000,000 were still outstanding as at 31 October 2008.

29. PROVISION FOR MAINTENANCE OF CONCESSION INTANGIBLE ASSETS

The movement in the provision for maintenance during the period/year for the Group is as follows:

	Ten months ended 31 October 2008	Year ended 31 December 2007
	HK$'000	*HK$'000*
At beginning of period/year	**—**	—
Additional provision *(Note 9)*	**4,512**	—
At end of period/year	**4,512**	—

The provision for maintenance has been made for the estimated obligations under the service concession for the maintenance of the waste incineration power generation plant and equipment.

30. DEFERRED TAX

No deferred tax liabilities have been recognised in these financial statements as the Group and the Company did not have material temporary difference arising between the tax bases of assets and liabilities and their carrying amounts as at 31 October 2008 and 31 December 2007.

A deferred tax asset has not been recognised in these financial statements in respect of tax losses available to offset future profits due to the uncertainty of future profit streams against which the asset can be utilised. As at the balance sheet date, the recognised deferred tax asset of the Group and of the Company is as follows:

	The Group		**The Company**	
	31 October 2008	31 December 2007	**31 October 2008**	31 December 2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Tax effect of timing difference attributable to estimated tax losses	**674**	6,476	**604**	640

As at the balance sheet date, the Group and the Company had unused tax losses of HK$4,087,200 (31 December 2007: HK$37,007,000) and HK$3,660,000 (31 December 2007: HK$3,660,000) respectively available for offset against future profits.

31. SHARE CAPITAL

(a) Authorised share capital

	Number of ordinary shares of HK$0.01 each		Amount	
	31 October 2008	31 December 2007	31 October 2008	31 December 2007
			HK$'000	*HK$'000*
Authorised ordinary shares:				
As at 31 October 2008 and 31 December 2007	120,000,000,000	120,000,000,000	1,200,000	1,200,000

	Number of preference shares of HK$0.01 each		Amount	
	31 October 2008	31 December 2007	31 October 2008	31 December 2007
			HK$'000	*HK$'000*
Authorised preference shares class A:				
As at 31 October 2008 and 31 December 2007	10,000,000,000	10,000,000,000	100,000	100,000
Authorised preference shares class B:				
As at 31 October 2008 and 31 December 2007	10,000,000,000	10,000,000,000	100,000	100,000

The preference shares class A and B do not carry a right to vote. On liquidation of the Company, the preference shareholders would participate only to the extent of the issue value (aggregate of par value and the premium paid) of the shares adjusted for any dividends in arrears. The preference shares shall rank for return of capital on liquidation in priority to all other shares in the capital of the Company for the time being in issue.

31. SHARE CAPITAL *(Continued)*

(a) Authorised share capital *(Continued)*

Preference Shares Class A

The term of the preference shares class A is 3 years and the holders of the preference shares shall be entitled to a fixed cumulative preferential dividend at the rate of 3% per annum on the issue value. The holders of the preference shares may not request the redemption of the preference shares held by them. The Company shall redeem all the preference shares outstanding on the third anniversary of the date of issue of the issue value and any dividends in arrears. The preference shareholders can convert the preference shares into ordinary shares of the Company during the 3-year term using the following formula:

$$\frac{\text{Number of preference shares}}{\text{Adjusting factor}} = \text{Number of ordinary shares to be issued}$$

Adjusting factor is calculated as the higher of (i) 90% of the average of the closing price of the Company's ordinary shares on the Stock Exchange for the five trading days up to and including the conversion date (or, if such day is not a trading day, the last trading day before the conversion day); and (ii) HK$0.50, provided that if trading in the ordinary shares is suspended on any day during such period, the average of the closing prices shall be calculated by reference to the latest five consecutive trading days on which the trading in the ordinary shares is not suspended up to and including the conversion date but subject to a minimum value equivalent to the then nominal value of an ordinary share.

During the period/year, none of the preference shares have been issued.

Preference Shares Class B

The term of the preference shares class B is 3 years and the holders of the preference shares shall be entitled to a fixed cumulative preferential dividend at the rate of 3% per annum on the issue value. The holders of the preference shares may not request the redemption of the preference shares held by them. The Company shall redeem all the preference shares outstanding on the third anniversary of the date of issue of the issue value and any dividends in arrears. The preference shareholders can convert the preference shares into ordinary shares of the Company during the 3-year term at a ratio of HK$0.76 to an adjusting factor. The adjusting factor is calculated as follows:

Beginning on the date of issue and ending on (and including) the first anniversary of the date of issue	HK$0.76

31. SHARE CAPITAL *(Continued)*

(a) Authorised share capital *(Continued)*

Preference Shares Class B *(Continued)*

Beginning from the day after the first anniversary of the date of issue and ending on (and including) the third anniversary of the date of issue	The higher of (i) 90% of the average of the closing prices on the Stock Exchange for one ordinary share for the five trading days up to and including the conversion date; and (ii) HK$0.50, provided that if trading of the ordinary shares is suspended on any date during such period, the average of the closing prices shall be calculated by reference to the latest five consecutive trading days on which the trading of the ordinary shares is not suspended up to and including the conversion date.

(b) Issued and fully paid share capital

	Number of ordinary shares	Nominal value *HK$'000*
Ordinary shares of HK$0.01 each		
At 1 January 2007 and 31 December 2007	1,157,027,100	11,570
New issue and allotment of shares	4,000,000,000	40,000
Issued on conversion of convertible bonds	3,000,000,000	30,000
At 31 October 2008	8,157,027,100	81,570

32. SHARE OPTIONS

2002 Share Option Scheme

On 27 May 2002, a new share option scheme (the "2002 Share Option Scheme") was adopted by the Company. The purpose of the 2002 Share Option Scheme is to enable the Group to grant options to selected participants as incentives or rewards for their contributions to the Group. The participants include (i) any eligible employee; (ii) any supplier of goods or services to any member of the Group or any entity in which any member of the Group holds any interest ("Invested Entity"); (iii) any customer of the Group or any Invested Entity; (iv) any person or entity that provides research, development or other technological support to the Group or any Invested Entity; (v) any shareholder or any member of the Group or any Invested Entity; (vi) any company wholly owned by any participant. The 2002 Share Option Scheme will remain in force for a period commencing on 27 May 2002 and expiring at the close of business on the business day preceding the tenth anniversary.

The total number of shares which may be issued upon exercise of all options to be granted under the 2002 Share Option Scheme and any other scheme of the Company shall not in aggregate exceed 10% of the issued share capital of the Company as at the date on which the 2002 Share Option Scheme was adopted, without prior approval from the Company's shareholders. The total number of shares issued and to be issued upon exercise of the option granted and to be granted to each participant in any 12-month period up to and including the date of grant of options shall not exceed 1% of the shares in issue.

The subscription price will be determined by the Directors, which shall not be less than the higher of the closing price of the shares as stated in the Stock Exchange's daily quotations sheets on the date of grant of options or the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five days immediately preceding the date of grant of option.

The 2002 Share Option Scheme was terminated with the passing of an ordinary resolution at the extraordinary general meeting of the Company held on 20 August 2008.

(a) The terms and conditions of the options granted that were outstanding at the balance sheet dates:

	Number of options *('000)*			
Option granted to employees	**31 October 2008**	**31 December 2007**	**Vesting condition**	**Contractual life of options**
On 12 August 2004	—	26,800	Six months from date of grant	10 years
On 1 December 2004	—	8,000	Nil	10 years
On 26 May 2005	700	700	Note	10 years
On 3 August 2005	500	500	Note	10 years
	1,200	**36,000**		

32. SHARE OPTIONS *(Continued)*

2002 Share Option Scheme *(Continued)*

Note:

During the period beginning on the first business day from the date of grant and ending at the close of business on the business day preceding the second anniversary from the date of grant (both dates inclusive), the option holder must not exercise any of the options granted to him on the date of grant.

During the period beginning on the second anniversary from the date of grant and ending at the close of business on the business day preceding the third anniversary from the date of grant (both dates inclusive), the option holder must not exercise more than 25% of the share options granted to him on the date of grant.

During the period beginning on the third anniversary from the date of grant and ending at the close of business on the business day preceding the fourth anniversary from the date of grant (both dates inclusive), the option holder must not exercise more than 50% of the share options granted to him on the date of grant.

During the period beginning on the fourth anniversary from the date of grant and ending at the close of business on the business day preceding the fifth anniversary from the date of grant (both dates inclusive), the option holder must not exercise more than 75% of the share options granted to him on the date of grant.

During the period beginning on the fifth anniversary from the date of grant, the option holder can exercise the remaining balance of the share options granted to him on the date of grant.

(b) The number and weighted average exercise prices of share options are as follows:

	Ten months ended 31 October 2008		Year ended 31 December 2007	
	Number of share options	**Weighted average exercise price**	**Number of share options**	**Weighted average exercise price**
	'000	*HK$*	*'000*	*HK$*
Outstanding at the beginning of the period/year	36,000	0.4585	61,800	0.5726
Forfeited during the period/year	(34,800)	0.4505	(25,800)	0.6240
Outstanding at the end of the period/year	1,200	0.6892	36,000	0.4585
Exercisable at the end of the period/year	1,200	0.6892	35,400	0.4546

32. SHARE OPTIONS *(Continued)*

2002 Share Option Scheme *(Continued)*

The options outstanding as at 31 October 2008 had an exercise price between HK$0.688 and HK$0.69 (31 December 2007: HK$0.385 and HK$0.69) and a weighted average remaining contractual life of 3.32 years (31 December 2007: 6.71 years).

New Share Options

Pursuant to the sales and purchase agreement of acquiring 51% interest in 東莞中科 (through acquisition of 100% of interest in Hong Tong Hai Investments Limited), the Company issued 50,000,000 share options ("New Share Options") for a total consideration of HK$1. The New Share Options have an exercise price of HK$0.76 per share to subscribe for one ordinary share of the Company. The holders of New Share Options can exercise the New Share Options at any time during the year from (and including) the completion date of acquisition on 5 July 2005 to (and including) the day immediately preceding the third anniversary of that date on 4 July 2008, provided that the exercise of New Share Options must be accompanied by the conversion of two preference shares at the same time. The New Share Options are transferable subject to the requirements of the Listing Rules and transfer of one New Share Option shall be accompanied by the transfer of two preference shares.

(a) The terms and conditions of the options granted that were outstanding at the balance sheet dates were as follows, whereby all options are settled by physical delivery of shares:

	Number of options *('000)*			
Options granted	**31 October 2008**	**31 December 2007**	**Vesting condition**	**Contractual life of options**
On 5 July 2005	—	42,500	Nil	3 years

32. SHARE OPTIONS *(Continued)*

New Share Options *(Continued)*

(b) The number and exercise price of share options are as follows:

	Ten months ended 31 October 2008		Year ended 31 December 2007	
	Number of options *'000*	Exercise price *HK$*	Number of options *'000*	Exercise price *HK$*
Outstanding at the beginning of the period/year	42,500	0.76	42,500	0.76
Forfeited during the period/year	(42,500)	0.76	—	—
Outstanding at the end of the period/year	—	—	42,500	0.76
Exercisable at the end of the period/year	—	—	42,500	0.76

2008 Share Option Scheme

On 20 August 2008, a new share option scheme (the "2008 Share Option Scheme") was adopted by the Company. The purpose of the New Share Option Scheme is to attract, retain and motivate talented participants to strive for future developments and expansion of the Group. The participants are as follows:

(i) any full-time employee and Director (including non-executive director and independent non-executive director) of the Group; and any part time employee with weekly working hours of ten hours and above of the Group (collectively "Employee");

32. SHARE OPTIONS *(Continued)*

2008 Share Option Scheme *(Continued)*

(ii) any advisor or consultant to the Group; any provider of goods and/or services to the Group; or any other person who, at the sole determination of the Board, has contributed to the Group (the assessment criterion of which are (a) such person's contribution to the development and performance of the Group; (b) the quality of work performed by such person for the Group; and (c) the initiative and commitment of such person in performing his or her duties; and (d) the length of service or contribution of such person to the Group) (collectively "Business Associate"); and

(iii) the trustee of any trust (whether family, discretionary or otherwise) whose beneficiaries or objects include any Employee or Business Associate of the Group.

The total number of shares which may be issued upon exercise of all options to be granted under the 2008 Share Option Scheme and any other scheme of the Company shall not in aggregate exceed 10% of the issued share capital of the Company as at the date on which the 2008 Share Option Scheme was adopted, without prior approval from the Company's shareholders. The total number of shares issued and to be issued upon exercise of the option granted and to be granted to each participant in any 12-month period shall not exceed 1% of the shares in issue.

The subscription price will be determined by the Directors, which shall not be less than the higher of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheets on the date of grant of options; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five days immediately preceding the date of grant of option; or (iii) the nominal value of a share.

As at 31 October 2008, no share option had been issued under the 2008 Share Option Scheme.

33. RESERVES

The Company

	Share capital *HK$'000* *(Note 31)*	Share premium *HK$'000*	Share options reserve *HK$'000*	Capital reserve *HK$'000*	Equity component of convertible notes *HK$'000* *(Note 26)*	Equity component of convertible preference shares *HK$'000* *(Note 27)*	Accu-mulated losses *HK$'000*	Total *HK$'000*
As at 1 January 2007	11,570	459,967	9,270	–	550	20,952	(545,936)	(43,627)
Total income and expense recognised directly in equity- reclassification *(Note 27)*	–	–	–	–	–	(20,952)	–	(20,952)
Loss for the year	–	–	–	–	–	–	(26,540)	(26,540)
Recognition of share option expenses *(Note 32)*	–	–	25	–	–	–	–	25
Share options lapsed	–	–	(2,275)	–	–	–	2,275	–
As at 31 December 2007	11,570	459,967	7,020	–	550	–	(570,201)	(91,094)
Total income and expense recognised directly recognised directly in equity-reclassification *(Note 27)*	–	4,190	–	–	–	–	–	4,190
Loss for the period	–	–	–	–	–	–	(11,981)	(11,981)
Total recognised income and expenses for the period	–	4,190	–	–	–	–	(11,981)	(7,791)
Shares issued at premium	40,000	160,000	–	–	–	–	–	200,000
Shares issued on the conversion of convertible bonds	30,000	119,941	–	–	–	–	–	149,941
Redemption of convertible notes	–	–	–	550	(550)	–	–	–
Recognition of share option expenses *(Note 32)*	–	–	13	–	–	–	–	13
Share options lapsed	–	–	(1,291)	–	–	–	1,291	–
As at 31 October 2008	81,570	744,098	5,742	550	–	–	(580,891)	251,069

The Company did not have any reserves available for distribution to shareholders as at 31 October 2008 and 31 December 2007. The Company's share premium account may be distributed in the form of fully paid bonus shares.

(a) Share premium

The application of the share premium account is governed by section 48B of the Hong Kong Companies Ordinance.

(b) Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in Note 3(q).

(c) Other reserves include share options reserve and capital reserve. They are dealt with in accordance with the relevant accounting policies set out in Note 3.

34. DISCONTINUED OPERATIONS

The Group's computer hardware and maintenance support services business and software design and development business were discontinued during the year 31 December 2007 due to the underachievement of these segments. In order to better utilise its resources, the Group has focused on the development of its waste incineration power generation business.

The profit for the period/year from discontinued operations is analysed as follows:

	Ten months ended 31 October 2008 *HK$'000*	Year ended 31 December 2007 *HK$'000*
Other revenue *(Note 6)*	**—**	364
Other operating expenses	**—**	(118)
Profit before taxation	**—**	246
Income tax	**—**	—
Profit for the period/year from discontinued operations	**—**	246

The major classes of assets and liabilities classified as held for sale as at the balance sheet date are as follows:

	31 October 2008 *HK$'000*	31 December 2007 *HK$'000*
Assets:		
Bank balances and cash, being assets classified as held for sales	**—**	17
Liabilities:		
Trade and other payables, being liabilities directly associated with assets classified as held for sale	**—**	(2,936)
Net liabilities directly associated with the discontinued operations	**—**	(2,919)

34. DISCONTINUED OPERATIONS *(Continued)*

The net cash flows of the discontinued operations dealt with in the consolidated financial statements for the period/year are as follows:

	Ten months ended 31 October 2008 ***HK$'000***	Year ended 31 December 2007 *HK$'000* (Restated)
Net cash inflow from operating activities	**—**	246

35. DISPOSAL OF SUBSIDIARIES

	31 October 2008 *HK$'000*
Non-current assets	
Property, plant and equipment	**18**
Current assets	
Trade and other receivables	**66,271**
Less: Allowance for doubtful debts	**(66,267)**
Amount due from a minority shareholder	**—**
Tax recoverable	**29**
Amount due from fellow subsidiaries	**7,981**
Bank balances and cash	**56**
	8,070
Current liabilities	
Trade and other payables	**(3,304)**
Amount due to ultimate holding company	**(212,026)**
Non-current liabilities	**(215,330)**
Net assets at the date of liquidation and disposal of subsidiaries	**(207,242)**
Adjusted by:	
Add: Amount due to ultimate holding company	**212,026**
Less: Amount due from fellow subsidiaries	**(7,981)**
Less: Translation reserve	**(529)**
Gains on liquidation and disposal of subsidiaries	**(3,726)**

An analysis of the net inflow of cash and cash equivalents in respect of the liquidation and disposal of subsidiaries is as follows:

Cash consideration	**—**
Bank balance and cash disposed of	**56**
Net outflow of cash and cash equivalents in respect of the liquidation and disposal of subsidiaries	**56**

36. RETIREMENT BENEFITS SCHEMES

The Company's subsidiaries in the PRC, in compliance with the applicable regulations of the PRC, participated in retirement benefits operated by the relevant local government authorities. The Group is required to make contributions on behalf of employees who are registered permanent residents in the PRC. The Group's contributions for the period ended 31 October 2008 were based on 12% (year ended 31 December 2007: 12%) of the employees' basic salaries in accordance with the relevant regulations in the PRC and amounted to HK$491,000 (year ended 31 December 2007: HK$453,000) which are charged to profit or loss as incurred. The only obligation of the Group with respect to the retirement benefits scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in future years.

The Group's Hong Kong office implemented a Mandatory Provident Fund Scheme (the "MPF") in compliance with the applicable regulations in Hong Kong for its staff at the end of 2000. The Group's contribution to the MPF amounted to approximately HK$155,000 (year ended 31 December 2007: HK$146,000).

37. CAPITAL COMMITMENT

Capital commitments outstanding as at the balance sheet date not provided for in the financial statements are as follows:

	The Group	
	31 October 2008	31 December 2007
	HK$'000	*HK$'000*
Authorised and contracted for in respect of acquisition and construction of concession intangible assets	**3,228**	275

38. OPERATING LEASE COMMITMENTS

	The Group	
	Ten months ended 31 October 2008	Year ended 31 December 2007
	HK$'000	*HK$'000*
Minimum lease payments under operating leases charged as expenses in the period/year	**2,089**	1,468

At the balance sheet date, the Group had outstanding minimum commitments under non-cancellable operating leases, which fall due as follows:

	The Group	
	31 October 2008	31 December 2007
	HK$'000	*HK$'000*
Within one year	**1,632**	1,863
In the second to fifth years inclusive	**1,323**	3,381
	2,955	5,244

Operating lease payments represent rentals payable by the Group for certain of its office premises and staff quarters. The leases typically run for lease term of one to three years, with an option to renew the lease at which time all terms are renegotiated. None of the lease includes contingent rentals.

39. 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.

(a) During the period, in addition to the disclosures in other Notes, the Group had the following material transactions and balances with connected and related parties:

i) On 3 January 2008, the Company entered into a loan agreement with a substantial shareholder of the Company for a borrowing of HK$30,000,000. The amount has been fully repaid during the period. The interest charged for the period was HK$ 446,000 (year ended 31 December 2007:Nil).

ii) On 27 February 2008, the Company entered into a conditional subscription agreement (as amended) with King Castle Enterprises Limited ("King Castle"), a company wholly and beneficially owned by a substantial shareholder of the Company, to issue and allot to King Castle 3,497,970,325 new shares in the Company at the subscription price of HK$0.05 per share, and to issue HK$200,000,000 convertible bonds ("Convertible Bonds") of the Company convertible into 4,000,000,000 ordinary shares of the Company at the conversion price of HK$0.05 each. Of the Convertible Bonds, convertible bonds in principal amount of HK$68,000,000 were issued to King Castle and upon the exercise of the conversion rights attached thereto by King Castle, 1,360,000,000 new shares of the Company were issued to King Castle.

39. RELATED PARTY TRANSACTIONS *(Continued)*

iii) The amount due to a minority shareholder of a subsidiary, a shareholder and subsidiaries are unsecured, interest-free and repayable on demand.

iv) The loan from a Director is unsecured, interest bearing at 2% per annum and have been fully repaid during the period. The interest charged for the period was HK$234,000 (year ended 31 December 2007: HK$100,000).

(b) Members of key management during the year comprised the Directors only whose remuneration is set out in Note 11.

40. CAPITAL RISK MANAGEMENT

The Group's objectives of managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for equity owner and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustment to the capital structure in light of changes in economic conditions.

Consistent with industry practice, the Group monitors its capital structure on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings including borrowings and trade and other payables, as shown in the balance sheet less cash and bank balances. Total capital is calculated as equity, as shown in the balance sheet, plus net debt.

During the period ended 31 October 2008, the Group's strategy, which was unchanged from 2007, was to maintain a gearing ratio of not more than 100%.

The gearing ratios as at 31 October 2008 and 31 December 2007 were as follows:

	The Group	
	31 October 2008	31 December 2007
	HK$'000	*HK$'000*
Current liabilities	**52,056**	188,890
Non-current liabilities	**312,957**	251,608
Total borrowings	**365,013**	440,498
Less: Cash and bank balances *(Note 23)*	**(293,271)**	(46,893)
Net debt	**71,742**	393,605
Total equity	**381,022**	38,155
Total capital	**452,764**	431,760
Gearing ratio	**16%**	91%

41. FINANCIAL RISK MANAGEMENT

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business.

The main risks arising from the Groups' financial instruments in the normal course of the Group's business are credit risk, liquidity risk, interest rate and currency risk.

The Group does not consider it necessary to use derivative financial instruments to hedge these risk exposures. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

These risks are limited by the Group's financial management policies and practices described below:

(a) Credit risk

The Group has no significant concentrations of credit risk. It has policies in place to ensure that the sales of goods are made to customers with appropriate credit history and the Group performs credit evaluation of its customers. The Group also has policies that limit the amount of credit exposure to any financial institution.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. At the balance sheet date, the Group has a concentration of credit risk as over 87% (31 December 2007: 65%) and over 98% (31 December 2007: 94%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively.

The maximum exposure to credit risk in the event that the counterparties fail to perform their obligations as at end of the financial year in relation to trade receivables is the carrying amount of trade receivables as stated in the balance sheet. Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade receivables are set out in Note 22.

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent Company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

41. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Liquidity risk *(Continued)*

The following table details the remaining contractual maturities at the balance sheet date of the Group's and the Company's non-derivative financial liabilities and derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance sheet date) and the earliest date the Group and the Company can be required to pay:

The Group

31 October 2008	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade and other payables	50,631	50,631	50,631	—	—	—
Amount due to a minority shareholder of a subsidiary	979	979	979	—	—	—
Amount due to a shareholder	446	446	446	—	—	—
Convertible bonds	50,053	52,000	1,215	50,785	—	—
Bank loans	258,392	365,861	18,556	18,556	55,667	273,082
	360,501	469,917	71,827	69,341	55,667	273,082

31 December 2007	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade and other payables	71,361	71,361	71,361	—	—	—
Convertible notes	20,000	20,000	20,000	—	—	—
Amount due to a minority shareholder of a subsidiary	923	923	923	—	—	—
Loan from a director	15,100	15,100	15,100	—	—	—
Bank loans	251,608	372,818	18,069	18,069	54,205	282,475
Convertible preference shares	78,570	81,752	81,752	—	—	—
	437,562	561,954	207,205	18,069	54,205	282,475

41. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Liquidity risk *(Continued)*

The Company

31 October 2008	Carrying amount	Total contractual undiscounted cash flow	Within 1year or on demand	More than 1 year but less than 2 years
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade and other payables	1,978	1,978	1,978	—
Amounts due to subsidiaries	1,281	1,281	1,281	—
Amount due to a shareholder	446	446	446	—
Convertible bonds	50,053	52,000	1,215	50,785
	53,758	55,705	4,920	50,785

31 December 2007	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand
	HK$'000	*HK$'000*	*HK$'000*
Trade and other payables	5,693	5,693	5,693
Loan from a director	15,100	15,100	15,100
Convertible notes	20,000	20,000	20,000
Convertible preference shares	78,570	81,752	81,752
	119,363	122,545	122,545

41. FINANCIAL RISK MANAGEMENT *(Continued)*

(c) Interest rate risk

The Group's interest rate risk arises primarily from its borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest-rate risk. Details of the Group's borrowings have been disclosed in Note 41(b). The Group's interest rate profile as monitored by management is set out below:

	The Group			
	Effective Interest Rate	**31 October 2008**	Effective Interest Rate	31 December 2007
	%	***HK$'000***	*%*	*HK$'000*
Fixed rate borrowings:				
Loan from a director		**—**	2%	15,100
Convertible bonds	**2%**	**50,053**		—
Convertible notes		**—**	N/A	20,000
Convertible preference shares		**—**	11.35%	78,570
		50,053		113,670
Variable rate borrowings:				
Bank loans	**6.71%**	**258,392**	7.98%	251,608
Total borrowings		**308,445**		365,278
Fixed rate borrowings as a percentage of total borrowings		**16%**		31%

41. FINANCIAL RISK MANAGEMENT *(Continued)*

(c) Interest rate risk *(Continued)*

	The Company			
	Effective Interest Rate	**31 October 2008**	Effective Interest Rate	31 December 2007
	%	***HK$'000***	*%*	*HK$'000*
Fixed rate borrowings:				
Loan from a director		**—**	2%	15,100
Convertible bonds	**2%**	**50,053**		—
Convertible notes		**—**	N/A	20,000
Convertible preference shares		**—**	11.35%	78,570
		50,053		113,670

At 31 October 2008, it is estimated that a general increase or decrease of 100 basis points in interest rates, with all other variables held constant, would increase or decrease the Group's loss for the year and accumulated losses by approximately HK$2,030,000 (31 December 2007: HK$2,505,000) respectively.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for both derivative and non-derivative financial instruments in existence at that date. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual balance sheet date. The analysis is performed on the same basis for the year ended 31 December 2007.

41. FINANCIAL RISK MANAGEMENT *(Continued)*

(d) Currency risk

The Group's monetary assets and transactions are principally denominated in Hong Kong Dollars ("HKD") and Renminbi ("RMB"). The Group is exposed to foreign exchange risk arising from movement in the exchange rate between HKD and RMB. The Group manages its foreign currency risk by closely monitoring the movement of the foreign currency rate.

An analysis on the Group's sensitivity to a 9% fluctuation in the exchange rate between RMB and HKD was performed assuming that the change in the exchange rate had occurred at the balance sheet date. 9% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in exchange rate of RMB against HKD. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 9% change in foreign currency rates. Where RMB strengthens against HKD by 9%, the Group's net loss will be increased approximately by HK$3,785,000 (2007: $2,365,000) and the accumulated losses will be increased by approximately the same amount. For a strengthening of RMB against HKD, there would be an equal and opposite impact on the loss for the year and accumulated losses. The analysis is performed on the same basis for 2007.

(e) Fair values

All financial instruments are carried at amounts not materially different from their fair values as at 31 October 2008 and 31 December 2007.

Fair value estimates are made at a specific point in time and based on relevant market information and information about the financial instruments. These estimates are subjective in nature, involve uncertainties and matters of significant judgement and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

42. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The carrying amounts of the Group's financial assets and financial liabilities as recognised as at 31 October 2008 and 31 December 2007 may be categorised as follows:

	31 October 2008 *HK$'000*	31 December 2007 *HK$'000*
Financial assets		
Loans and receivables (including cash and bank balances)	**332,437**	88,305
Financial liabilities		
Fair value through profit or loss		
— Derivative component of convertible bonds	**32,940**	—
Financial liabilities measured at amortised cost	**332,073**	440,498

43. OTHER MATTER

As previously disclosed in the financial statements for the years ended 31 December 2005, 2006 and 2007, two former Directors of the Company who had held office until 26 October 2005, were charged with alleged conspiracy to defraud the Company's funds (the "Charges"). Based on the available information, the Company is neither a party to the Charges nor is the Company in any way implicated under the Charges.

To safeguard the interests of the Group and its stakeholders, measures have been taken by the Directors to minimise the uncertainties arising from the Charges and to remediate the weaknesses therefrom. As at the date of approval of these financial statements, no further material information was available to the Company to show that the Charges would adversely affect the financial and trading position of the Group to a material extent apart from those already provided for in the previous audited financial statements of the Company and save for the purpose of recovery of the same.

44. POST BALANCE SHEET EVENT

On 6 November 2008, Sharprise Holdings Limited ("Sharprise"), a wholly-owned subsidiary of the Company as purchaser entered into a memorandum of understanding (the "MOU") with Fast Sky Holdings Limited ("Fast Sky") as vendor and Mr. Zhu Gongshan as the vendor's guarantor and sole shareholder. Pursuant to the MOU, the vendor agreed to negotiate with the purchaser in good faith the terms of a sale and purchase agreement in respect of the sale and purchase of 49% of the enlarged issued share capital of Gofar Holdings Limited. Fast Sky will procure the purchase by its subsidiary of equity interest in three PRC companies which had been approved to carry on the business of construction of a railway in the Hebei Province (河北省), PRC. Of the three PRC companies, two had also been approved to carry on the container and self-owned rail wagon chartering services.

45. COMPARATIVE AMOUNTS

As stated in Note 3(b), the consolidated income statement is presented by nature of expenses. Certain comparative figures have been reclassified to conform with this presentation and also the adoption of HK(IFRIC) - Int12 (Note 2(a)).

The comparative consolidated financial statements of the Group for the year ended 31 December 2007 was qualified because of the fundamental uncertainty over the Group's ability to continue as a going concern. Details of the audit qualification are set out in the auditor's report dated 25 April 2008.

46. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 12 December 2008.