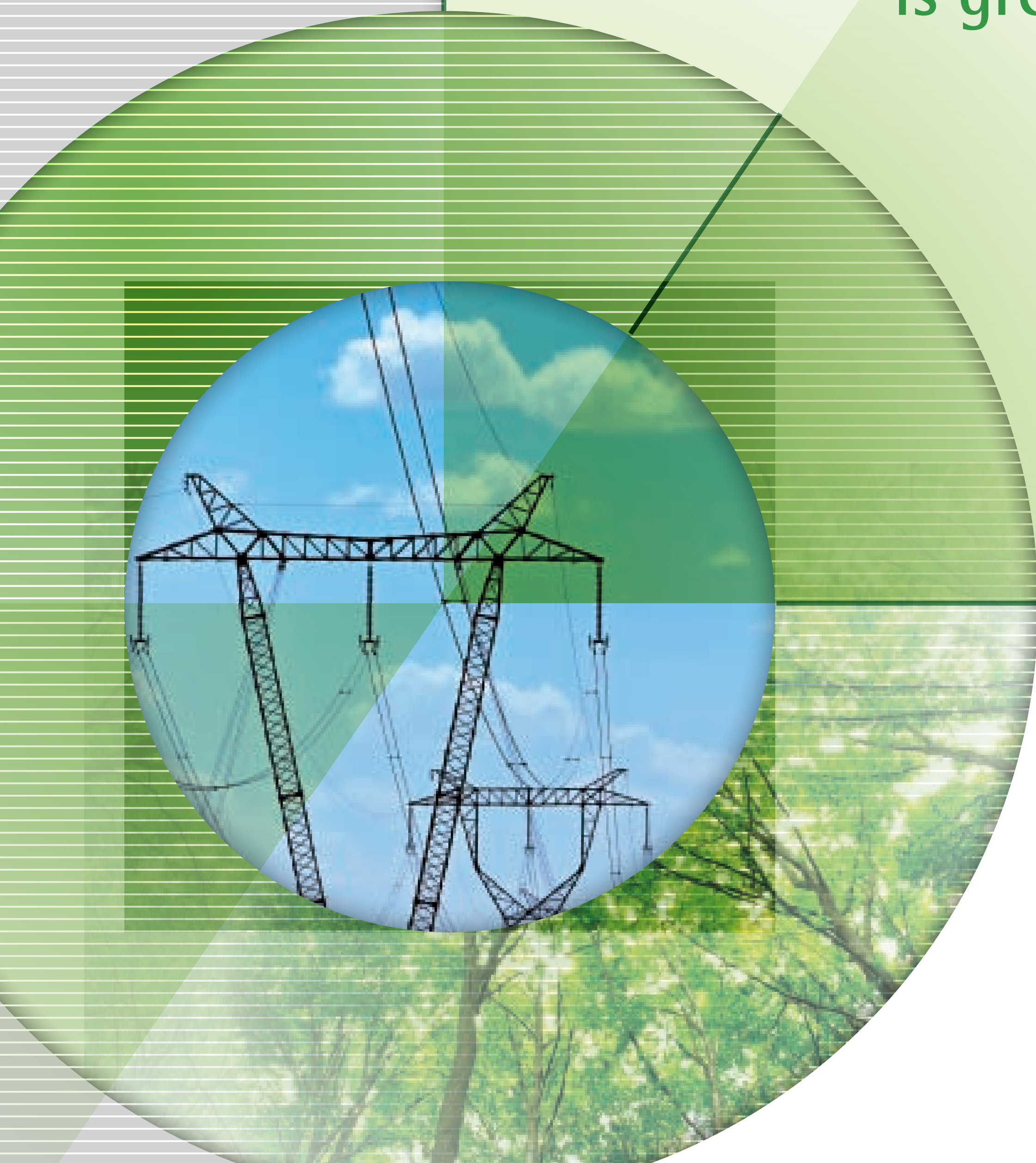
China Sciences Conservational Power Limited
中科環保電力有限公司
(Incorporated in Hong Kong with limited liability)
(Stock Code: 351)

the future is green



2008 annual report

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Liang Jun *(Chairman)*
Mr. Chan Ka Fat *(Chief Financial Officer)*
Ms. Yu Sau Lai

Non-Executive Directors

Mr. Tse On Kin
Mr. Yu Baodong

Independent Non-Executive Directors

Mr. Chan Chi Yuen
Mr. Tsang Kwok Wa
Mr. Zhang Xi

COMPANY SECRETARY

Mr. Tung Tat Chiu, Michael

AUDIT COMMITTEE

Mr. Chan Chi Yuen *(Chairman)*
Mr. Tsang Kwok Wa
Mr. Zhang Xi

REMUNERATION COMMITTEE

Mr. Liang Jun *(Chairman)*
Mr. Chan Chi Yuen
Mr. Zhang Xi

PRINCIPAL BANKERS

China Construction Bank Corporation
Hong Kong Branch
The Hongkong and Shanghai Banking
Corporation Limited
Wing Hang Bank Limited

AUDITOR

Shu Lun Pan Horwath Hong Kong CPA Limited

LEGAL ADVISER

P. C. Woo & Co.

SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Secretaries Limited
26/F
Tesbury Centre
28 Queen's Road East
Hong Kong

REGISTERED OFFICE

Rooms 1208-1210, 12/F
Dah Sing Financial Centre
108 Gloucester Road
Wan Chai
Hong Kong

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Rooms 1208-1210, 12/F
Dah Sing Financial Centre
108 Gloucester Road
Wan Chai
Hong Kong

HONG KONG STOCK EXCHANGE STOCK CODE

351

WEBSITE

www.cscp.com.hk

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

For the year ended 31 December 2008, the turnover of China Sciences Conservational Power Limited (the "Company") and its subsidiaries (together, the "Group") have reached approximately HK$108,130,000 (2007: approximately HK$81,428,000), representing an increase of 32.79% as compared with last year. During the year, gross loss from operations was approximately HK$40,719,000, representing an increase of 14.29% over last year's HK$35,628,000. Loss after taxation was approximately HK$40,716,000 (2007: Loss after taxation: approximately HK$35,382,000). Loss per share from continuing and discontinued operations was HK1.36 cents (2007: 2.69 HK cents).

The increase in turnover was attributable to the increase in waste incineration power generation.

BUSINESS REVIEW

In 2008, the Company focused on two primary objectives: the first one was the resumption of trading of the Company's shares, and the other was the continuous improvement of the Group's core business, waste incineration power generation.

During the beginning of 2008, the rising global commodity prices and the shortage of coal supply following the heavy snow in the People's Republic of China (the "PRC"), caused the surge in coal prices and a significant impact on the turnover and the net profit of the Group. Since coal represented the principal operational cost of the Group's core business and the price of electricity was largely regulated by the PRC government, the fluctuation of coal price had a considerable effect on the Group's net profit.

In 2008, the Company raised a significant amount of capital by the issue of 3,497,970,325 new shares in an aggregate amount of HK$174,898,518 (the "Share Subscription"), a private placing of 502,029,675 new shares with net proceeds of approximately HK$24,800,000, and convertible bonds for HK$200,000,000 (the "Convertible Bonds Subscription"). This exercise substantially enhanced the Company's financial position to seek opportunities for growth and further development.

To enhance the Group's profitability, a new 12 megawatt power generator was installed and has been in operation since July 2008. The Company subsequently signed a new agreement with a local power grid company for additional supply of electricity to the grid in August 2008.

On 6 November, 2008, Sharprise Holdings Limited ("Sharprise"), 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 interest in Gofar Holdings Limited ("Gofar"). Pursuant to the MOU, Fast Sky will procure the purchase by its subsidiary of equity interest in three companies incorporated in the PRC (the "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 (the "Zunxiao Railway"). Two of the PRC Companies have been approved by local authorities to carry out container and self-owned rail wagon chartering services.

MANAGEMENT DISCUSSION AND ANALYSIS

The Directors consider that the investment in the Zunxiao Railway, having taken into account of its business prospect, is in the shareholders' interest. As such, the Company used its best endeavor to negotiate with Fast Sky and managed to acquire a controlling stake of Gofar in their further negotiation.

PROSPECTS

The Company is continually seeking new development opportunities to enhance its shareholders' value.

During the Eleventh 5-Year Plan (2006-2010), the PRC government continues to support the railway industry by stating that 17,000 kilometres of railway will be built during the period. In October 2008, a RMB2 trillion railway investment budget was approved by the State Council of the PRC. In November, 2008, the PRC government announced a fiscal stimulus package with a total of RMB4 trillion, implemented up to 2010, and mainly invested in the infrastructure development such as railway, highways, and airports. Since the Company expected that the PRC government will continue to invest heavily on infrastructure to sustain the economic growth in the following years, the Company believes the investment in infrastructure as a good opportunity to enhance its shareholders' value.

Reference is made to the recent announcement of the Company dated 23 March 2009, the Company had entered into a Sale and Purchase agreement (the "S & P Agreement") with Fast Sky to acquire 70% issued share capital of Gofar. Through this acquisition the Group can now extend its existing conservational power business to railway construction and operation and thus diversifying while intensifying its involvement in the development of infrastructure projects in the PRC which is currently the focal area for the PRC's capital commitment for economic growth and sustainability.

SEGMENT INFORMATION

In the year under review, the Group was engaged primarily in the waste incineration, processing and power generation business. No other significant business segments existed in the Group for 2008.

Details of the business segments of the Group are set out in Note 7 to the financial statements.

LIQUIDITY AND FINANCIAL RESOURCES

The Group is mainly financed by various borrowings and internally generated cash flow.

As at 31 December 2008, the Group had net current assets of approximately HK$242,319,000 (2007: net current liabilities of approximately HK$114,760,000) and shareholders' funds of approximately HK$353,257,000 (2007: approximately HK$32,627,000). The increase in net current assets and shareholders' funds was mainly attributable to the funds raised in the capital market.

The gearing ratio of the Group as at 31 December 2008, which is calculated as net debt divided by total capital, is 26% (2007: 91%).

MANAGEMENT DISCUSSION AND ANALYSIS

During the year under review and up to the date of this report, 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 respectively) with a company controlled and wholly-owned by a substantial shareholder of the Company (the "Subscription Agreement") to issue and allot 3,497,970,325 new shares, for an aggregate amount of HK$174,898,516 at the subscription price of HK$0.05 per share and to issue convertible bonds of HK$200,000,000 by the Company.

- 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 generated net proceeds of approximately HK$24,800,000.

On 14 January 2008, the Company redeemed the HK$20,000,000 8.5% per annum extendable convertible notes which were outstanding.

On 15 and 16 October 2008, using the net proceeds from the issue of the convertible bonds and placement shares respectively under the Subscription Agreement and Placing Agreement, the Company redeemed 80,000,000 preference shares held by China Conservational Power Holdings Ltd for cash consideration of HK$60,800,000.

On 30 September 2008, using the net proceeds from the issue of the convertible bonds and placement shares respectively under the Subscription Agreement and Placing Agreement, the Company repaid a loan of HK$30,000,000 advanced by King Castle Enterprises Limited with interest accrued at 2% per annum.

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

On 6 November 2008, the Company entered into the MOU with Fast Sky, whereby Fast Sky agreed to negotiate with the Company the terms of the S & P Agreement in respect of the acquisition of 49% issued share capital of Gofar. Pursuant to the conditions of the MOU, the Company paid HK$35,000,000 as earnest money to Fast Sky.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

On 23 March 2009, the Company announced that Sharprise, entered into the S & P Agreement with Fast Sky to acquire 70% issued share capital of Gofar. As at the date of this report, Gofar is the beneficial owner of 62.5% equity interest in two of the PRC Companies. Before completion of the S&P Agreement, Fast Sky will procure that Gofar will own 51% equity interest in one of the PRC Companies. The three PRC Companies are engaged in the construction of the Zunxiao Railway connecting Tangshan City (唐山市) and Chengde City (承德市), Hebei Province

MANAGEMENT DISCUSSION AND ANALYSIS

(河北省), the PRC, with a total length of approximately 121 kilometres. Concurrently, Sharprise, Fast Sky, Top Fast Holdings Limited ("Top Fast"), a direct wholly-owned subsidiary of Gofar, and China Railway Logistic Holdings Limited ("China Railway Logistic"), a direct wholly-owned subsidiary of Top Fast, entered into a Convertible Bonds Subscription Agreement. Pursuant to the Convertible Bonds Subscription Agreement, Sharprise and Fast Sky shall subscribe for the Convertible Bonds in China Railway Logistic in an aggregate amount of not less than HK$391,937,000 and not more than HK$402,500,000.

Saved as disclosed under headings "Business review" and "Prospects" above, there are no other future plans for material investments or capital assets of significance in the forthcoming year.

FOREIGN EXCHANGE MANAGEMENT

The Group's business dealings in the PRC are subject to the foreign currency fluctuations. In 2008, the value of "Renminbi" (the currency in the PRC) had been appreciating gradually. The fluctuation did not have significant adverse impact on the Group's financial position. Although the value of Renminbi had been appreciating gradually, the management considers it prudent to have a foreign exchange management system in place. During the year under review, the Group did not use any financial instruments for hedging purposes.

CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

As at 31 December 2008, the Group had outstanding capital commitments in respect of the acquisition of property, plant and equipment of approximately HK$369,000.

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

On 6 January 2009, the Company issued a writ of summons against Mr. Chan Tat Chee ("Mr. Chan"), a former director of the Company, to claim for the return of a sum of HK$3,000,000. Mr. Chan filed and served a defence and counterclaim on 20 February 2009 to deny the claim and counterclaim against the Company for a total sum of HK$17,046,206 under HCA 36/2009. On 9 March 2009, the Company received a writ of summons filed by Mr. Chan who claimed against the Company for a sum of HK$1,500,000 being his loan advanced to the Company. On 27 March 2009, the Company issued a writ of summons against Mr. Chan to claim against him for a total sum of HK$25,183,600 being funds Mr. Chan admitted to have been stolen and/or misappropriated by him, either personally or conspired with others, from the Company. On 3 March 2009, a supplier in PRC had filed a claim against the company's subsidiary 東莞中科環保電力有限公司 for a sum of RMB585,000 being payment for the unpaid plant and machinery.

Further details of the pending litigation are set out in Note 44 to the financial statements.

Details of the Company's capital commitments are set out in Note 37 to the financial statements.

PLEDGE OF ASSETS

Details of the pledge of assets are set out in Note 25 to the financial statements.

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2008, the Group had 197 employees, 178 of whom were based in the PRC. Their salary and benefits were maintained at competitive levels and with reference to their duties, working experience and the prevailing market practices. Save for the share options granted under the 2002 Share Option Scheme which was terminated on 20 August 2008, the Directors will consider rewarding employees by a share option scheme based on the performance of the Group and individual employees. The Group also participated in an approved Mandatory Provident Fund ("MPF") scheme for eligible employees.

DIRECTORS' AND SENIOR MANAGEMENT'S PROFILE

EXECUTIVE DIRECTORS

Mr. Liang Jun *(Chairman)*

Mr. Liang, aged 42, was appointed as an Executive Director and the Chairman of the Company on 12 June 2006 and 1 April 2007 respectively and is the Chairman of the Remuneration Committee of the Company. He was appointed as Chief Executive Officer of the Company on 1 April 2007 and resigned from this position on 15 June 2007. He has over 17 years of experience in business development in China. He is a director and the general manager of various subsidiaries of the Company. He graduated from Tong Ji University (previously known as Tie Dao University of Shanghai) with a bachelor's degree in telecommunications engineering. As at the date of this report, he has a personal interest of 2,000,000 ordinary shares of the Company.

Mr. Chan Wai Ming *(Chief Executive Officer)*

Mr. Chan, aged 48, was appointed as an Executive Director and Chief Executive Officer of the Company on 9 May 2007 and 15 June 2007 respectively and resigned from these positions on 30 March 2009. He was a director of various subsidiaries of the Company. Mr. Chan possesses extensive and substantial exposure and experience in the financial sector of Hong Kong. He had been an executive director and the chief executive officer of Carico Holdings Limited, a listed public company in Hong Kong.

Mr. Chan Ka Fat *(Chief Financial Officer)*

Mr. Chan, aged 37, was appointed as an Executive Director and Chief Financial Officer of the Company on 19 September 2007. He is a director of various subsidiaries of the Company. Mr. Chan is a member of the CPA Australia and the Hong Kong Institute of Certified Public Accountants. He has extensive experience in auditing, accounting, financial planning and management, and is responsible for overseeing corporate development and financial matters of the Group. He holds a bachelor's degree in commerce and a master's degree in management.

Ms. Yu Sau Lai

Ms. Yu, aged 46, was appointed as an Executive Director of the Company on 31 March 2009. She is a director of various subsidiaries of the Company. She has 26 years of experience in administrating different kinds of companies and also has extensive exposure in information technology and business management in trading, wholesale and retail businesses. Ms. Yu is also an executive director of China Bio-Med Regeneration Technology Limited and had been an executive director of Heng Xin China Holdings Limited, both of which are listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong limited (the "Stock Exchange").

DIRECTORS' AND SENIOR MANAGEMENT'S PROFILE

NON-EXECUTIVE DIRECTORS

Mr. Tse On Kin

Mr. Tse, aged 47, was appointed as the Chairman and an Executive Director of the Company on 10 March 2006 and ceased to be the Chairman and was re-designated as a Non-Executive Director of the Company on 1 April 2007. He has over 20 years of experience in corporate planning, restructuring, business development, project injection, merger and acquisition. Currently, Mr. Tse is the chairman of New Times Group Holdings Limited and Kong Sun Holdings Limited, all being public listed companies in Hong Kong. He had also been an executive director of Mexan Limited, a non-executive director of Climax International Company Limited and the vice chairman and chief executive officer of Great Wall Cybertech Limited (now known as EPI (Holdings) Limited), all being public listed companies in Hong Kong.

Mr. Tse has a bachelor's degree in public policy and administration from York University in Canada. Ms. Ho Pui Man, the head of Accounting Department of the Company, is the niece of Mr. Tse.

Mr. Yu Baodong

Mr. Yu, aged 45, was appointed as a Non-Executive Director of the Company on 31 March 2009. He has over 10 years of experience in project investment and corporate management. He holds a Master Degree in Economics from the People's University of China and a Doctoral Degree in Economics from the Wuhan University. Mr. Yu is also an executive director and the vice president of GCL-Poly Energy Holdings Limited, which is listed on the Main Board of the Stock Exchange.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Chi Yuen

Mr. Chan, aged 42, was appointed as an Independent Non-Executive Director of the Company from 30 September 2004. He is the chairman of the Audit Committee and a member of the Remuneration Committee of the Company. Mr. Chan is currently an executive director of Kong Sun Holdings Limited, an independent non-executive director of Dickson Group Holdings Limited, Hong Kong Health Check and Laboratory Holdings Company Limited, Premium Land Limited and Superb Summit International Timber Company Limited, all being public listed companies in Hong Kong. He was an executive director of New Times Group Holdings Limited, a public listed company in Hong Kong, since 10 May 2006 and was re-designated as a non-executive director from 25 October 2006 onwards. Mr. Chan was an executive director of Amax Entertainment Holdings Limited and Prosticks International Holdings Limited, all being public listed companies in Hong Kong.

Mr. Chan holds a bachelor's degree with honours in business administration and a master of science degree in corporate governance and directorship from Hong Kong Baptist University. He is a fellow member of The Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants and is an associate member of The Institute of Chartered Accountants in England and Wales. Mr. Chan is a practising certified public accountant and has extensive experience in financial management, corporate finance and corporate governance.

DIRECTORS' AND SENIOR MANAGEMENT'S PROFILE

Mr. Tsang Kwok Wa

Mr. Tsang, aged 44, was appointed as an Independent Non-Executive Director of the Company from 19 July 2007 and is a member of the Audit Committee of the Company. He has over 20 years of experience in accounting area. Mr. Tsang is currently a member of the Hong Kong Institute of Certified Public Accountants, a member of the CPA Australia, and a fellow member of the Taxation Institute of Australia. Mr. Tsang holds a master's degree of commerce major in accounting from Charles Sturt University in Australia.

Mr. Zhang Xi

Mr. Zhang, aged 39, was appointed as an Independent Non-Executive Director of the Company from 10 March 2006 and is a member of both the Audit Committee and Remuneration Committee of the Company. He has over 8 years of experience in the financial sector. He is currently a CFA charter-holder. Mr. Zhang graduated with a bachelor's degree in science (electrical engineering) from Shanghai Jiao Tong University in July 1991. Mr. Zhang obtained an international master of business administration (finance) from York University in Canada in September 1998.

SENIOR MANAGEMENT

Mr. Tung Tat Chiu, Michael

Mr. Tung was appointed as the Company Secretary of the Company on 19 February 2008. Mr. Tung holds a bachelor of arts degree in law and accounting from the University of Manchester. He is a practicing solicitor in Hong Kong. He is an independent non-executive director of GR Vietnam Holdings Limited, whose shares are listed on the Main Board of Stock Exchange and is also the company secretary of three other listed companies in Hong Kong, namely Jiangxi Copper Company Limited, Qingling Motors Co. Ltd. and Silver Grant International Industries Limited.

Ms. Cheung Yuet Fan

Ms. Cheung is the Head of Directors' Office of the Group and joined the Group on 20 August 2007. Ms. Cheung is an associate member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators, and had solid and extensive experience in corporate secretarial field gained in various public listed companies in Hong Kong and an international accounting firm. She is responsible for the compliance affairs and internal control of the Group. She holds a bachelor's degree of arts in accountancy from City University of Hong Kong.

Ms. Ho Pui Man

Ms. Ho is the head of Accounting Department of the Group. She joined the Group on 1 April 2006. Ms. Ho is a member of Hong Kong Institute of Certified Public Accountants and CPA Australia. She holds a bachelor's degree in commerce majoring in economics, marketing and finance from Deakin University of Australia and a master's degree in practicing accounting from Monash University of Australia. Ms. Ho has over seven years of experience in accounting and corporate finance.

DIRECTORS' AND SENIOR MANAGEMENT'S PROFILE

Mr. Gan Wen

Mr. Gan joined the Group as general manager of Dongguan China Sciences Conservational Power Limited. (東莞中科環保電力有限公司), a subsidiary of the Company, in September 2006 and resigned on 8 January 2009. He had been responsible for the overall management of the Group's MSW incineration power plant operation in Dongguan, the PRC, including engineering management and project development. He has over 18 years of experience in the power plant industry in China.

Mr. Zhan Ke

Mr. Zhan was appointed as a General Manager of Dongguan China Sciences Conservational Power Limited (東莞中科環保電力有限公司) on 2 March 2009. He is responsible for the overall management of the Group's MSW incineration power plant operation in Dongguan, the PRC. Mr. Zhan's extensive experience in managing power plants includes serving as a product manager and human resource manager at Taicang Port Environmental Power Co. from 2002 to 2004, and a general manager at Fuxin Xiexin Environmental Power Co. from 2004 to 2009. Mr. Zhan holds a bachelor's degree in engineering design and manufacturing from the University of Dongbei, and masters' degrees in electrical engineering and business administration from Liaoning Engineering Technology University and the University of Nancy, France, respectively. Mr. Zhan is also a qualified senior Engineer of Speciality and Technology.

DIRECTORS' REPORT

The board (the "Board") of directors (the "Directors") of the Company submit herewith their annual report together with the audited financial statements of the Company for the year ended 31 December 2008.

CORPORATE INFORMATION AND PRINCIPAL ACTIVITIES

The Company is a public company incorporated in Hong Kong with limited liability.

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 to the financial statements.

The analysis of the principal activities and geographical locations of operations of the Group during the financial year are set out in Note 7 to the financial statements.

RESULTS

The results of the Group for the year ended 31 December 2008 are set out in the consolidated income statement on page 28.

The Directors did not recommend the payment of a dividend for the year ended 31 December 2008.

RESERVES

Details of movements in the reserves of the Group and of the Company during the year are set out in the statement of changes in equity on page 32 and Note 33 to the financial statements respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2008, the Company did not have any reserves available for distribution to shareholders as calculated in accordance with the provisions of section 79B of the Hong Kong Companies Ordinance. In addition, the Company's share premium account, in the amount of approximately HK$744,098,000 may be distributed in the form of fully paid bonus shares.

FINANCIAL SUMMARY

A summary of the published results, assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out on page 108. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group and of the Company during the year are set out in Note 14 to the financial statements.

DIRECTORS' REPORT

SHARE CAPITAL

Details of movements in the share capital of the Company are set out in Note 31 to the financial statements.

Details of changes and movements of preference shares are set out in Note 27 to the financial statements.

PURCHASE, REDEMPTION OR SALE 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 year.

BANK BORROWINGS

Particulars of the Group's bank borrowings are set out in Note 25 to the financial statements. No interest was capitalized during the year under review.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The composition of the Board during the year ended 31 December 2008 and up to the date of this report is as follows:

Executive Directors

Liang Jun *(Chairman)*	
Chan Wai Ming *(Chief Executive Officer)*	(resigned on 30 March 2009)
Chan Ka Fat *(Chief Financial Officer)*	
Yu Sau Lai	(appointed on 31 March 2009)

Non-executive Directors

Tse On Kin	
His Royal Highness Prince Idris Abdallah Al-Senussi	(retired on 29 January 2008)
Alan Grant Quasha	(retired on 29 January 2008)
Yu Baodong	(appointed on 31 March 2009)

Independent Non-executive Directors

Chan Chi Yuen
Tsang Kwok Wa
Zhang Xi

The Company has received annual confirmations from each of the Independent Non-executive Directors with regards to their independence to the Company and considers that each of the Independent Non-executive Directors is independent of the Company.

DIRECTORS' REPORT

In accordance with Article 92 of the Company's Articles of Association (the "Articles"), Ms. Yu Sau Lai and Mr. Yu Baodong shall retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company. Pursuant to Articles 101A and 101B of the Articles, Mr. Tse On Kin and Mr. Tsang Kwok Wa shall retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company.

During the year under review, each of Mr. Liang Jun, Mr. Chan Wai Ming and Mr. Chan Ka Fat has a service agreement with the Company for a term of three years and is subject to retirement by rotation and re-election in accordance with the Articles.

As at the date of this report, Ms Yu Sau Lai has a service agreement with the Company for a term of three years and is subject to retirement by rotation and re-election in accordance with the Articles.

None of the Directors has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' BIOGRAPHIES

Biographical details of the Directors are set out on pages 7 to 9 of the annual report.

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

As at 31 December 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 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)	0.890

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.

DIRECTORS' REPORT

As at 31 December 2008, save as disclosed above, none of the Directors or the chief executive of the Company is a director or employee of a company which had an interest or short position in the shares and the underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Save as disclosed above, none of the Directors or any chief executive of the Company 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) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO) or which was required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or pursuant to the Model Code in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") to be notified to the Company and the Stock Exchange.

The interests of the Directors in the share options of the Company are separately disclosed under the section "Share options" below.

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 was to enable the Group to grant options to selected participants as incentives or reward for their contributions to the Group. The participants included (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 held any interest ("Invested Entity"); (iii) any customer of the Group or any Invested Entity; (iv) any person or entity that provided 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 2002 Option Scheme would 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 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.

DIRECTORS' REPORT

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 options 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 options).

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

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 year	Exercised during the year	Lapsed during the year	As at 31.12.2008	Market value per share (note) Immediately preceding the grant date of share options HK$	Market value per share (note) 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.

No option under the 2002 Option Scheme was cancelled during the year.

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 were exercisable in accordance with the terms of the terminated Scheme.

DIRECTORS' REPORT

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 was 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.

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 options 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 options) subject to any restrictions as may be imposed on the exercise of an option during the period in which an option may be exercised.

For the year under review, no share option was issued under the 2008 Option Scheme.

DIRECTORS' REPORT

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed under sections "Directors' Interests and Short Positions in Shares and Underlying Shares and Debentures" and "Share Options" above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors, chief executive, or any of their respective spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the year.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed under the heading "Liquidity and Financial Resources" and in Note 39 to the financial statements, no contract of significance in relation to the Group's business to which the Company or its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

INTERESTS OF CONTROLLING SHAREHOLDERS IN CONTRACTS

Save as disclosed in Note 39 to the financial statements, there was no contract of significance between the Company or one of its subsidiaries, and a controlling shareholder of the Company or any of its subsidiaries — where a controlling shareholder is as defined in Note 16 of Appendix 16 of the Listing Rules at any time during the year under review.

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

As at 31 December 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
Ordinary shares			
China Bio-Med Regeneration Technology Limited (formerly known as B M Intelligence International Limited) ("China Bio-Med")	Interest of controlled corporations	600,000,000	7.36%
Mr. Ko Fong ("Mr. Ko")	Interest of controlled corporations	5,152,970,325	63.17%

DIRECTORS' REPORT

Notes:

1. Pursuant to the corporate substantial shareholder notice filed by China Bio-Med 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 BM Intelligence Limited, a wholly owned subsidiary of China Bio-Med.

2. 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 (ii) 4,857,970,325 Shares held by King Castle Enterprises Limited, both companies were wholly and beneficially owned by Mr. Ko.

Save as disclosed above, as at 31 December 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.

CONNECTED TRANSACTIONS

Details of connected transactions are set out in Note 39 to the financial statements.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

MAJOR SUPPLIERS AND CUSTOMERS

The Group's largest supplier contributed 41% to the total purchases for the year and the aggregate amount of purchases attributable to the Group's top five suppliers represented 93% of the Group's total purchases.

The Group's largest customer accounted for 95% of the Group's turnover (excluding guaranteed return) and 99% of the total turnover (excluding guaranteed return) of the Group was attributable to the Group's top five customers.

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

RETIREMENT BENEFITS SCHEMES

The Group strictly complies with the Mandatory Provident Fund Schemes Ordinance in making mandatory contributions for its staff.

DIRECTORS' REPORT

CORPORATE GOVERNANCE

The Company throughout the year ended 31 December 2008, complied with most of the applicable code provisions and principles of the Code of Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. Details of the Corporate Governance Report of the Company are set out on pages 20 to 25 of this annual report.

AUDITORS

The financial statements have been audited by Shu Lun Pan Horwath Hong Kong CPA Limited. The Company's auditor will change their name from Shu Lun Pan Horwath Hong Kong CPA Limited to Shu Lun Pan Hong Kong CPA Limited and will merge their business with BDO McCabe Lo Limited on 1 May 2009. On the same date, BDO McCabe Lo Limited will change their name to BDO Limited. As a result of these changes, a resolution will be proposed at the forthcoming Annual General Meeting of the Company to appoint BDO McCabe Lo Limited (to be renamed as BDO Limited on 1 May 2009) as the Company's auditors.

On behalf of the Board

Liang Jun
Chairman

Hong Kong, 24 April 2009

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICE

It is one of the continuing commitments of the Board and of the 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 "SEHK Code") contained in Appendix 14 to the Listing Rules. The Company considers that effective corporate governance makes significant contribution to corporate success and enhancement of its shareholders' value.

Throughout the year ended 31 December 2008, the Company has complied with the SEHK Code, save for the single exception specified and explained below:

Code Provision A.4.1

The non-executive Directors of the Company during the year under review does not have a specific term of appointment but is subject to retirement by rotation and re-election pursuant to the 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.

We have set out in this report the status of the Company's compliance with Appendix 23 to the Listing Rules.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as the Company's code of conduct for dealings in securities of the Company by Directors.

Having made specific enquiry, all Directors who held office in 2008 confirmed that they have complied with the code throughout the year ended 31 December 2008.

BOARD OF DIRECTORS

The Board currently comprises of three executive Directors, two non-executive Directors and three independent non-executive Directors. The biographical details of each Director are shown on pages 7 to 9.

As at 31 December 2008, the board composition consisted of three executive Directors, one non-executive Director and three independent non-executive Directors.

For the year ended 31 December 2008 and up to the date of this report, the board composition of the Company has undergone some changes. These changes can be found on page 12.

The number of board meetings held during the financial year of 2008 and its record of individual attendance is shown on page 24.

CORPORATE GOVERNANCE REPORT

It is the function of the Board to assume the responsibility for leadership and control of the Company. The Directors are collectively responsible for promoting the success of the Company by directing and supervising the Company's affairs.

Other duties include but are not limited to:—

- maintaining effective control of the Company;
- giving strategic direction to the Company;
- reviewing, approving and monitoring fundamental financial and business strategies, plans and major corporate actions;
- ensuring that the Company complies with relevant laws, regulations and codes of business practice; and
- ensuring that the Company communicates with shareholders and the relevant stakeholders transparently and promptly.

Although the Board may and have delegated some of their responsibilities to various committees and principle divisions, it acknowledges that it remains ultimately accountable for the performance and affairs of the Company.

The Board members do not have any family, financial or business relations with each other. Details of backgrounds and qualifications of the Chairman, the Chief Executive Officer and other Directors are set out on pages 7 to 9.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

For the year ended 31 December 2008, the Chairman and Chief Executive Officer of the Company were Mr. Liang Jun and Mr. Chan Wai Ming respectively. The two roles were segregated.

The key role of the Chairman is to provide leadership to the Board. In performing his duties, the Chairman shall ensure that the Board functions effectively in the discharge of its responsibilities. The Chairman also has the responsibility of taking the lead to ensure that the Board acts in the best interests of the Company and the Group.

The key role of the Chief Executive Officer is to be responsible for the day-to-day management and operations of the Company and business of the Group. His duties mainly include:

- providing leadership and supervising the effective management of the Company;
- monitoring and controlling the financial and operational performance of various divisions; and
- implementing the strategy and policies adopted by the Company, setting and implementing objectives and development plans.

CORPORATE GOVERNANCE REPORT

NON-EXECUTIVE DIRECTORS

For all non-executive Directors in the office during the year under review and up to the date of this report, they have no specific term of service.

Pursuant to the Articles, all non-executive Directors shall be subject to retirement by rotation at least once every three years at annual general meeting of the Company and shall be eligible for re-election.

REMUNERATION OF DIRECTORS

A remuneration committee was established in 2006 and its function is to make recommendations to the Board on policies relating to the remuneration of other Directors. In accordance with the Listing Rules, the majority of the members of the remuneration committee are Independent non-executive Directors.

Pursuant to its terms of reference, the remuneration committee's duties and responsibilities include but are not limited to:—

- determining the specific remuneration packages of all executive Directors and senior management;
- reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;
- reviewing and approving the compensation payable to executive Directors and senior management in connection with any loss or termination of their office or appointment; and
- consulting with the Chairman where to position the Company relative to comparable companies in terms of remuneration level and board composition.

The written terms of reference of the remuneration committee comply with the Listing Rules, namely Code B.1.3 of Appendix 14.

During the year under review and up to the date of this report, the remuneration committee members are made up of Mr. Liang Jun, Mr. Chan Chi Yuen and Mr. Zhang Xi. Mr. Liang Jun is the chairman of the remuneration committee of the Company.

The number of remuneration committee meetings held during the financial year of 2008 and its record of individual attendance is shown on page 24.

CORPORATE GOVERNANCE REPORT

NOMINATION OF DIRECTORS

The Company did not have a nomination committee for the year ended 31 December 2008 and up to the date of this report.

Since the Board follows a formal, considered and transparent procedure for the appointment of new Directors, the Board does not have to establish a nomination committee to review new appointments of directors, senior executives as well as management succession plans for executive directors and senior executives. The appointment of a new director is a collective decision of the Board, taking into consideration the candidate's qualification, expertise, experience, integrity and commitment to his/her responsibilities within the Group. Consequently, the Board deems it unnecessary that a nomination committee should be formed.

No appointment of Directors was made during the year under review.

AUDITORS' REMUNERATION

During the year under review, the fee in respect of audit and non-audit services provided by the Shu Lun Pan Horwath Hong Kong CPA Limited to the Company is as follows:

For the special audit for the ten months ended 31 October 2008 and the annual audit for the year ended 31 December 2008, the total audit fee is HK$1,100,000.

Non-audit service include interim review, review of cash flow and profit forecast for the year ended 31 December 2008 and proposed acquisition is HK$941,000.

AUDIT COMMITTEE

The Company has an audit committee which was established in compliance with Rule 3.21 of the Listing Rules. The main purpose of the audit committee is to review and provide supervision over the Group's financial reporting process and internal controls. The audit committee comprises three independent non-executive Directors of the Company.

Pursuant to its terms of reference, the audit committee's duties and responsibilities include but are not limited to:—

- making recommendation to the Board on the appointment, reappointment and removal of the external auditors;
- reviewing and monitoring the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standard;

- monitoring the integrity of financial statements of the Company; and
- reviewing the Company's financial controls, internal control and risk management systems.

The written terms of reference of the audit committee comply with the Listing Rules, namely Code C.3.3 of Appendix 14.

During the year under review and up to the date of this report, the audit committee members are made up of Mr. Chan Chi Yuen, Mr. Tsang Kwok Wa and Mr. Zhang Xi. Mr. Chan Chi Yuen is the chairman of the audit committee of the Company.

The number of audit committee meetings held during the financial year of 2008 and its record of individual attendance is shown below.

The audit committee had reviewed and approved the financial statements for the year ended 31 December 2008.

	Meetings Attended/Held in 2008		
	Board	Audit Committee	Remuneration Committee
Number of meetings held during the year 2008	10	5	1
Executive Directors			
Liang Jun	10		1
Chan Wai Ming	10	5	
Chan Ka Fat	9	5	
Non-Executive Directors			
Tse On Kin	7		
His Royal Highness Prince Idris Abdallah Al-Senussi	0		
Alan Grant Quasha	0		
Independent Non-Executive Directors			
Chan Chi Yuen	9	5	1
Tsang Kwok Wa	9	5	
Zhang Xi	9	5	1

CORPORATE GOVERNANCE REPORT

INTERNAL CONTROL

The Company's systems of internal control consist of policies and procedures designed to provide management with reasonable assurance that the Company achieves its objectives in the following categories:

- reliability of financial reporting;
- effectiveness and efficiency of operations; and
- compliance with applicable laws and regulations.

The systems of internal control have been maintained within reasonable cost and are assessed on an ongoing basis by the Company's Board and, if considered appropriate and necessary, by external professional bodies. It is in the opinion of the Company that given the dynamic and ever-evolving nature of internal operation and industry conditions, the internal control systems can only safeguard against most of the unforeseeable circumstances. Therefore, the Company's internal control systems are subject to occasional reviews and updates.

The Board is of the view that the Group's internal control systems are effective to achieve the Group's internal control objectives. The improved systems are now strictly adhered to by the Group and will be reviewed annually.

DIRECTORS' AND AUDITORS' ACKNOWLEDGEMENT

All Directors acknowledge their responsibility for preparing the financial statements for the year ended 31 December 2008.

Shu Lun Pan Horwath Hong Kong CPA Limited, the auditors' of the Company, acknowledges its reporting responsibilities in the independent auditors' report on the financial statements for the year ended 31 December 2008.

INDEPENDENT AUDITORS' REPORT

Horwath

Shu Lun Pan Horwath Hong Kong CPA Limited
香港立信浩華會計師事務所有限公司
20th Floor Central Plaza
18 Harbour Road
Wanchai, Hong Kong
Teleophone : (852) 2526 2191
Facsimile : (852) 2810 0502
horwath@horwath.com.hk
www.horwath.com.hk

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 28 to 107, which comprise the consolidated and Company balance sheets as at 31 December 2008, the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors of the Company are responsible for the preparation and the true and fair presentation of the 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.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on the financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance, 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.

INDEPENDENT AUDITORS' REPORT

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 auditors consider 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 December 2008 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

SHU LUN PAN HORWATH HONG KONG CPA LIMITED
Certified Public Accountants

24 April 2009
Li Pak Ki
Practising Certificate number P01330

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

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000 (Restated)
CONTINUING OPERATION			
Turnover	5	108,130	81,428
Other income and gains	6	54,660	26,473
Fuel costs		(88,940)	(44,276)
Depreciation and amortisation	9	(20,235)	(27,988)
Employee costs	9	(18,574)	(16,567)
Impairment loss on construction in progress	17	(3,459)	(3,165)
Change in fair value of the derivative component of convertible bonds	28	(6,943)	—
Concession intangible assets maintenance provision	29	(5,419)	—
Other operating expenses		(34,745)	(27,820)
Finance costs	8	(25,194)	(23,713)
Loss before taxation		(40,719)	(35,628)
Income tax	10	3	—
Loss for the year from continuing operation		(40,716)	(35,628)
DISCONTINUED OPERATIONS			
Profit for the year from discontinued operations	34	—	246
Loss for the year	9	(40,716)	(35,382)
Attributable to:			
Equity holders of the Company		(37,865)	(31,111)
Minority interests		(2,851)	(4,271)
		(40,716)	(35,382)
Dividends	12	—	—
Loss per share-basic (HK cents per share)	13		
— from continuing and discontinued operations		(1.36)	(2.69)
— from continuing operation		(1.36)	(2.71)

The accompanying notes form part of these financial statements.

CONSOLIDATED BALANCE SHEET

As at 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000 (Restated)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	14	5,055	5,631
Concession intangible assets	15	381,661	352,777
Land use rights	16	4,646	4,447
Construction in progress	17	—	—
Goodwill	20	27,261	25,642
Pledged bank deposits	19	17,038	16,026
		435,661	404,523
Current assets			
Inventories	21	12,312	1,822
Trade and other receivables	22	51,245	25,369
Tax recoverable		—	29
Bank balances and cash	23	254,092	46,893
		317,649	74,113
Assets of a disposal group classified as held for sale	34	—	17
		317,649	74,130
Current liabilities			
Trade and other payables	24	74,889	71,361
Convertible notes	26	—	20,000
Convertible preference shares	27	—	78,570
Amount due to a minority shareholder of a subsidiary	39(iii)	—	923
Amount due to shareholder	39(i)	441	—
Loan from a director	39(iv)	—	15,100
		75,330	185,954
Liabilities directly associated with the assets classified as held for sale	34	—	2,936
		75,330	188,890

CONSOLIDATED BALANCE SHEET (Continued)

As at 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000 (Restated)
Net current assets/(liabilities)		242,319	(114,760)
Non-current liabilities			
Bank loans	25	258,986	251,608
Provision for maintenance of concession intangible assets	29	5,419	—
Convertible bonds	28	57,296	—
		321,701	251,608
Net assets		356,279	38,155
EQUITY			
Share capital	31	81,570	11,570
Reserves		271,687	21,057
Equity attributable to equity holders of the Company		353,257	32,627
Minority interests		3,022	5,528
Total equity		356,279	38,155

These financial statements were approved and authorised for issue by the board of directors on 24 April 2009.

Liang Jun
Director

Yu Sau Lai
Director

The accompanying notes form part of these financial statements.

BALANCE SHEET

As at 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000 (Restated)
ASSETS AND LIABILITIES			
Non-current assets			
Interests in subsidiaries	18	55,557	19,879
Current assets			
Other receivables	22	728	194
Bank balances and cash	23	244,519	8,196
		245,247	8,390
Current liabilities			
Other payables	24	4,296	5,693
Amount due to a subsidiary	39(iii)	1,332	—
Amount due to shareholder	39(i)	441	—
Loan from a director	39(iv)	—	15,100
Convertible notes	26	—	20,000
Convertible preference shares	27	—	78,570
		6,069	119,363
Net current assets/(liabilities)		239,178	(110,973)
Non-current liabilities			
Convertible bonds	28	57,296	—
Net assets/(liabilities)		237,439	(91,094)
EQUITY			
Share capital	31	81,570	11,570
Reserves	33	155,869	(102,664)
Total equity		237,439	(91,094)

These financial statements were approved and authorised for issue by the board of directors on 24 April 2009.

Liang Jun
Director

Yu Sau Lai
Director

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2008

	Attributable to equity holders of the Company								
	Share capital HK$'000 (Note 31)	Share premium HK$'000 (Note 33)	Share option reserve HK$'000 (Note 32)	Equity component of convertible notes HK$'000 (Note 26)	Translation reserve HK$'000 (note)	Accu-mulated losses HK$'000	Total HK$'000	Minority interests HK$'000	Total equity HK$'000
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	–	–	–	–	4,351	–	4,351	345	4,696
Reclassification (Note 27)	–	4,190	–	–	–	–	4,190	–	4,190
Total income recognised directly in equity	–	4,190	–	–	4,351	–	8,541	345	8,886
Loss for the year	–	–	–	–	–	(37,865)	(37,865)	(2,851)	(40,716)
Total income and expenses for the year	–	4,190	–	–	4,351	(37,865)	(29,324)	(2,506)	(31,830)
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 December 2008	81,570	744,098	5,742	–	14,982	(493,135)	353,257	3,022	356,279

Note:

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).

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

For the year ended 31 December 2008

	Attributable to equity holders of the Company									
	Share capital HK$'000 (Note 31)	Share premium HK$'000 (Note 33)	Share option reserve HK$'000 (Note 32)	Equity component of convertible notes HK$'000 (Note 26)	Equity component of convertible preference shares HK$'000 (Note 27)	Translation reserve HK$'000 (note)	Accu-mulated losses HK$'000	Total HK$'000	Minority interests HK$'000	Total equity HK$'000
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 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 year ended 31 December 2008

	2008 HK$'000	2007 HK$'000 (Restated)
Operating activities		
Loss before taxation - from continuing operation	(40,719)	(35,628)
Profit before taxation - from discontinued operations	—	246
Adjustments for:		
Gains on liquidation and disposal of subsidiaries	(3,726)	—
Gain on disposal of investments held for trading	—	(140)
Bank interest income	(1,112)	(120)
Depreciation of property, plant and equipment	1,097	27,913
Amortisation of land use rights	82	75
Amortisation of concession intangible assets	19,056	—
Loss on disposal of property, plant and equipment	139	470
Impairment loss on construction in progress	3,459	3,165
Reversal of provision for impairment of other receivables	(13,405)	(20,770)
Equity-settled share-based payment expenses	13	25
Interest on bank loans	20,657	17,740
Interest on loan from a director	234	100
Interest on amount due to a shareholder	446	—
Interest on convertible bonds	675	—
Interest on convertible preference shares	3,182	5,873
Interest expenses waived on convertible notes	—	(604)
Interest expenses waived on convertible preference shares	(5,472)	—
Gain on redemption of convertible preference shares	(11,290)	—
Change in fair value of the derivative component of convertible bonds	6,943	—
Provision for maintenance of concession intangible assets	5,419	—
Effect of foreign exchange rate changes	(5,722)	(5,627)
Operating cash flows before working capital changes	(20,044)	(7,282)
Increase in inventories	(10,490)	(1,333)
(Increase)/decrease in trade and other receivables	(25,300)	33,548
Decrease in amount due from a director	—	500
Increase in trade and other payables	16,720	25,017
(Decrease)/increase in amount due to a minority shareholder of a subsidiary	(923)	22
Cash (used in)/generated from operations	(40,037)	50,472
Income tax refunded/(paid)	3	(29)
Interest paid on bank loans	(20,657)	(17,740)
Interest received	1,112	120
Interest paid on loan from a shareholder	(5)	—
Interest paid on loan from a director	(334)	—
Net cash (used in)/generated from operating activities	(59,918)	32,823

CONSOLIDATED CASH FLOW STATEMENT (Continued)

For the year ended 31 December 2008

	2008 HK$'000	2007 HK$'000 (Restated)
Investing activities		
Purchase of property, plant and equipment	(502)	(24,208)
Additions to concession intangible assets	(35,276)	—
Payments for construction in progress	(3,459)	(2,314)
Proceeds from disposal of investments held for trading	—	216
VAT refund for property, plant and equipment	—	11,288
Proceeds from disposal of property, plant and equipment	—	508
VAT refund for additions to concession intangible assets	9,597	—
Net cash used in investing activities	(29,640)	(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	(8,519)	(4,808)
Redemption of convertible preference shares	(60,800)	—
Redemption of convertible notes	(20,000)	—
Loan from a director	—	15,000
Repayment of loan from a director	(15,000)	—
Net cash generated from financing activities	295,301	20,876
Net increase in cash and cash equivalents	205,743	39,189
Cash and cash equivalents at beginning of the year	46,910	7,666
Cash attributable to liquidation and disposal of subsidiaries	(56)	—
Effect of foreign exchange rate changes	1,495	55
Cash and cash equivalents at end of the year representing bank balances and cash	254,092	46,910

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

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 year, 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 describe below.

The adoption of HK(IFRIC) - Int 11 "HKFRS 2 - Group and treasury share transactions", HK(IFRIC) - Int 14 "HKAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction" and HKAS 39 & HKFRS 7 Amendments "Reclassification of financial assets" has no impact on the financial statements.

(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 year.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

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 year adjustment is required.

The effects of changes in the accounting policies arising from the adoption of HK(IFRIC) - Int 12 are as follows:

	31 December 2007 HK$'000 (Originally reported)	Changes HK$'000	31 December 2007 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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

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

(b) Standards and Interpretations issued but not yet effective

At the date of authorisation of the 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 cancellations	(i)
HKFRS 7 (Amendment)	Improving disclosures about financial instruments	(i)
HKAS 27 (Revised)	Consolidated and separate financial statements	(ii)
HKAS 39 (Amendment)	Eligible hedged items	(ii)
HKFRS 1 (Revised)	First-time adoption of HKFRSs	(ii)
HKFRS 3 (Revised)	Business combinations	(ii)
HK(IFRIC) - Int 17	Distributions of non-cash assets to owners	(ii)
HK(IFRIC) - Int 13	Customer loyalty programmes	(iii)
HK(IFRIC) - Int 16	Hedges of a net investment in a foreign operation	(iv)
HK (IFRIC) - Int 9 & HKAS 39 (Amendments)	Embedded derivatives	(v)
HK(IFRIC) - Int 18	Transfers of assets from customers	(vi)
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)

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

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

(b) Standards and Interpretations issued but not yet effective *(Continued)*

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

(v) Annual periods ending on or after 30 June 2009

(vi) Transfers of assets from customers received on or after 1 July 2009

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 ("Listing Rules").

(b) Basis 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(c) Basis of consolidation

These financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December for each year.

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

All significant intercompany transactions, balances and unrealised gains on transactions between Group enterprises are eliminated in full on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment on the asset transferred.

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

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.

The gain or loss on disposal of subsidiaries 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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(e) Subsidiaries

Subsidiaries are entities in which the Group has the power to govern the financial and operating policies, so as to obtain benefits from their activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

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:

Buildings, 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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

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 profit or 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(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 method, except for short-term receivables when the recognition of interest would be immaterial.

ii) Impairment of financial assets

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.

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

— for trade and other 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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(k) Financial assets *(Continued)*

ii) Impairment of financial assets (Continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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

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

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.

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 convertible 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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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

iv) Convertible preference shares and convertible bonds

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.

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 expenses 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.

v) Financial liabilities

The Group's other 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.

vi) 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.

vii) Derecognition of financial liabilities

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(m) 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.

(n) 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.

(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 remote.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(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 year. 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.

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 and interests 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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(p) Taxation *(Continued)*

ii) Deferred tax (Continued)

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(q) Foreign currencies *(Continued)*

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.

(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 December 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 December 2008.

iii) *Equity-settled share-based payments*

The Group issues share options to certain employees. Equity-settled share-based payments 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 equity-settled share-based payments 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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

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.

iii) Interest income is accrued on a time-apportioned 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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(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 Group for the cost of an asset are deducted in arriving at the carrying amount of the assets and consequently are recognised in profit or loss over the useful life of the related assets.

(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.

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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

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) — Int12, 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

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

(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 December 2008, the carrying amount of goodwill was HK$27,261,000 (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, which is also revenue, represents the amount received and receivable for waste incineration power generation and waste handling fees:

	2008 **HK$'000**	**2007** **HK$'000** (Restated)
From continuing operation:		
Waste incineration power generation income	102,410	76,782
Waste handling fees	5,720	4,646
	108,130	81,428

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

6. OTHER INCOME AND GAINS

	2008 HK$'000	2007 HK$'000 (Restated)
From continuing operation:		
VAT refund on waste incineration power generation income (note)	15,786	—
Gains on liquidation and disposal of subsidiaries (Note 35)	3,726	—
Reversal of provision for impairment of other receivables (Note 22)	13,405	20,770
Interest expenses waived on convertible notes (Note 26)	—	604
Interest expenses waived on convertible preference shares (Note 27)	5,472	—
Gain on redemption of convertible preference shares (Note 27)	11,290	—
Bank interest income	1,112	120
Gain on disposal of investments held for trading	—	140
Net exchange gains	3,840	4,809
Others	29	30
	54,660	26,473
From discontinued operations:		
Net exchange gains (Note 34)	—	364

Note:

During the year, **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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

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 segment was discontinued during the previous year.

For the year ended 31 December 2008

	Continuing operation	Discontinued operations	
	Waste incineration power generation business HK$'000	Computer hardware and maintenance support and related services HK$'000	Consolidated HK$'000
Results			
Turnover	108,130	—	108,130
Segment results	(7,903)	—	(7,903)
Unallocated corporate income and expenses (net)			(7,622)
Loss from operations			(15,525)
Finance costs			(25,194)
Loss before taxation			(40,719)
Income tax			3
Loss for the year			(40,716)
Minority interests			2,851
Loss for the year attributable to equity holders of the Company			(37,865)

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

7. SEGMENT INFORMATION *(Continued)*

For the year ended and as at 31 December 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	461,830	—	461,830
Unallocated corporate assets			291,480
Consolidated total assets			753,310
Segment liabilities	334,032	—	334,032
Unallocated corporate liabilities			62,999
Consolidated total liabilities			397,031
Other Information			
Capital expenditure	35,290	—	
Depreciation and amortisation	19,447	—	
Reversal of provision for impairment of other receivables	(13,405)	—	

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

7. SEGMENT INFORMATION *(Continued)*

For the year ended 31 December 2007

	Continuing operation	Discontinued operations	
	Waste incineration power generation business	Computer hardware and maintenance support and related services	Consolidated
	HK$'000 (Restated)	HK$'000 (Restated)	HK$'000 (Restated)
Results			
Turnover	81,428	—	81,428
Segment results	(25,419)	246	(25,173)
Gain on disposal of investments held for trading			140
Unallocated corporate income and expenses (net)			13,364
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)

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

7. SEGMENT INFORMATION *(Continued)*

For the year ended 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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

8. FINANCE COSTS

	2008 HK$'000	2007 HK$'000 (Restated)
From continuing operation:		
Interest on bank borrowings wholly repayable after five years	20,657	17,740
Imputed interest on convertible bonds (Note 28)	675	—
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	—
	25,194	23,713

9. LOSS FOR THE YEAR

	2008 HK$'000	2007 HK$'000 (Restated)
The Group's loss for the year is arrived at after charging/(crediting):		
Amortisation of concession intangible assets (Note 15)	19,056	—
Depreciation of property, plant and equipment (Note 14)	1,097	27,913
Amortisation of land use rights (Note 16)	82	75
	20,235	27,988
Auditors' remuneration	2,790	1,037
Loss on disposal of property, plant and equipment	139	470
Impairment loss on construction in progress (Note 17)	3,459	3,165
Change in fair value of the derivative component of convertible bonds (Note 28)	6,943	—
Concession intangible assets maintenance provision (Note 29)	5,419	—
Operating lease rentals in respect of land and buildings	1,836	1,347
Staff costs, including directors' remuneration (Note 11)		
— Salaries, wages and other benefits	17,796	15,943
— Equity-settled share-based payment expenses (Note 32)	13	25
— Contributions to defined contribution retirement scheme	765	599
	18,574	16,567
Net exchange gains	(3,840)	(5,173)
Reversal of provision for impairment of other receivables (Note 22)	(13,405)	(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)

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

10. INCOME TAX

(a) 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 year (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 year (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.

(b) The taxation credit for the year can be reconciled to the accounting losses as follows:

	2008 HK$'000	**2007 HK$'000**
Loss before taxation		
— continuing operation	(40,719)	(35,628)
— discontinued operations	—	246
	(40,719)	(35,382)
Taxation calculated at Hong Kong profits tax rate of 16.5% (2007: 17.5%)	(6,719)	(6,192)
The effect of expenses not deductible for taxation purpose	11,246	30,391
Tax effect of non-taxable items	(4,574)	(24,151)
Tax effect of unrecognised tax losses and temporary differences	47	(48)
Overprovision in prior years	3	—
Tax credit for the year	3	—

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

11. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

Year ended 31 December 2008

	Directors' fees HK$'000	Salaries, and other benefits HK$'000	Pension fund con-tributions HK$'000	Total HK$'000
Executive directors				
Liang Jun	—	780	12	792
Chan Wai Ming (i)	—	780	12	792
Chan Ka Fat	—	682	12	694
Non-executive directors				
His Royal Highness Prince Idris (ii)	—	—	—	—
Alan Grant Quasha (ii)	—	—	—	—
Tse On Kin	392	—	—	392
Independent non-executive directors				
Chan Chi Yuen	102	—	—	102
Tsang Kwok Wa	102	—	—	102
Zhang Xi	102	—	—	102
	698	2,242	36	2,976

(i) Resigned as director of the Company with effect from 30 March 2009.

(ii) Resigned as director of the Company with effect from 29 January 2008.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

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

(a) Directors' emoluments *(Continued)*

Year ended 31 December 2007

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

(iii) Re-designated from executive director to non-executive director on 1 April 2007.

(iv) Resigned as director of the Company with effect from 1 April 2007.

(v) Resigned as director of the Company with effect from 9 May 2007.

(vi) Resigned as director of the Company with effect from 19 July 2007.

(vii) Resigned as director of the Company with effect from 12 September 2007.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

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 remaining two highest paid non-director individual for the year ended 31 December 2007 and 2008, are as follows:

	2008 HK$'000	2007 HK$'000
Salaries and other benefits	1,066	1,061
Contributions to defined contribution retirement scheme	24	21
	1,090	1,082

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

	2008 Number of employees	2007 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 years.

12. DIVIDENDS

No dividend has been paid or declared by the Company during the year (2007: Nil).

The directors do not recommend the payment of any dividend for the year (2007: Nil).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

13. LOSS PER SHARE — BASIC

(a) Loss for the 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:

	2008 HK$'000	2007 HK$'000 (Restated)
Loss for the year attributable to equity holders of the Company	(37,865)	(31,111)
Less:		
Profit for the year from discontinued operations used in the calculation of basic earnings per share from discontinued operations	—	246
Loss for the year used in the calculation of basic loss per share from continuing operation	(37,865)	(31,357)

(b) Weighted average number of ordinary shares

2,791,492,853 ordinary shares were in issue during the year ended 31 December 2008 (2007: 1,157,027,100).

	2008 HK cents	2007 HK cents (Restated)
Basic (loss)/earnings per share from:		
— continuing operation	(1.36)	(2.71)
— discontinued operations	—	0.02
Continuing and discontinued operations	(1.36)	(2.69)

(c) Diluted loss per share was not presented for both years as the potential ordinary shares are anti-dilutive.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

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 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 classified as held for sale (Note 34)	—	—	(33)	—	(33)
As at 31 December 2007 (restated)	2,658	718	3,162	2,282	8,820
Exchange adjustments	168	15	112	64	359
Through disposal of subsidiaries (Note 35)	—	—	(370)	—	(370)
Additions	—	—	502	—	502
Disposals	(85)	—	(364)	(1,452)	(1,901)
As at 31 December 2008	2,741	733	3,042	894	7,410
Accumulated depreciation:					
As at 1 January 2007	192	98	1,702	1,795	3,787
Assets classified as held for sale (Note 34)	—	—	(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	20	5	32	40	97
Charge for the year (Note 9)	131	212	358	396	1,097
Written back on disposal	—	—	(364)	(1,312)	(1,676)
Through disposal of subsidiaries (Note 35)	—	—	(352)	—	(352)
As at 31 December 2008	466	351	951	587	2,355
Net carrying amount:					
As at 31 December 2008	2,275	382	2,091	307	5,055
As at 31 December 2007 (restated)	2,343	584	1,885	819	5,631

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

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

Notes:

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 net carrying amount at 31 December 2008 of HK$1,504,932 (2007: HK$1,850,108) to secure banking facilities granted to the Group (Note 25).

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

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	35,276
VAT refund for additions (note b)	(9,597)
Exchange adjustments	22,288
As at 31 December 2008	400,744
Accumulated amortisation:	
As at 31 December 2007	—
Charge for the year (Note 9)	19,056
Exchange adjustments	27
As at 31 December 2008	19,083
Net carrying amount:	
As at 31 December 2008	381,661
As at 31 December 2007 (restated)	352,777

Notes:

a) The Group has been granted by the Dongguan Provincial Government the concession for operating 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 net carrying amount at 31 December 2008 of HK$381,661,000 (2007 (restated): HK$352,777,000) to secure banking facilities granted to the Group (Note 25).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

16. LAND USE RIGHTS

	The Group HK$'000
Cost:	
As at 1 January and 31 December 2007	4,570
Exchange adjustments	288
As at 31 December 2008	4,858
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 year (Note 9)	82
Exchange adjustments	7
As at 31 December 2008	212
Net carrying amount:	
As at 31 December 2008	4,646
As at 31 December 2007	4,447

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

17. CONSTRUCTION IN PROGRESS

	The Group	
	2008	**2007**
	HK$'000	**HK$'000**
		(Restated)
Cost:		
As at beginning of year	—	92,572
Exchange adjustments	—	6,559
Additions	3,459	2,314
Other adjustments (note)	—	(14,600)
Transferred to property, plant and equipment (Note 14)	—	(81,469)
Impairment loss (Note 9)	(3,459)	(3,165)
Reclassification as concession intangible assets (Note 2(a))	—	(2,211)
As at end of year	—	—

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

18. INTERESTS IN SUBSIDIARIES

	The Company	
	2008	**2007**
	HK$'000	**HK$'000**
Unlisted shares, at cost	1	1
Amounts due from subsidiaries	299,632	587,882
	299,633	587,883
Less: Impairment loss	(244,076)	(568,004)
	55,557	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, a provision for impairment loss was made.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

18. INTERESTS IN SUBSIDIARIES *(Continued)*

Particulars of the Company's principal subsidiaries as at 31 December 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 US$1	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
Sharprise Holdings Limited	British Virgin Islands	1 ordinary share of US$1	–	100%	Investment holding
東莞中科環保電力有限公司 ("東莞中科")	PRC, limited liability company	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")	PRC, limited liability company	RMB41,471,279	–	100%	Waste incineration power generation business

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year 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 year 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 December 2008, the Group had pledged bank deposits of RMB15,000,000, equivalent to HK$17,038,500 (2007: RMB15,000,000, equivalent to HK$16,026,000) to secure certain bank loans granted to the Group (Note 25).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

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	2,421
As at 31 December 2008	40,747
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	802
As at 31 December 2008	13,486
Net carrying amount:	
As at 31 December 2008	27,261
As at 31 December 2007	25,642

Goodwill acquired in a business combination is allocated, on 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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

20. GOODWILL *(Continued)*

During the year, 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 20 years. The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. Key assumption used for value-in-use calculation are as follows:

	2008	2007
Growth rate	3.00%	2.35%
Discount rate	15.30%	15.00%

Management estimated the budgeted gross margin based on the past performance and their expectations for market development.The discount rate used is pre-tax and reflects specific risks relating to the relevant segments.

21. INVENTORIES

	The Group	
	2008 HK$'000	2007 HK$'000
Fuel and supplies for power generation	12,312	1,822

22. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000
Trade receivables	11,165	11,456	–	–
Less: Allowance for doubtful debts	–	(3,008)	–	–
Trade receivables, net	11,165	8,448	–	–
Other receivables	117,747	167,990	36,628	36,094
Less: Allowance for doubtful debts	(77,667)	(151,069)	(35,900)	(35,900)
Other receivables, net	40,080	16,921	728	194
	51,245	25,369	728	194

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

22. TRADE AND OTHER RECEIVABLES *(Continued)*

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

	The Group	
	2008 HK$'000	2007 HK$'000
At beginning of the year	3,008	3,008
Provision attributable to liquidated and disposed subsidiaries (Note 35)	(3,008)	—
At end of the 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 year, including both specific and collective loss components, is as follows:

	The Group		The Company	
	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000
At beginning of the year	151,069	177,021	35,900	35,900
Reversal of provision (Notes 6 and 9)	(13,405)	(20,770)	—	—
Provision attributable to liquidated and disposed subsidiaries (Note 35)	(63,259)	—	—	—
Uncollectible amounts written off	—	(9,387)	—	—
Exchange adjustments	3,262	4,205	—	—
At end of the year	77,667	151,069	35,900	35,900

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

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	
	2008	**2007**
	HK$'000	**HK$'000**
Trade receivables		
— 0 to 30 days	10,281	7,968
— over 30 days	884	480
	11,165	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	
	2008	**2007**
	HK$'000	**HK$'000**
Neither past due nor impaired	10,281	7,968
Less than 1 month past due	884	480
	11,165	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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

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	
	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000
Hong Kong dollars	36,926	1,252	728	194
Renminbi	14,319	24,117	—	—
	51,245	25,369	728	194

23. BANK BALANCES AND CASH

	The Group		The Company	
	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000
Cash and bank balances	11,240	39,815	1,667	1,118
Time deposits	242,852	7,078	242,852	7,078
Cash and bank balances	254,092	46,893	244,519	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	
	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000
Hong Kong dollars	244,829	8,278	244,519	8,196
Renminbi	9,263	38,615	—	—
	254,092	46,893	244,519	8,196

Renminbi ("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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

24. TRADE AND OTHER PAYABLES

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

	The Group		The Company	
	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000
Current and up to 30 days	32,469	7,290	—	—
31 to 60 days	—	2,606	—	—
Over 90 days	—	2,002	—	—
Total trade payables	32,469	11,898	—	—
Other payables	42,420	59,463	4,296	5,693
	74,889	71,361	4,296	5,693

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

	The Group		The Company	
	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000
Hong Kong dollars	5,252	5,962	4,296	5,693
Renminbi	69,637	65,399	—	—
	74,889	71,361	4,296	5,693

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

25. BANK LOANS

	The Group	
	2008 HK$'000	2007 HK$'000
Wholly repayable after five years	258,986	251,608

The amount of bank loans in the original denominated borrowing currency is RMB228,000,000 (2007: RMB235,500,000). The average effective interest rate for the year is 7.98% (2007: 7.08%) per annum. The directors estimated that the fair value of the bank loans is not significantly different from its carrying amount.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

25. BANK LOANS *(Continued)*

The bank loans are secured by a deposit of RMB15,000,000 equivalent to HK$17,038,500 (Note 19) (2007: RMB15,000,000 equivalent to HK$16,026,000). In addition, the Group pledged to the bank with property, plant and equipment amounted to RMB1,324,881 equivalent to HK$1,504,932 (Note 14) (2007: RMB1,731,663 equivalent to HK$1,850,108) and concession intangible assets amounted to RMB335,999,105 equivalent to HK$381,661,383 (Note 15) (2007: RMB330,192,314 equivalent to HK$352,777,469) in respect of the waste incineration power generation plant 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 notes 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% at the date of issue. 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 all of the Company's liabilities and obligations, including but not limited to interest payment obligations, under the convertible notes would be discharged. As a result, the liability component was stated at its principal repayment amount of HK$20,000,000 as at 31 December 2007.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

26. CONVERTIBLE NOTES *(Continued)*

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

	The Group and the Company	
	2008 HK$'000	2007 HK$'000
Liability component at 1 January	20,000	20,604
Interest expenses waived (Note 6)	—	(604)
Redemption	(20,000)	—
Liability component at 31 December	—	20,000

27. CONVERTIBLE PREFERENCE SHARES

On 5 July 2005, the Company issued convertible preference shares of principal amount of HK$100 million. 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 at the balance sheet dates, 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 year 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 the share price information of the Company for the past years is required in estimating the fair value of the derivative component of the convertible preference shares. However, this information is not available as the trading of the Company's shares on the Stock Exchange had been suspended since 29 September 2005.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

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. 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 an appropriate 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 for a resumption 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 of the equity component of the convertible preference shares 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	
	2008	**2007**
	HK$'000	**HK$'000**
At beginning of the year	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)	—
At end of the year	—	78,570

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

28. CONVERTIBLE BONDS

On 30 September 2008, the Company issued 2% convertible bonds at a nominal value of HK$200,000,000 with interest 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 financial liabilities consisting of liability and derivative components.

At the date of issue, the fair value of the derivative component was estimated by a firm of professional valuers using Black-Scholes Option Pricing Model, and this amount is carried as a derivative liability until extinguished on conversion or redemption. The balance 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 derivative component of the convertible bonds are set out as follows:

	31 December 2008	**30 September 2008**
Share price	HK$0.080	HK$0.072
Exercise price	HK$0.050	HK$0.050
Expected volatility	65.27%	57.96%
Expected option life	1.75 years	2 years
Expected dividends	nil	nil
Risk-free interest rate	0.549%	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 costs	(381)	—	(381)
Imputed interest (Note 8)	675	—	675
Changes in fair value (Note 9)	—	6,943	6,943
Partial conversion into ordinary shares	(51,121)	(98,820)	(149,941)
As at 31 December 2008	17,413	39,883	57,296

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

28. CONVERTIBLE BONDS *(Continued)*

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

29. PROVISION FOR MAINTENANCE OF CONCESSION INTANGIBLE ASSETS

The movement in the provision for maintenance of concession intangible assets during the year for the Group is as follows:

	2008 HK$'000	2007 HK$'000
At beginning of the year	—	—
Additional provision (Note 9)	5,419	—
At end of the year	5,419	—

The provision for maintenance of concession intangible assets 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 the financial statements as the Group and the Company did not have material temporary differences between the tax bases of assets and liabilities and their carrying amounts as at 31 December 2007 and 2008.

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

	The Group		The Company	
	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000
Tax effect of timing differences attributable to estimated tax losses	616	6,476	604	640

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

31. SHARE CAPITAL

(a) Authorised share capital

	Number of ordinary shares of HK$0.01 each		Amount	
	2008	2007	2008 HK$'000	2007 HK$'000
Authorised ordinary shares:				
At beginning and end of the year	120,000,000,000	120,000,000,000	1,200,000	1,200,000

	Number of preference shares of HK$0.01 each		Amount	
	2008	2007	2008 HK$'000	2007 HK$'000
Authorised preference shares class A:				
At beginning and end of the year	10,000,000,000	10,000,000,000	100,000	100,000
Authorised preference shares class B:				
At beginning and end of the year	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.

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:—

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

31. SHARE CAPITAL *(Continued)*

(a) Authorised share capital *(Continued)*

Preference Shares Class A (Continued)

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 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 subject 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
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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

31. SHARE CAPITAL *(Continued)*

(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 and 31 December 2007	1,157,027,100	11,570
New issue and allotment of shares (note a)	4,000,000,000	40,000
Issued on the conversion of the convertible bonds (note a and Note 28)	3,000,000,000	30,000
At 31 December 2008	8,157,027,100	81,570

Note:

a) The issued share capital of the Company was increased to HK$8,157,027,100 by:

1) the allotment of 4,000,000,000 ordinary shares of HK$0.05 each for cash on 30 September 2008 to provide additional working capital to the Company;

2) the issue of 3,000,000,000 ordinary shares at the conversion price of HK$0.05 each on the conversion of the convertible bonds in October 2008.

Such ordinary shares rank pari passu in all respects with the then existing ordinary shares of the Company.

32. SHARE OPTIONS

2002 Share Option Scheme

On 27 May 2002, a 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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

32. SHARE OPTIONS *(Continued)*

2002 Share Option Scheme *(Continued)*

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)			
Options granted to employees	**2008**	**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		

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

32. SHARE OPTIONS *(Continued)*

2002 Share Option Scheme *(Continued)*

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

32. SHARE OPTIONS *(Continued)*

2002 Share Option Scheme *(Continued)*

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

	2008		2007	
	Number of options '000	Weighted average exercise price HK$	Number of options '000	Weighted average exercise price HK$
Outstanding at the beginning of the year	36,000	0.4585	61,800	0.5726
Lapsed during the year	(34,800)	0.4505	(25,800)	0.6240
Outstanding at the end of the year	1,200	0.6892	36,000	0.4585
Exercisable at the end of the year	1,200	0.6892	35,400	0.4546

The options outstanding at 31 December 2008 had an exercise price between HK$0.688 and HK$0.69 (2007: HK$0.385 and HK$0.69) and a weighted average remaining contractual life of 2.99 years (2007: 6.71 years).

(c) Share option expenses of HK$13,000 (2007: HK$25,000) were recognised during the year.

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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

32. SHARE OPTIONS *(Continued)*

New Share Options *(Continued)*

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

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

(b) The number and exercise price of New Share Options are as follows:

	2008		2007	
	Number of options '000	Exercise price HK$	Number of options '000	Exercise price HK$
Outstanding at the beginning of the year	42,500	0.76	42,500	0.76
Lapsed during the year	(42,500)	0.76	—	—
Outstanding at the end of the year	—	—	42,500	0.76
Exercisable at the end of the year	—	—	42,500	0.76

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

32. SHARE OPTIONS *(Continued)*

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");

(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 criteria 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 options granted and to be granted to each participant in any 12-month period shall not exceed 1% of the shares 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 options; or (iii) the nominal value of an ordinary share.

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

33. RESERVES

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$'000 (Note 27)	Accumulated losses HK$'000	Total HK$'000
As at 1 January 2007	11,570	459,967	9,270	550	20,952	(545,936)	(43,627)
Total expense recognised directly in equity-reclassification (Note 27)	–	–	–	–	(20,952)	–	(20,952)
Loss for the year	–	–	–	–	–	(26,540)	(26,540)
Total expense for the year	–	–	–	–	(20,952)	(26,540)	(47,492)
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 recognised directly in equity-reclassification (Note 27)	–	4,190	–	–	–	–	4,190
Loss for the year	–	–	–	–	–	(25,611)	(25,611)
Total income and expense for the year	–	4,190	–	–	–	(25,611)	(21,421)
Shares issued at premium	40,000	160,000	–	–	–	–	200,000
Shares issued on conversion of convertible bonds (Note 28)	30,000	119,941	–	–	–	–	149,941
Redemption of convertible notes	–	–	–	(550)	–	550	–
Recognition of share option expenses (Note 32)	–	–	13	–	–	–	13
Share options lapsed (Note 32)	–	–	(1,291)	–	–	1,291	–
As at 31 December 2008	81,570	744,098	5,742	–	–	(593,971)	237,439

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

33. RESERVES *(Continued)*

The Company *(Continued)*

(a) Share premium

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

(b) Other reserves 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 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 year from the discontinued operations is analysed as follows:

	The Group	
	2008	**2007**
	HK$'000	**HK$'000**
Other income (Note 6)	—	364
Other operating expenses	—	(118)
Profit before taxation	—	246
Income tax	—	—
Profit for the year from discontinued operations	—	246

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

34. DISCONTINUED OPERATIONS *(Continued)*

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

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

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

	The Group 2008 HK$'000	The Group 2007 HK$'000
Net cash inflow from operating activities	–	246

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

35. DISPOSAL OF SUBSIDIARIES

On 1 January 2008, the Group derecognised its dormant subsidiaries in liquidation, and on 30 June 2008, the Group disposed of Xingning China Sciences Conservational Power Limited. The net assets of these subsidiaries at the date of disposal were as follows:

	2008 HK$'000
Non-current assets	
Property, plant and equipment	18
Current assets	
Trade and other receivables	66,271
Less: Allowance for doubtful debts (Note 22)	(66,267)
Tax recoverable	29
Amounts 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)
	(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: Amounts due from fellow subsidiaries	(7,981)
Less: Translation reserve	(529)
Gains on liquidation and disposal of subsidiaries (Note 6)	(3,726)
An analysis of the net cash outflow in respect of the liquidation and disposal of subsidiaries is as follows:	
Cash consideration	—
Bank balances and cash disposed of	(56)
Net cash outflow in respect of the liquidation and disposal of subsidiaries	(56)

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

36. RETIREMENT BENEFITS SCHEMES

The Company's subsidiaries in the PRC, in compliance with the applicable regulations of the PRC, participated in retirement benefits schemes 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 year ended 31 December 2008 were based on 12% (2007: 12%) of the employees' basic salaries in accordance with the relevant regulations in the PRC and amounted to HK$577,000 (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 schemes is to make the required contributions under the schemes. 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 Scheme") in compliance with the applicable regulations in Hong Kong for its staff at the end of 2000. The Group's contribution to the MPF scheme amounted to HK$155,000 during the year (2007: HK$146,000).

37. CAPITAL COMMITMENTS

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

	The Group	
	2008	**2007**
	HK$'000	**HK$'000**
Authorised and contracted for in respect of acquisition and construction of concession intangible assets	369	275

38. OPERATING LEASE COMMITMENTS

	The Group	
	2008	**2007**
	HK$'000	**HK$'000**
Minimum lease payments under operating leases charged as expense in the year	1,836	1,468

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

38. OPERATING LEASE COMMITMENTS *(Continued)*

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

	The Group	
	2008	**2007**
	HK$'000	**HK$'000**
Within one year	1,717	1,863
In the second to fifth years inclusive	1,058	3,381
	2,775	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 year, 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 year. The interest charged for the year was HK$446,000 (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 ordinary shares in the Company at the subscription price of HK$0.05 per share, and to issue convertible bonds in the principal amount of HK$68,000,000 to King Castle. Upon the exercise of the conversion rights attached to the convertible bonds by King Castle, 1,360,000,000 new ordinary shares of the Company were issued to King Castle.

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 year. The interest charged for the year was HK$234,000 (2007: HK$100,000).

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

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 owners 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 pledged bank deposits and cash and bank balances. Total capital is calculated as equity, as shown in the balance sheet, plus net debt.

During the year ended 31 December 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 December 2007 and 2008 were as follows:

	The Group	
	2008	**2007**
	HK$'000	**HK$'000**
		(Restate)
Current liabilities	75,330	188,890
Non-current liabilities	321,701	251,608
Total borrowings	397,031	440,498
Less: Pledged bank deposits (Note 19)	(17,038)	(16,026)
Less: Cash and bank balances (Note 23)	(254,092)	(46,893)
Net debt	125,901	377,579
Total equity	356,279	38,155
Total capital	482,180	415,734
Gearing ratio	26%	91%

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

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, currency risk and equity price risk arising from movements in its own equity share price.

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 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 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% (2007: 65%) and over 99% (2007: 94%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively. The credit risk arising from the Group's largest customers is not considered to be high as it is a local government authority.

The maximum exposure to credit risk in the event that the counterparties fail to perform their obligations as at the 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 Company'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 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 long term.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

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

2008	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000
Trade and other payables	74,889	74,889	74,889	–	–	–
Amount due to a shareholder	441	441	441	–	–	–
Convertible bonds	57,296	52,130	1,382	50,748	–	–
Bank loans	258,986	366,700	18,598	18,598	55,795	273,709
	391,612	494,160	95,310	69,346	55,795	273,709

2007	Carrying Amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'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	–	–	–
Convertible preference shares	78,570	81,752	81,752	–	–	–
Bank loans	251,608	372,818	18,069	18,069	54,205	282,475
	437,562	561,954	207,205	18,069	54,205	282,475

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

41. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Liquidity risk *(Continued)*

The Company

2008	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000
Other payables	4,296	4,296	4,296	—
Amounts due to subsidiaries	1,332	1,332	1,332	—
Amount due to a shareholder	441	441	441	—
Convertible bonds	57,296	52,130	1,382	50,748
	63,365	58,199	7,451	50,748

2007	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000
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	—

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

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. The Group's interest rate profile as monitored by management is set out below:

	The Group			
	Effective Interest Rate %	2008 HK$'000	Effective Interest Rate %	2007 HK$'000
Fixed rate borrowings:				
Loan from a director	—	—	2%	15,100
Convertible bonds	2%	57,296	—	—
Convertible notes	—	—	0%	20,000
Convertible preference shares	—	—	11.35%	78,570
		57,296		113,670
Variable rate borrowings:				
Bank loans	7.97%	258,986	7.98%	251,608
Total borrowings		316,282		365,278
Fixed rate borrowings as a percentage of total borrowings		18%		31%

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

41. FINANCIAL RISK MANAGEMENT *(Continued)*

(c) Interest rate risk *(Continued)*

	The Company			
	Effective Interest Rate %	2008 HK$'000	Effective Interest Rate %	2007 HK$'000
Fixed rate borrowings:				
Loan from a director	—	—	2%	15,100
Convertible bonds	2%	57,296	—	—
Convertible notes	—	—	0%	20,000
Convertible preference shares	—	—	11.35%	78,570
		57,296		113,670

At 31 December 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 HK$2,590,000 (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 year ended 31 December 2007.

(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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

41. FINANCIAL RISK MANAGEMENT *(Continued)*

(d) Currency risk *(Continued)*

An analysis of 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 rate. Where RMB strengthens against HKD by 9%, the Group's loss will be increased by HK$3,785,000 (2007: HK$2,365,000) and the accumulated losses will be increased by the same amount. For a weakening of RMB against HKD, there would be an equal and opposite impact on the loss for the year and accumulated losses. No analysis is performed for 2007 as the Group was not exposed to such risk.

(e) Equity price risk

The Group is exposed to equity price risk arising from changes in the Company's own share price to the extent that the Company's own equity instruments underlie the fair values of derivatives of the Group. As at the balance sheet date the Group is exposed to this risk through the conversion rights attached to the convertible bonds issued by the Company as disclosed in Note 28.

Sensitivity analysis

The following table indicates the approximate change in the Group's loss for the year and other components of consolidated equity in response to reasonably possible changes in the Company's own share price (for the conversion option of the convertible bonds) to which the Group and the Company have significant exposure at the balance sheet date. A positive number below indicates an increase in loss and other equity where the relevant equity price increased by 10%. Had the relevant equity price been 10% lower, there would be an equal and opposite impact on the loss and other equity, and the balances below would be negative.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

41. FINANCIAL RISK MANAGEMENT *(Continued)*

(e) Equity price risk *(Continued)*

The Group and Company	2008 Increase in the relevant risk variable	2008 Effect on loss for the year and accumulated losses HK$'000	2008 Effect on other components of equity HK$'000	2007 Increase in the relevant risk variable	2007 Effect on loss for the year and accumulated losses HK$'000	2007 Effect on other components of equity HK$'000
– Company's own share price	10%	6,811	–	N/A	N/A	N/A

The sensitivity analysis has been determined assuming that the reasonably possible change in the relevant risk variables had occurred at the balance sheet date and had been applied to the exposure to equity price risk in existence at that date. It is also assumed that the fair value of the Group's equity would change in accordance with the historical correlation with the relevant risk variables that other relevant risk variables, and that all other variables remain constant. The stated change represent management's assessment of reasonably possible change in the relevant risk variable over the period until the next annual balance sheet date. No analysis is performed for 2007 as the Group was not exposed to such risk.

(f) Fair values

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

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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

42. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

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

	2008 HK$'000	2007 HK$'000
Financial assets		
Loans and receivables (including cash and bank balances)	322,375	88,305
Financial liabilities		
Fair value through profit or loss		
— Derivative component of convertible bonds	39,883	—
Financial liabilities measured at amortised cost	357,148	440,498

43. POST BALANCE SHEET EVENTS

On 17 March 2009, Sharprise Holdings Limited ("Sharprise"), a wholly-owned subsidiary of the Company as purchaser entered into a sale and purchase agreement (the "SP Agreement") with Fast Sky Holdings Limited ("Fast Sky") as the vendor and Mr. Zhu Gongshan as the vendor's guarantor and sole shareholder. Pursuant to the SP Agreement, Fast Sky agreed to sell and Sharprise agreed to purchase 70% of the issued share capital of Gofar Holdings Limited ("Gofar"). Fast Sky will procure the purchase by Gofar of equity interests in three companies incorporated in the PRC (the "PRC Companies") which had been approved to carry on the business of construction of a railway in the Hebei Province (河北省), the PRC. As at 31 December 2008, two of the PRC Companies had been acquired by China Railway Logistic Holdings Limited ("China Railway Logistic") which is an indirect wholly-owned subsidiary of Gofar.

Pursuant to the Convertible Bonds Subscription Agreement dated 17 March 2009 between Mr. Zhu Gongshan, Top Fast Holdings Limited, China Railway Logistic, Sharprise and Fast Sky, China Railway Logistic agreed to issue Convertible Bonds in the principal amount of not less than HK$391,937,000 and not more than HK$402,500,000 to finance the construction of the railway. A sum of HK$35,000,000 has been paid by the Group to China Railway Logistic as earnest money as at the date of approval of these financial statements.

44. PENDING LITIGATION

1) (a) On 6 January 2009, the Company issued a writ of summons against Mr. Chan Tat Chee ("Mr. Chan"), a former director of the Company, to claim for the return of a sum of HK$3,000,000 which had been deposited into Mr. Chan's personal account in July 2005 (the "Initial Claim").

Mr. Chan filed and served a defence and counterclaim on 20 February 2009 (which was amended on 2 March 2009) to deny the Initial Claim and counterclaimed against the Company for a total sum of HK$17,406,206 by alleging that such sum was loans granted by him to the Company (the "Counterclaim")

The Company is pursing the Initial Claim and defending the Counterclaim.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

44. PENDING LITIGATION *(Continued)*

(b) The Company received a writ of summons on 9 March 2009 filed by Mr. Chan who claimed against the Company for a sum of HK$1,500,000 being his loan advanced to the Company in February 2005 (the "Second Claim"). The Company has records to show that such sum of HK$1,500,000 was instead a repayment from Mr. Chan to the Company for a sum in the same amount advanced to him previously. The Company is defending the Second Claim.

(c) On 27 March 2009, the Company issued a writ of summons against Mr. Chan to claim against him for a total sum of HK$25,183,600 being funds as admitted by Mr. Chan to have been stolen and/or misappropriated by him, either personally or conspired with others, from the Company at the time when he pleaded guilty to certain criminal charges against him in the District Court of Hong Kong in September 2006. Mr. Chan had acknowledged that he intended to defend the case.

Based on the existing information available to the Company and to the best knowledge of the Company, the directors consider that the claims against the Company as mentioned above do not have any valid grounds, with most of these claims are either repayments of loans or advances granted by the Company or the returns of certain parts of funds misappropriated by Mr. Chan. The Group has fully provided for the stolen and misappropriated funds by Mr. Chan in prior years.

2) On 3 March 2009, a supplier in the PRC filed a claim with a PRC court against the Company's subsidiary **東莞中科** demanding payments of RMB585,000 (equivalent to HK$665,000) for the unpaid plant and machinery delivered to **東莞中科** during 2006 and 2007 ("Supplier's Claim").

The directors, after obtaining PRC legal advice, considered that as the legal proceedings in respect of the above litigation are still at a preliminary stage and that the Supplier's Claim is without merit and will be strongly contested, no provision in respect of the Supplier's Claim would be required to be made in the financial statements.

45. COMPARATIVE AMOUNTS

At 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 auditors' 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 24 April 2009.

FIVE-YEAR FINANCIAL SUMMARY

Year ended 31st December

	2008 HK$'000	2007 HK$'000 (Restated)	2006 HK$'000	2005 HK$'000	2004 HK$'000
RESULTS					
Turnover:					
Continuing operation	108,130	81,428	24,965	—	—
Discontinued operations	—	—	31,666	707,003	338,140
	108,130	81,428	56,631	707,003	338,140
Profit/(loss) before tax:					
Continuing operation	(40,719)	(35,628)	(31,289)	(261,013)	—
Discontinued operations	—	246	(1,004)	(9,058)	(9,129)
Income tax	3	—	—	—	—
	(40,716)	(35,382)	(32,293)	(270,071)	(9,129)
Loss for the year	(40,716)	(35,382)	(32,293)	(270,071)	(9,129)
Minority interest	(2,851)	(4,271)	(605)	(415)	—
Loss attributable to equity holders of the Company	(37,865)	(31,111)	(31,688)	(269,656)	(9,129)
ASSETS AND LIABILITIES					
Total assets	753,310	478,653	433,193	412,144	171,451
Total liabilities	(397,031)	(440,498)	(344,302)	(294,466)	(51,182)
	356,279	38,155	88,891	117,678	120,269
Equity attribute to equity holders of the Company	353,257	32,627	79,559	108,086	120,262
Minority interest	3,022	5,528	9,332	9,592	7
	356,279	38,155	88,891	117,678	120,269