



**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



2009
Interim Report

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The board of directors (the “Board”) of China Sciences Conservational Power Limited (the “Company”) is pleased to present the interim financial statements of the Company and its subsidiaries (together, the “Group”) for the six months ended 30 June 2009. These unaudited interim financial statements have been reviewed by the audit committee of the Company (the “Audit Committee”) in accordance with the Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

For the six months ended 30 June 2009, the turnover of the Group reached approximately HK\$54,566,000 (30 June 2008: approximately HK\$55,727,000), representing a decrease of around 2.08% as compared to the last corresponding period. Loss after taxation for the period under review was approximately HK\$56,883,000 (30 June 2008: approximately HK\$19,925,000). Loss per share was 0.7 HK cents (30 June 2008: Loss per share: 1.63 HK cents).

The increase in loss was mainly attributable to the change in fair value of the derivative component of the convertible bonds (Note 16).

BUSINESS REVIEW

During the first half of 2009, the Company focused on two primary objectives: the first one was the acquisition of the controlling stake of Gofar Holdings Limited (“Gofar”) to diversify the existing environmental protection business to railway construction and operation, and the other was the continuous improvement of the Group’s core business, waste incineration power generation, by acquiring the remaining 10% equity interest in Dongguan China Sciences Conservational Power Limited (“DG CSCP”).

On 17 March 2009, the Company's wholly-owned subsidiary, Sharprise Holdings Limited ("Sharprise") entered into a sale and purchase agreement with Fast Sky Holdings Limited ("Fast Sky") to acquire 70% equity interest in Gofar at a consideration of US\$70 (the "Acquisition of 70% Gofar"). Concurrently, Sharprise, Fast Sky, Mr. Zhu Gongshan, Top Fast Holdings Limited, a directly wholly-owned subsidiary of Gofar, and China Railway Logistic Holdings Limited ("China Railway Logistic"), a directly wholly-owned subsidiary of Top Fast, entered into a convertible bond subscription agreement, pursuant to which Sharprise and Fast Sky will subscribe for the convertible bonds issued by China Railway Logistic for an aggregate amount of not less than HK\$391,937,000 and not more than HK\$402,500,000 (the "CB Subscription"). Through the Acquisition of 70% Gofar and the CB Subscription, the Company can extend its existing waste incineration power generation business to railway construction and operation business, diversifying while intensifying its involvement in the development of infrastructure projects in China which is currently the focal area for the People's Republic of China's ("PRC") capital commitment for economic growth and sustainability. The Acquisition of 70% Gofar was completed on 31 July 2009. On 24 August 2009, Sharprise entered into a sale and purchase agreement with Fast Sky to acquire the remaining 30% equity interest in Gofar at a consideration of HK\$61.2 million.

On 8 June 2009, the Company and Fortune (HK) Securities Limited entered into a placing agreement to place a maximum of 1,200 million new shares of the Company (the "Shares"), representing approximately 12.82% of the enlarged issued share capital of the Company, at the placing price of HK\$0.122 per placing share under the general mandate (the "Placing"). The Placing was completed on 6 July 2009 in accordance with the terms of the placing agreement.

On 13 August 2009, China Green Power Holdings Limited ("China Green Power"), a wholly-owned subsidiary of the Company, and Mr. Liu Jianhui entered into a sale and purchase agreement to acquire 10% equity interest in DG CSCP at a consideration of HK\$9.8 million (the "DG Acquisition"). The DG Acquisition allows the Group to have a better control of its waste incineration power plant and facilitates possible future development. It is the aim of the Company to make good use of this industry's favourable condition and seek further profitable opportunities in the form of waste-to-energy power plants or other environmentally — friendly projects. DG CSCP is now a wholly-owned subsidiary of the Company.

On 1 September 2009, a special resolution was passed by shareholders in relation to the change of Company name from “China Sciences Conservational Power Limited 中科環保電力有限公司” to “Asia Energy Logistics Group Limited 亞洲能源物流集團有限公司”. The change of Company name shall become effective subject to the issuance of certificate of change of name by the Registrar of Companies in Hong Kong. The management considers that the change of the Company name could better reflect the recent expansion and diversification of the Group’s business development.

PROSPECTS

The Company is continuously making improvements to its core business of waste incineration power generation while actively seeking new business opportunities to enhance its shareholders’ value.

On 13 August 2009, China Green Power and Mr. Liu Jianhui entered into a sale and purchase agreement to acquire 10% equity interest in DG CSCP at a consideration of HK\$9.8 million. This acquisition allows the Group to have a better control of the waste incineration power plant.

Meanwhile, the completion of the acquisition of 70% equity interest in Gofar enables the Company to participate in infrastructure development in the PRC. 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 railways, highways, and airports. The Company expects that the PRC government will continue to invest heavily on infrastructure to sustain the economic growth in the future years and believes the investment in railway construction and operation is as a good opportunity to enhance its shareholders’ value.

To reflect the recent and future expansion and diversification of the Group's business development such as railway construction and operation, logistic operation and other logistical service business, the Company obtained shareholders' approval on 1 September 2009 for the change of Company name from "China Sciences Conservational Power Limited 中科環保電力有限公司" to "Asia Energy Logistics Group Limited 亞洲能源物流集團有限公司". The effectiveness of which is subject to the approval of the Registrar of Companies in Hong Kong. The Company believes the new name will give it a fresh new corporate identity which is in the interests of the Company and its shareholders as a whole.

SEGMENTAL INFORMATION

In the period under review, the Group was engaged primarily in the waste incineration, processing and power generation business.

Save as disclosed under headings "Business Review" and "Prospects" above, there is no other significant business segments existed in the Group during the period under review.

LIQUIDITY AND FINANCIAL RESOURCES

The Group is mainly financed by internal cash flow generated by operations and various borrowings and issuance of Shares.

As at 30 June 2009, the Group had net current assets of approximately HK\$253,070,000 (31 December 2008: approximately HK\$242,319,000) and shareholders' funds of approximately HK\$296,492,000 (31 December 2008: approximately HK\$353,257,000). The decrease in shareholders' funds was mainly attributable to the change in fair value of the derivative component of convertible bonds.

The gearing ratio of the Group as at 30 June 2009, which is calculated as net debt divided by total capital is around 48%.

During the period under review and up to the date of this report, the Company had strengthened its financial position through the following fund raising activity:

- On 8 June 2009, the Company and Fortune (HK) Securities Limited entered into a placing agreement to place a maximum of 1,200 million new shares of the Company (the “Shares”), representing approximately 12.82% of the enlarged issued share capital of the Company, at the placing price of HK\$0.122 per placing share under the general mandate (the “Placing”). The Placing was completed on 6 July 2009 in accordance with the terms of the placing agreement.

FOREIGN EXCHANGE MANAGEMENT

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

CONTINGENT LIABILITIES

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 under HCA 659/2009.

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 8 May 2009, Mr. Chan filed and served a defence and counterclaim to deny the HK\$25,183,600 claim and counterclaim against the Company under HCA 870/2009. On 30 May 2009, the Company received an amended defence and counterclaim to counterclaim against the Company in respect of the defence and counterclaim filed by Mr. Chan on 8 May 2009. Subsequently, the Company is taking appropriate legal actions against Mr. Chan to recover the total sum of HK\$25,183,600 under HCA 870/2009.

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.

Save as disclosed above, the Group did not have any significant contingent liabilities as at 30 June 2009.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

On 17 March 2009, the Company's wholly-owned subsidiary had entered into a sale and purchase agreement with Fast Sky to acquire 70% equity interest in Gofar. Through the acquisition and the CB Subscription, the Company can extend its existing conservational power business to railway construction and operation business, diversifying while intensifying its involvement in the development of infrastructure projects in China which is currently the focal area for the PRC's capital commitment for economic growth and sustainability.

On 13 August 2009, China Green Power had agreed to acquire the 10% equity interest in DG CSCP of HK\$9,800,000. Upon completion of the acquisition, DG CSCP became wholly-owned subsidiary of the Company. The acquisition allows the Group to have a better control of the waste incineration power plant and facilitates possible future development. It is the aim of the Company to make good use of this industry's favourable condition and seek further profitable opportunities in the form of waste-to-energy power plants or other environmentally - friendly projects.

EMPLOYEE AND REMUNERATION POLICY

As at 30 June 2009, the Group had 176 employees, 157 of whom were based in the PRC. Their salary and benefits were maintained at competitive levels and were determined by their duties, working experience and the prevailing market practices and conditions. Employees are rewarded by a share option scheme based on the performance of the Group and individual employees.

DISCLOSURE OF INTERESTS

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

As at 30 June 2009, the interests and short positions of the directors in the share capital and underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

Long positions in ordinary shares of the Company

Name of the Director	Capacity	Personal Interests	Family Interests	Corporate Interests	Other Interests	Approximate percentage of shareholding	
						Total	
Liang Jun	Beneficial owner	2,000,000	—	—	—	2,000,000	0.02%

Save as disclosed above, as at 30 June 2009, none of the members of the Board or their respective associates had an interest or short position in any Shares, underlying Shares or Debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO).

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

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

As at 30 June 2009, 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 held	Approximately percentage of shareholding
Ordinary Shares			
Ko Fong (Note 1)	Interest of a controlled corporation	5,152,970,325	63.17%
PME Group Limited (Note 2)	Interest of a controlled corporation	564,000,000	6.91%
Liang Gui Lian (Note 3)	Interest of a controlled corporation	450,000,000	5.52%

Notes:

1. Ko Fong's interest in 5,152,970,325 Shares comprises (i) 295,000,000 Shares held by Delight Assets Management Limited, a company wholly and beneficially owned by him and (ii) 4,857,970,325 Shares interested by King Castle Enterprises Limited, a company wholly and beneficially owned by him.
2. PME Group Limited's interest in 564,000,000 Shares comprises of (i) 300,000,000 underlying Shares, representing convertible bonds convertible into 300,000,000 Shares, which were directly held by Gold Max Asia Limited, a wholly owned subsidiary of CR Investment Group Limited which in turn wholly-owned by PME Group Limited; (ii) 87,920,000 Shares held by One Express Group Limited, a wholly owned subsidiary of CR Investment Group Limited which in turn wholly-owned by PME Group Limited; and (iii) 176,080,000 Share held directly by Betterment Enterprises Limited, a non-wholly owned subsidiary of Richcom Group Limited which in turn wholly-owned by CR Investment Group Limited, a wholly owned subsidiary of PME Group Limited.
3. 450,000,000 Shares held by Express Advantage Limited, a wholly owned subsidiary of Best Leader Investment Limited which in turn wholly owned by Liang Gui Lian.

Save as disclosed above, as at 30 June 2009, the Directors were not aware of any other person or corporation having an interest or short position in the Shares and underlying Shares of the Company representing 5% or more of the issued ordinary share capital of the Company.

SHARE OPTIONS

2002 Option Scheme

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

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

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

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

Date of grant of share options	Exercise period of share options	Exercise price of share options HK\$	As at 1.1.2009	Granted during the period	Exercised during the period	Lapsed during the period	As at 30.6.2009	Market value per share (Note)	
								Immediately preceding the grant date of share options HK\$	Immediately preceding the exercise date of share options HK\$
Employees - In aggregate									
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 period.

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

2008 Option Scheme

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

- (i) any full-time employee and director (including non-executive director and independent non-executive director) of the Group; and any part time employee with weekly working hours of ten hours and above of the Group (collectively “Employee”);
- (ii) any advisor or consultant to the Group; any provider of goods and/or services to the Group; or any other person who, at the sole determination of the Board, has contributed to the Group (the assessment criterion of which are (a) such person’s contribution to the development and performance of the Group; (b) the quality of work performed by such person for the Group; and (c) the initiative and commitment of such person in performing his or her duties; and (d) the length of service or contribution of such person to the Group) (collectively “Business Associate”); and
- (iii) the trustee of any trust (whether family, discretionary or otherwise) whose beneficiaries or objects include any Employee or Business Associate of the Group.

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

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

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

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

For the six-month period under review, no share options had been granted, exercised, cancelled or lapsed under the 2008 Option Scheme.

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE PRACTICES

It is one key commitment of the Board and of management of the Company to maintain high standards of corporate governance. The Company has adopted and applied the principles as set out in the Code on Corporate Governance Practices (the "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 shareholder value.

Throughout the period of six months ended 30 June 2009, the Company has complied with the SEHK Code, save for the single exception specified & explained below:

Code Provision A.4.1

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

MODEL CODE OF SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of the Company 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.

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

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.

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

The unaudited consolidated results of the Group for the six months ended 30 June 2009 and the interim report have been reviewed by the Audit Committee.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company during the six months ended 30 June 2009.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2009

		For the six months ended 30 June	
		2009	2008
Notes		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
CONTINUING OPERATION			
Turnover	4	54,566	55,727
Other income and gains	5	19,997	15,257
Fuel costs		(27,397)	(37,353)
Depreciation and amortisation	8	(10,256)	(10,621)
Employee costs	8	(10,119)	(8,464)
Impairment loss on construction in progress	8	—	(2,443)
Change in fair value of the derivative component of convertible bonds	8	(55,367)	—
Concession intangible assets maintenance provision	8	(2,980)	(3,394)
Other operating expenses		(13,757)	(15,009)
Finance costs	7	(9,114)	(13,998)
Loss before taxation		(54,427)	(20,298)
Income tax (charge)/credit	9	(2,456)	3
Loss for the period from continuing operation		(56,883)	(20,295)
DISCONTINUED OPERATIONS			
Profit for the period from discontinued operations		—	370
Loss for the period	8	(56,883)	(19,925)

CONDENSED CONSOLIDATED INCOME STATEMENT (continued)

For the six months ended 30 June 2009

		For the six months ended 30 June	
	Notes	2009 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)
Attributable to:			
Owners of the Company		(56,692)	(18,886)
Non-controlling interests		(191)	(1,039)
		(56,883)	(19,925)
Loss per share — basic			
(expressed in HK cents per share)	10		
— from continuing and discontinued operations		(0.70)	(1.63)
— from continuing operation		(0.70)	(1.66)
Diluted loss per share	10	N/A	N/A
Dividend	11	—	—

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2009

	For the six months ended 30 June	
	2009 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)
Loss for the period	(56,883)	(19,925)
Other comprehensive (loss)/income:		
Exchange difference arising on translation of financial statements of foreign operations	(81)	3,736
Total comprehensive loss for the period	(56,964)	(16,189)
Attributable to:		
Owners of the Company	(56,769)	(15,501)
Non-controlling interests	(195)	(688)
	(56,964)	(16,189)

CONDENSED CONSOLIDATED BALANCE SHEET

At 30 June 2009

	Notes	30 Jun 2009 HK\$'000 (Unaudited)	31 Dec 2008 HK\$'000 (Audited)
Assets and liabilities			
Non-current assets			
Property, plant and equipment		6,111	5,055
Concession intangible assets		371,909	381,661
Land use rights		4,598	4,646
Goodwill		27,222	27,261
Pledged bank deposits		17,014	17,038
		426,854	435,661
Current assets			
Inventories		3,775	12,312
Trade and other receivables	12	121,881	51,245
Trading securities	13	42,458	—
Cash and cash equivalents		150,333	254,092
		318,447	317,649
Current liabilities			
Trade and other payables	14	62,480	74,889
Amount due to shareholder		441	441
Tax payable		2,456	—
		65,377	75,330

CONDENSED CONSOLIDATED BALANCE SHEET (continued)

At 30 June 2009

	Notes	30 Jun 2009 HK\$'000 (Unaudited)	31 Dec 2008 HK\$'000 (Audited)
Net current assets		253,070	242,319
Total assets less current liabilities		679,924	677,980
Non-current liabilities			
Bank loans	15	258,609	258,986
Convertible bonds	16	113,596	57,296
Provision for maintenance of concession intangible assets	17	8,400	5,419
		380,605	321,701
Net assets		299,319	356,279
Equity			
Share capital	18	81,570	81,570
Reserves		214,922	271,687
Equity attributable to owners of the Company		296,492	353,257
Non-controlling interests		2,827	3,022
Total equity		299,319	356,279

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2009

	Attributable to owners of the Company								
	Equity component of							Non-controlling interests	Total equity
	Share capital		Share premium		Share option reserve		convertible preference shares		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	Translation reserve	Accumulated losses	Total	HK\$'000	HK\$'000
(Note 18)									
For the six months ended 30 June 2008									
At 1 January 2008 (Audited)	11,570	459,967	7,020	550	10,631	(457,111)	32,627	5,528	38,155
Total comprehensive loss for the period	—	—	—	(550)	3,385	(18,336)	(15,501)	(688)	(16,189)
Recognition of share option payments	—	—	13	—	—	—	13	—	13
Share options lapsed during the period	—	—	(1,291)	—	—	1,291	—	—	—
At 30 June 2008 (Unaudited)	11,570	459,967	5,742	—	14,016	(474,156)	17,139	4,840	21,979

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the six months ended 30 June 2009

	Attributable to owners of the Company						Non-controlling interests	Total equity
	Share capital	Share premium	Share option reserve	Translation reserve	Accumulated losses	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	<i>(Note 18)</i>							
For the six months ended 30 June 2009								
At 1 January 2009 (Audited)	81,570	744,098	5,742	14,982	(493,135)	353,257	3,022	356,279
Total comprehensive loss for the period	—	—	—	(77)	(56,692)	(56,769)	(195)	(56,964)
Recognition of share option expenses	—	—	4	—	—	4	—	4
At 30 June 2009 (Unaudited)	81,570	744,098	5,746	14,905	(549,827)	296,492	2,827	299,319

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2009

	For the six months ended 30 June	
	2009 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)
Net cash used in operating activities	(73,951)	(27,910)
Net cash (used in)/generated from investing activities	(29,794)	3,885
Net cash generated from financing activities	—	1,469
Net decrease in cash and cash equivalents	(103,745)	(22,556)
Cash and cash equivalents at 1 January	254,092	46,910
Effect of foreign exchange rate changes	(14)	1,622
Cash and cash equivalents at 30 June representing bank balances and cash	150,333	25,976

NOTES TO THE CONDENSED CONSOLIDATED INTERIM 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.

2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and with Hong Kong Accounting Standard 34 ("HKAS 34") "Interim Financial Reporting".

The unaudited condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2008, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

3. PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements have been prepared under the historical cost basis except for certain financial instruments, which are measured at fair values.

These unaudited condensed consolidated financial statements should be read in conjunction with the annual financial statements of the Group for the year ended 31 December 2008. The accounting policies and methods of computation adopted in the 2008 annual financial statements have been applied consistently to this interim financial report, except for the accounting policy changes that are expected to be reflected in the 2009 annual financial statements.

The following new standards and amendments to standards are relevant to the Group's financial statements and are mandatory for the first time for the financial year beginning 1 January 2009.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

HKFRS 8, “Operating segments”. HKFRS 8 replaces HKAS 14, “Segment reporting”. It requires a “management approach” under which segment information is presented on the same basis as that used for internal reporting purposes. The application of HKFRS 8 has not resulted in a redesignation of the Group’s reportable segments.

HKAS 1 (Revised 2007) has introduced a number of terminology changes and has resulted in a number of changes in presentation and disclosure.

The Group has not early applied the following new or revised Standards or Interpretations that have been issued but are not yet effective.

		Effective date
HKAS 27 (Revised)	Consolidated and separate financial statements	(i)
HKAS 39 (Amendment)	Eligible hedged items	(i)
HKFRS 1 (Revised)	First-time adoption of HKFRSs	(i)
HKFRS 3 (Revised)	Business combinations	(i)
HK(IFRIC) — Int 17	Distribution of non-cash assets to owners	(i)
HK (IFRIC) — Int 9 & HKAS 39 (Amendments)	Embedded derivatives	(ii)
HK(IFRIC) — Int 18	Transfers of assets from customers	(iii)
HKFRS 1 (Amendment)	Additional exemptions for first-time adopters	(iv)
HKFRS 2 (Amendment)	Group cash-settled share-based payment transactions	(iv)
2008 Improvements to HKFRSs that may result in accounting changes for presentation, recognition or measurement	— HKFRS 5	(i)
2009 Improvements to HKFRSs that may result in accounting changes for presentation, recognition or measurement	— HKAS 38, HKFRS 2, HK(IFRIC) — Int 9, HK(IFRIC) — Int 16 — HKAS 1, HKAS 7, HKAS 17, HKAS 36, HKAS 39, HKFRS 5, HKFRS 8	(i) (iv)

3. PRINCIPAL ACCOUNTING POLICIES (continued)

Effective date

- (i) Annual periods beginning on or after 1 July 2009
- (ii) Annual periods ending on or after 30 June 2009
- (iii) Transfers of assets from customers received on or after 1 July 2009
- (iv) Annual periods beginning on or after 1 January 2010

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.

4. TURNOVER

Turnover, which is also revenue, represents the amount received and receivable for waste incineration power generation and waste handling fees:

	For the six months ended 30 June	
	2009 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)
From continuing operation:		
Waste incineration power generation income	44,230	52,981
Waste handling fees	10,336	2,746
	54,566	55,727

5. OTHER INCOME AND GAINS

	For the six months ended 30 June	
	2009 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)
From continuing operation:		
Fair value increase on trading securities	14,886	—
VAT tax refund on waste incineration power generation income	4,845	9,872
Gain on disposal of a subsidiary	—	1,333
Bank interest income	107	65
Net exchange gains	—	3,986
Others	159	1
	19,997	15,257
From discontinued operations:		
Net exchange gains	—	336
Others	—	34
	—	370

6. SEGMENT REPORTING

The Group principally has one reportable segment, which is waste incineration power generation in the PRC. Therefore, no additional reportable segment has been presented and no additional information about geographical areas has been disclosed. The Group's major customer is the grid operator in relation to the waste incineration power generation and the revenue has been disclosed in Note 4.

7. FINANCE COSTS

For the six months
ended 30 June

	2009 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)
From continuing operation:		
Interest on bank borrowings wholly repayable after five years	8,181	10,375
Imputed interest on convertible bonds (Note 16)	933	—
Imputed interest on convertible preference shares	—	3,182
Interest on loan from a director	—	146
Interest on amount due to shareholder	—	295
	9,114	13,998

8. LOSS FOR THE PERIOD

	For the six months ended 30 June	
	2009 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)
The Group's loss for the period is arrived at after charging/(crediting):—		
Amortisation of concession intangible assets	9,535	8,653
Depreciation of property, plant and equipment	680	1,927
Amortisation of land use rights	41	41
	10,256	10,621
Auditors' remuneration	240	189
Loss on disposal of property, plant and equipment	143	79
Impairment loss on construction in progress	—	2,443
Concession intangible assets maintenance provision (Note 17)	2,980	3,394
Fuel costs	27,397	37,353
Change in fair value of the derivative component of convertible bonds (Note 16)	55,367	—
Operating lease rentals in respect of land and buildings	1,067	876
Operating lease rentals in respect of equipment	109	95
Staff costs, including directors' remuneration		
— Salaries, wages and other benefits	9,791	8,054
— Equity-settled share-based payments	4	13
— Contributions to defined contribution retirement scheme	324	397
	10,119	8,464
Net exchange losses/(gains)	133	(4,322)
Gain on disposal of a subsidiary	—	(1,333)

Note: The disclosures presented in this note include those amounts charged/(credited) in respect of the discontinued operations.

9. INCOME TAX

Taxation in the condensed consolidated income statement represents:

	For the six months ended 30 June	
	2009 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)
Current tax		
— Provision for the period	2,456	—
— Over provision in respect of prior years	—	(3)
	2,456	(3)

Hong Kong profits tax is calculated at 16.5% (2008: 16.5%) on the estimated assessable profit for the period. Taxation for overseas subsidiaries is similarly charged at the appropriate current rates of taxation ruling in the relevant countries.

No provision for PRC enterprise income tax has been made in the financial statements as the companies operating in the PRC had no assessable profit for the six months ended 30 June 2009 (2008: 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 Enterprise Income Tax ("EIT") rates for enterprises in the PRC will be reduced from 33% to 25% with effect from 1 January 2008. However, a "new and high technology enterprise" will continue to be entitled to a reduced EIT rate of 15%.

10. LOSS PER SHARE

(a) Loss for the period

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

	For the six months ended 30 June	
	2009 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)
Loss for the period attributable to owners of the Company	(56,692)	(18,886)
Less:		
Profit for the period from discontinued operations used in the calculation of basic earnings per share from discontinued operations	—	(370)
Loss for the period used in the calculation of basic loss per share from continuing operation	(56,692)	(19,256)

10. LOSS PER SHARE (continued)

(b) Weighted average number of ordinary shares

8,157,027,100 ordinary shares were in issue during the six months ended 30 June 2009 (six months ended 30 June 2008: 1,157,027,100 ordinary shares).

	For the six months ended 30 June	
	2009 HK cents (Unaudited)	2008 HK cents (Unaudited)
Basic (loss)/earnings per share from:		
— continuing operation	(0.70)	(1.66)
— discontinued operations	—	0.03
Continuing and discontinued operations	(0.70)	(1.63)

(c) Diluted loss per share has not been presented for the six months ended 30 June 2009 and 2008 as the convertible bonds outstanding during the period are anti-dilutive.

11. DIVIDEND

No dividend has been paid or declared by the Company during the six months ended 30 June 2009 (six months ended 30 June 2008: Nil).

The directors do not recommend the payment of an interim dividend in respect of the six months ended 30 June 2009 (six months ended 30 June 2008: Nil).

12. TRADE AND OTHER RECEIVABLES

	At 30 June 2009 HK\$'000 (Unaudited)	31 December 2008 HK\$'000 (Audited)
Trade receivables	19,345	11,165
Less: Allowance for doubtful debts	—	—
Trade receivables, net	19,345	11,165
Other receivables	180,142	117,747
Less: Allowance for doubtful debts	(77,606)	(77,667)
Other receivables, net	102,536	40,080
	121,881	51,245

The Group normally allows an average credit period of 30 days to its trade customers. The ageing analysis of trade receivables is as follows:

	At 30 June 2009 HK\$'000 (Unaudited)	31 December 2008 HK\$'000 (Audited)
Trade receivables		
— Current and up to 30 days	15,932	10,281
— Over 30 days	3,413	884
	19,345	11,165

13. TRADING SECURITIES

	At 30 June 2009 HK\$'000 (Unaudited)	31 December 2008 HK\$'000 (Audited)
Hong Kong listed equity securities at market value	42,458	—

14. TRADE AND OTHER PAYABLES

	At 30 June 2009 HK\$'000 (Unaudited)	31 December 2008 HK\$'000 (Audited)
Trade payables — current and up to 30 days	32,388	32,469
Other payables	30,092	42,420
	62,480	74,889

15. BANK LOANS

	At 30 June 2009 HK\$'000 (Unaudited)	31 December 2008 HK\$'000 (Audited)
Wholly repayable after five years	258,609	258,986

The amount of bank loans in the original denominated borrowing currency is RMB 228,000,000 (At 31 December 2008: RMB 228,000,000). The average effective interest rate for the period is 6.33% (six months ended 30 June 2008: 7.91%) per annum. The directors estimated that the fair value of the bank loans is not significantly different from the carrying amount.

15. BANK LOANS (continued)

The bank loans are secured by a deposit of RMB15,000,000 equivalent to approximately HK\$17,014,000 (At 31 December 2008: RMB15,000,000 equivalent to approximately HK\$17,038,000). In addition, the Group pledged to the bank with property, plant and equipment amounted to approximately RMB1,423,000 equivalent to approximately HK\$1,614,000 (At 31 December 2008: approximately RMB1,325,000 equivalent to approximately HK\$1,505,000) and concession intangible assets amounted to approximately RMB319,483,000 equivalent to approximately HK\$362,373,000 (At 31 December 2008: approximately RMB335,999,000 equivalent to approximately HK\$381,661,000) 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).

16. 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 valuer 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:

16. CONVERTIBLE BONDS (continued)

	At 30 June 2009	31 December 2008
Share price	HK\$0.142	HK\$0.080
Exercise price	HK\$0.050	HK\$0.050
Expected volatility	73.165%	65.27%
Expected option life	1.25 years	1.75 years
Expected dividends	nil	nil
Risk-free interest rate	0.255%	0.549%

The movement of the convertible bonds is summarised as follows:

	Liability component HK\$'000	Derivative component HK\$'000	Total HK\$'000
Nominal value of convertible bonds			
issued as at 30 September 2008	68,240	131,760	200,000
Transaction costs	(381)	—	(381)
Imputed interest	675	—	675
Changes in fair value	—	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
Imputed interest (Note 7)	933	—	933
Changes in fair value (Note 8)	—	55,367	55,367
As at 30 June 2009	18,346	95,250	113,596

During 2008, 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 30 June 2009.

17. PROVISION FOR MAINTENANCE OF CONCESSION INTANGIBLE ASSETS

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

	At 30 June 2009 HK\$'000 (Unaudited)	31 December 2008 HK\$'000 (Audited)
At beginning of the period/year	5,419	—
Additional provision (Note 8)	2,980	5,419
Exchange adjustment	1	—
At end of the period/year	8,400	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.

18. SHARE CAPITAL

(a) Authorised share capital

	Number of ordinary shares of HK\$0.01 each		Amount	
	30 June 2009 (Unaudited)	31 December 2008 (Audited)	30 June 2009 HK\$'000 (Unaudited)	31 December 2008 HK\$'000 (Audited)
Authorised ordinary shares:				
At 30 June 2009 and 31 December 2008	120,000,000,000	120,000,000,000	1,200,000	1,200,000

18. SHARE CAPITAL (continued)

(a) Authorised share capital (continued)

	Number of ordinary shares of HK\$0.01 each		Amount	
	30 June 2009 (Unaudited)	31 December 2008 (Audited)	30 June 2009 HK\$'000 (Unaudited)	31 December 2008 HK\$'000 (Audited)
Authorised preference shares class A: At 30 June 2009 and 31 December 2008	10,000,000,000	10,000,000,000	100,000	100,000
Authorised preference shares class B: At 30 June 2009 and 31 December 2008	10,000,000,000	10,000,000,000	100,000	100,000

(b) Issued and fully paid share capital

	Number of shares	Par value HK\$'000
Ordinary shares of HK\$0.01 each At 31 December 2008 and 30 June 2009	8,157,027,100	81,570

19. OPERATING LEASE COMMITMENTS

The Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	At 30 June 2009 HK\$'000 (Unaudited)	31 December 2008 HK\$'000 (Audited)
Within one year	2,348	1,717
In the second to fifth year inclusive	625	1,058
	2,973	2,775

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.

20. 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. During the period, the Group had the following material transactions with connected and related parties:

On 13 February 2009, Palace View International Limited ("Palace View"), a wholly-owned subsidiary of the Company, entered into the Operation Consultation Agreement with Shanghai GCL-Poly Electricity Operating Management Co. Ltd. (上海保利協鑫電力運行管理有限公司) ("Shanghai GCL"), a wholly-owned subsidiary of GCL-Poly Energy Holdings Limited ("GCL"), a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the Stock Exchange, in relation to the appointment of Shanghai GCL to provide consultation services for the operation of a municipal solid waste incineration power plant owned by 東莞中科環保電力有限公司(東莞中科), an indirect subsidiary of Palace View.

20. RELATED PARTY TRANSACTIONS (continued)

Prior to the completion of the Acquisition of Gofar Holdings Limited (“Gofar”) (Note 21 (ii)), Shanghai GCL was a party independent of the Company and its associates. Therefore, the Operation Consultation Agreement, which was entered into in the ordinary course of business of the Group, was not subject to any reporting and disclosure requirements under the Listing Rules. Following the completion of the Acquisition but before the completion of the SP Agreement 2 (Note 21 (iii)), Mr. Zhu Gongshan, a director and Controlling Shareholder of GCL, will continue to own indirectly the remaining 30% interest of Gofar and has become a connected person of the Company. As Shanghai GCL is a subsidiary of GCL, Shanghai GCL is an associate of Mr. Zhu and thus a connected person of the Company.

21. SUBSEQUENT EVENTS

- i) On 6 July 2009, a placing of the Company's shares was completed in accordance with the terms and conditions of the Placing Agreement pursuant to which an aggregate of 1,200,000,000 Placing Shares, representing approximately 12.82% of the issued share capital of the Company as enlarged by the Placing as at the date of this announcement, have been successfully placed to not fewer than six independent Placees at the Placing Price of HK\$0.122 per Placing Share.
- ii) 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 1”) with Fast Sky Holdings Limited (“Fast Sky”) as vendor and Mr. Zhu Gongshan as the vendor's guarantor and sole shareholder. Pursuant to the SP Agreement 1, Fast Sky agreed to sell 70% of the issued share capital of 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.

All conditions precedent to the SP Agreement 1 had been fulfilled and the acquisition was completed on 31 July 2009. Accordingly Gofar has become a 70%-owned subsidiary of the Company with the remaining 30% interest in Gofar held by Mr. Zhu.

21. SUBSEQUENT EVENTS (continued)

- iii) On 23 March 2009, China Railway Logistic Holdings Limited (“China Railway Logistic”), a company incorporated in Hong Kong with limited liability and an indirectly wholly-owned subsidiary of Gofar, Sharprise, Fast Sky, Mr. Zhu and Top Fast Holdings Limited (“Top Fast”), a company incorporated in the BVI and a wholly owned subsidiary of Gofar entered into the CB Subscription Agreement, pursuant to which Sharprise shall subscribe for the Convertible Bonds in the amount of not less than HK\$274,356,000 but not more than HK\$281,750,000 and Fast Sky shall subscribe for the Convertible Bonds in the amount of not less than HK\$117,581,000 but not more than HK\$120,750,000 respectively.

On 24 August 2009, China Railway Logistic, Sharprise, Fast Sky, Mr. Zhu and Top Fast entered into the Supplemental CB Subscription Agreement, pursuant to which Sharprise, shall subscribe for the Convertible Bonds for an aggregate amount of HK\$321,750,000 and Fast Sky shall subscribe for the Convertible Bonds for an aggregate amount of HK\$80,750,000. The aggregate principal amount of the Convertible Bonds is fixed to be HK\$402,500,000.

On 24 August 2009, Sharprise and the Fast Sky entered into a sale and purchase agreement (the “SP Agreement 2”), pursuant to which Sharprise agreed to acquire from Fast Sky (i) a total of 30 ordinary shares of Gofar, representing the remaining 30% equity interest in Gofar; and (ii) the Convertible Bonds in aggregate principal amount of HK\$80.75 million to be subscribed by Fast Sky pursuant to the Supplemental CB Subscription Agreement, for a total consideration of HK\$61.20 million. Subject to and in accordance with the terms and conditions of the SP Agreement 2, following the Completion, Sharprise shall be the sole shareholder of Gofar.

The directors are of the view that it is impracticable to disclose the financial information of Gofar as at the date of approval of this interim report since the assessment of the financial information of Gofar is still in progress.

- iv) On 13 August 2009, the Company and Mr. Liu Jianhui (“Mr. Liu”) entered into the Sale and Purchase Agreement (“Agreement”) pursuant to which Mr. Liu has agreed to sell and the Company has agreed to acquire 1) the 1 ordinary share of HK\$1.00 each in the issued share capital of Anabell Hong Kong Limited (“Anabell”), a company incorporated in Hong Kong with limited liability, representing 100% equity interest in Anabell; and 2) the amount due to the Mr. Liu by Anabell as at the date of completion of the Agreement amounted to HK\$12,615,142; for the consideration of HK\$9,800,000 and HK\$1 respectively.

Prior to completion of the Acquisition, 東莞中科 is owned as to 90% by Hong Tong Hai Investments Limited, a wholly-owned subsidiary of the Company, and 10% by the Anabell.

22. APPROVAL OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The condensed consolidated financial statements were approved and authorised for issue by the Board of Directors on 10 September 2009.