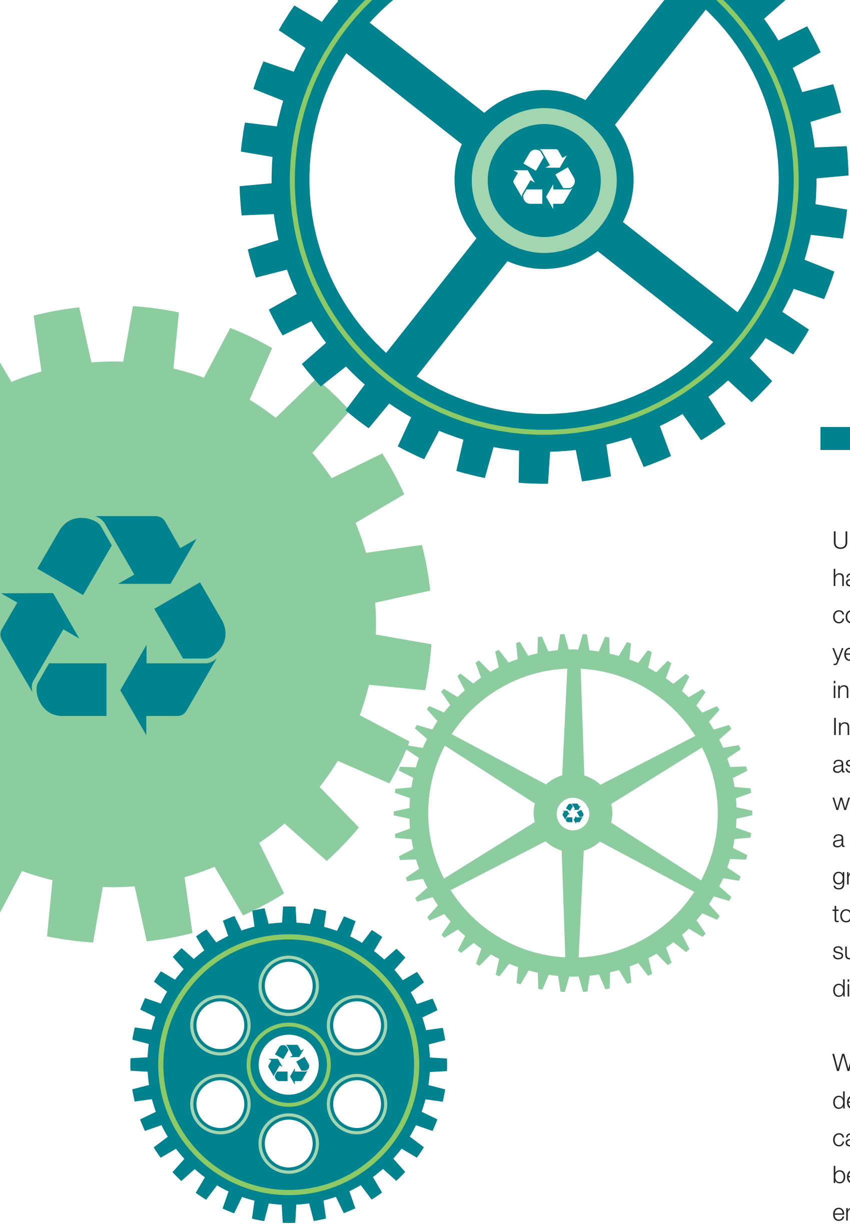
NEW ENVIRONMENTAL ENERGY HOLDINGS LIMITED
新環保能源控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 03989

Annual Report 2009


Reduce • Reuse • Recycle



On 8 February 2010 the Board issued a circular informing Shareholders of the proposed change of name of the Company from "Hembly International Holdings Limited" to "New Environmental Energy Holdings Limited". At the Extraordinary General Meeting held on 3 March 2010, the resolution approving the proposed change of name of the Company was duly passed by the Shareholders.

New Environmental Energy Holdings Limited heralds the arrival of a new chapter in the Company. It stands in testimony to the Company's continuous effort to identify high growth industry segments to enhance our shareholder value.

Urbanization and the proliferation of a consumption culture have led to a surge in municipal waste within China. The country's per capita waste creation currently stands at 550kg/year, a figure which is significantly higher than other low income countries such as Thailand, Philippines and Mexico. Indeed, this figure is more aligned with developed areas such as Hong Kong or the European Union where the per capita waste production is in the range of 450–600kg/year, indicating a positive correlation between waste creation and economic growth. However, the waste treatment rate in China, according to official statistics, stood at below 65%, suggesting that a substantial portion of municipal waste was illegally dumped or dispatched to uncontrolled landfills.

Waste is a necessary evil in modern living, so is the increasing demand for energy. Thanks to technology development, we can now effectively kill two birds with one stone. As our name bespoke, New Environmental Energy is about a sustainable environment and energy. We are at the forefront of the league of strategic partners for municipal governments and town planners in China. The reason is simple. We are armed with advanced technologies and know how to help local administration to tackle the rising volume of "municipal solid waste". We are the established waste management expert on the mainland.

On the social level, civic education and growing concerns towards sustainability have brought about a sea of change in people's attitude towards waste disposal. Communal citizens are becoming conscious of their responsibility towards the amount of waste they left behind in everyday life. A new ethos of ***reduce, reuse and recycle*** is driving development of new technologies and modern management in waste disposal. The outcome is an astonishing array of innovative technologies — sorting for reuse and recycle, treatment for reduce and recycle, toxic control for enhancement and ultimately, new forms of energy production which are pollution free. Today, landfills are no longer satisfactory answers to the 21st century modern citizens.

At New Environmental Energy, we hold exclusive licenses of a number of leading waste management technologies which enable us to address different customer requirements. Our partners are market leaders with proven technologies in areas where they excel and dominate.

- *Masias Recycling SL* is a Spanish company with a vocation to offer integral services and installations with a high added value in the solid waste treatment technology and fibre processing sectors. *Masias* is our integrated sorting technology partner.

- *The Linde Group*, headquartered in Germany, is a global leader in industrial gas and engineering and is the supplier of wet anaerobic digestion technology which has been used successfully in many European countries. *Linde* is our technology partner in wet anaerobic digestion treatment.

- *Valorga International* is a French company specializing in the treatment of household waste. It is the professional subsidiary of Spanish UR BASER SA (the largest municipal engineering project investor and operator in Spain). Since 1989, many European countries have adopted their technology and some 18 anaerobic waste treatment centers with a total of 30 digestors have been installed. *Valorga* is our technical strategic partner in dry anaerobic digestion technology.

We pioneered the introduction of anaerobic digestion technology (ADT) in China. Compared to conventional landfill composting, ADT has the advantage of reducing the size of residue after decomposition, thus minimizing the space requirement for landfills. But more important, ADT will not induce secondary pollution which makes it a truly environmental friendly solution.

Today, few in the market can offer both anaerobic digestion and incineration technologies, making New Environmental Energy a unique and comprehensive waste treatment solutions provider in the country. Currently, our project portfolio covers not only first tier cities such as Beijing, Shanghai, Guangzhou and Shenzhen, but also high growth cities like Nanjing and Nanchang.

As China continues to join forces with the rest of the world in fighting climate change, putting a sustainable environment as a key concern, our efforts in municipal waste management and clean energy production will bring significant contributions to the country as a whole. New Environmental Energy Holdings Limited is well positioned for long term growth and return on shareholders' investment.

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Ngok Yan Yu *(Chairman)*
Mr. Marcello Appella
Mr. Chan Tak Yan

Non-executive Directors

Mr. Ho Gilbert Chi Hang
(Appointed on 6 January 2010)
Mr. Mok Chung Kwan, Stephen
(Appointed on 6 January 2010)
Mr. Lim Jui Kian
(Appointed on 14 April 2010)

Independent Non-Executive Directors

Mr. Lo Ming Chi, Charles
Mr. Pao Ping Wing
Mr. Kwan Hung Sang, Francis
Mr. Cheng Kai Tai, Allen
(Appointed on 6 January 2010)

COMMITTEES

Audit Committee

Mr. Lo Ming Chi, Charles *(Chairman)*
Mr. Pao Ping Wing
Mr. Kwan Hung Sang, Francis
Mr. Lim Jui Kian
(Appointed on 14 April 2010)

Nomination Committee

Mr. Ngok Yan Yu *(Chairman)*
Mr. Lo Ming Chi, Charles
Mr. Pao Ping Wing
Mr. Kwan Hung Sang, Francis

Remuneration Committee

Mr. Pao Ping Wing *(Chairman)*
Mr. Kwan Hung Sang, Francis
Mr. Ngok Yan Yu

COMPANY SECRETARY

Ms. Kwan Shin Luen, Susanna

AUTHORIZED REPRESENTATIVES

Mr. Ngok Yan Yu
Ms. Kwan Shin Luen, Susanna

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

CORPORATE INFORMATION

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Room 302B, 3rd Floor,
New World Tower,
16–18 Queen's Road Central,
Hong Kong.

AUDITORS

Deloitte Touche Tohmatsu

LEGAL ADVISER

Conyers Dill and Pearman
Troutman Sanders

PRINCIPAL BANKERS

Hang Seng Bank Limited
Standard Chartered Bank (Hong Kong) Limited

SHARE REGISTRARS AND TRANSFER OFFICES

Principal Registrar in Cayman Islands

Butterfield Fulcrum Group (Cayman) Limited
Butterfield House
68 Fort Street
P. O. Box 705
George Town
Grand Cayman
Cayman Islands

Branch Registrar in Hong Kong

Tricor Investor Services Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

CORPORATE WEBSITE

www.hembly.com

STOCK CODE

03989

CHAIRMAN'S STATEMENT

2009 was a tumulous year fraught with challenges. The aftershock of the financial crisis was still felt in the global supply chain services and distribution business. In spite of cost control efforts by the Management, the Company has recorded operating losses for the financial year.

2009 was also a year of new opportunities. We have completed the acquisition of the waste-to-energy business, which is in line with the Company's commitment in creating long term shareholder value. The benefits of the acquisition are compelling and will further allow the Company to build on our success. By turning waste into clean energy, we strive to solve one of China's most pressing problems — pollution from waste.

THE RISING CHALLENGE

As the weight of climate change bears on us, I believe we all share the social responsibility to protect the environment. We must develop methods to reduce pollution, reduce carbon emissions, and reduce our reliance on polluting energy sources. It more than makes sense to deploy technology to turn what society throws away into a useful source of energy. This is why at New Environmental Energy Holdings Limited we adopt both incineration and anaerobic digestion technology to manage municipal waste in China.

A GROWING NEED

Landfills have been the predominant waste treatment method in China up until recently. This poses a challenge to fast-growing municipalities where rising land costs and expanding urban areas undermine the viability of landfills. I believe our technologies provide a viable alternative to traditional landfills. The waste-to-energy technologies we adopt from European market leaders were proven and highly successful on a commercial scale. Our plants are also in strict compliance with Chinese environmental standards. In a nutshell, our waste treatment solution benefits the environment in the following ways:

- Emissions: net reduction in greenhouse gases
- Land: reduction in waste size and space required for landfill

LOOKING AHEAD

The waste-to-energy market in China will continue to experience immense growth and dominate the public agenda of the country. It is more than just a good business opportunity. We are happy that our comprehensive waste management solutions contribute to a sustainable environment for the country in the long run. The notion of enabling our country towards a cleaner environment and a greener future motivates us to strive for excellence. Setting a foothold in one of China's most exciting growth industries, and under the management of a professional team, we are confident that the Company will become one of the leaders in the industry and create long term value for our shareholders.

Ngok Yan Yu
Chairman

Hong Kong, 27 April 2010

Management Discussion and Analysis

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The Group's revenue reached approximately HK$823 million, (including supply chain services and waste-to-energy business which are classified as "Continuing Operations" and distribution and retailing business which is classified as "Discontinued Operations") representing decrease of approximately 39.3% over last year. The net loss attributable to owners of the Company amounted to approximately HK$978 million for the year under review.

SUPPLY CHAIN SERVICES

During the year under review, the Group's revenue for its supply chain services reached approximately HK$729 million, representing decrease of approximately 33.4%, as compared to last year, which accounted for approximately 88.6% of the Group's revenue in the financial year 2009.

The Group's gross profit for supply chain services dropped from 22.3% as of last year to 3.0% for the year under review. The Group's drop in gross profit for supply chain services is attributable to (i) increased stock provisions, (ii) global recession; and (iii) the Group's shift from manufacturing to trading mode, which carry reduced margins.

WASTE TO ENERGY BUSINESS

During the year under review, the Group completed its acquisition of Smartview Investment Holdings Limited (an investment holding company, which holds a group of companies, carrying on the principal business of waste-to-energy technology and services which specializes in technology development, design, system integration, project investment, operation and maintenance of waste treatment, especially waste-to-energy projects in the PRC) on 11 December 2009, which completion was announced in the Company's announcement on 11 December 2009. Further details of the acquisition, which constituted a very substantial acquisition, are contained in the Company's circular dated 23 November 2009. Given completion of the afore-said very substantial acquisition took place towards the end of the year under review, financial impact to the results of the Group thereof for the year under review is minimal.

MANAGEMENT DISCUSSION AND ANALYSIS

DISTRIBUTION AND RETAILING BUSINESSES

During the year under review, the Group's revenue attributing from its distribution and retailing businesses reached approximately HK$82 million, representing decrease of approximately 68.5%, as compared to last year, which accounted for approximately 10.0% of the Group's revenue in the financial year 2009. For clarity, the Group's distribution and retailing businesses were disposed of by the Group on 30 October 2009. As such, the Group only derived revenue attributing from its distribution and retailing businesses for 10 months within the year under review.

The Group's gross profit for its distribution and retailing businesses records a slight increase from 55.3% as of last year to 56.0% for the year under review.

During the year under review, the Group's distribution and retailing businesses was disposed of by the Group on 30 October 2009, which completion was announced in the Company's announcement on 30 October 2009. Further details of the disposal, which constituted a very substantial disposal, are contained in the Company's circular dated 24 April 2009.

OPERATING EXPENSES

In 2009, the Group's distribution and selling expenses decreased significantly by 40.7% to HK$79.1 million, as compared to last year, which as a percentage of revenue, decreased slightly from 9.6% to 9.5%. This decrease was in line with the decrease in turnover of the Group for the year under review.

The Group's administrative expenses decreased by 5.0% from HK$151 million to HK$143 million. This decrease is mainly attributable to the effect of the cost saving as a result of the Groups internal corporate restructuring for the year under review.

FINANCE COSTS

Finance costs decreased by 19.9% to HK$46.6 million, as compared to last year. This substantial decrease is mainly attributable to the Group's decreased bank borrowings.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2009, the Group had cash and bank balances of HK$228.5 million, primarily denominated in RMB and HK dollars (31 December 2008: HK$309.1 million), and total bank borrowings of HK$308.3 million (31 December 2008: HK$578.6 million), of which 41% constitute short-term bank borrowings and 59% long-term bank borrowings. The Group's bank borrowings was primarily denominated in RMB, HK dollars and US dollars. As at 31 December 2009, 64.4%, 15.6%, and 20.0% of the Group's total bank borrowings were denominated in RMB, HK dollars and US dollars, respectively, with 60.8% of the total bank borrowings subject to fixed interest rates and 39.2% subject to floating interest rates.

The net gearing ratio, which is calculated on the basis of total bank borrowings (net of cash and bank balances) over the Group's total shareholders' equity, decreased from 0.45 as at 31 December 2008 to 0.17 as at 31 December 2009. The current ratio, which is calculated on the basis of current assets over current liabilities, decreased from 1.57 as at 31 December 2008 to 1.25 as at 31 December 2009.

FOREIGN EXCHANGE EXPOSURE

The Group's sales were mostly denominated in US dollars and RMB, while the purchase and operating expenses were mostly denominated in RMB and HK dollars. The Group's exposure to RMB and US dollars fluctuation is balanced by RMB receipt from its PRC supply chain and distribution and retail sales and US dollar receipt from its supply chain related export sales. To minimize possible foreign currency fluctuation, related loss and maximize possible RMB appreciation profit, the Group adopts stringent internal hedging policies, which, during the year, had the strategy of holding the Group's majority monetary assets in RMB. During the year, the Group has adopted no formal hedging policies and no instruments have been applied for foreign currency hedging purposes. The management will continue to monitor the foreign exchange exposure flexibly and engage in timely and appropriate hedging activities when needed.

CHARGES ON ASSETS

As at 31 December 2009, the Group's bank deposits of HK$6.7 million, financial assets at fair value through profit or loss of HK$6.4 million, property, plant and equipment with an aggregate net book value of HK$165.7 million, and land use rights with an aggregate net book value of HK$31.5 million were pledged to secure general banking facilities and bank borrowings granted to the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL COMMITMENT

As at 31 December 2009, the Group had capital commitment of HK$58.1 million in respect of construction work under service concession arrangement, which were contracted but not provided for in the consolidated financial statements.

CONTINGENT LIABILITIES

As at 31 December 2009, the Group had no material contingent liabilities.

EMPLOYMENT INFORMATION

As at 31 December 2009, the Group had about 1,300 employees in total, stationed mainly in the PRC, Hong Kong and Europe. The Group's emolument policies, which are reviewed periodically, are linked to the performance of individual employees and are based on salary trends prevailing in the aforesaid regions. In addition, the Group maintains a share option scheme for the purpose of providing incentives and rewards to eligible participants based on their contributions.

PROJECT SNAPSHOTS

New Environmental Energy Holdings Limited is a leading provider of comprehensive waste treatment solutions and environmental infrastructure services in China. The company's portfolio of projects has a nationwide coverage, spanning across five provinces and targets to treat over 6,000 tonnes of waste per day.

ANAEROBIC DIGESTION TECHNOLOGY

Anaerobic digestion is a process in which organic matters are decomposed by micro-organisms in an enclosed environment absent of gaseous oxygen. The process results in the release of a biogas composed of a mixture of methane and carbon dioxide which can be used for heat or electricity production. Residue from the digestion process is rich in nutrients and can be used as soil conditioner or fertilizer depending on the substance.

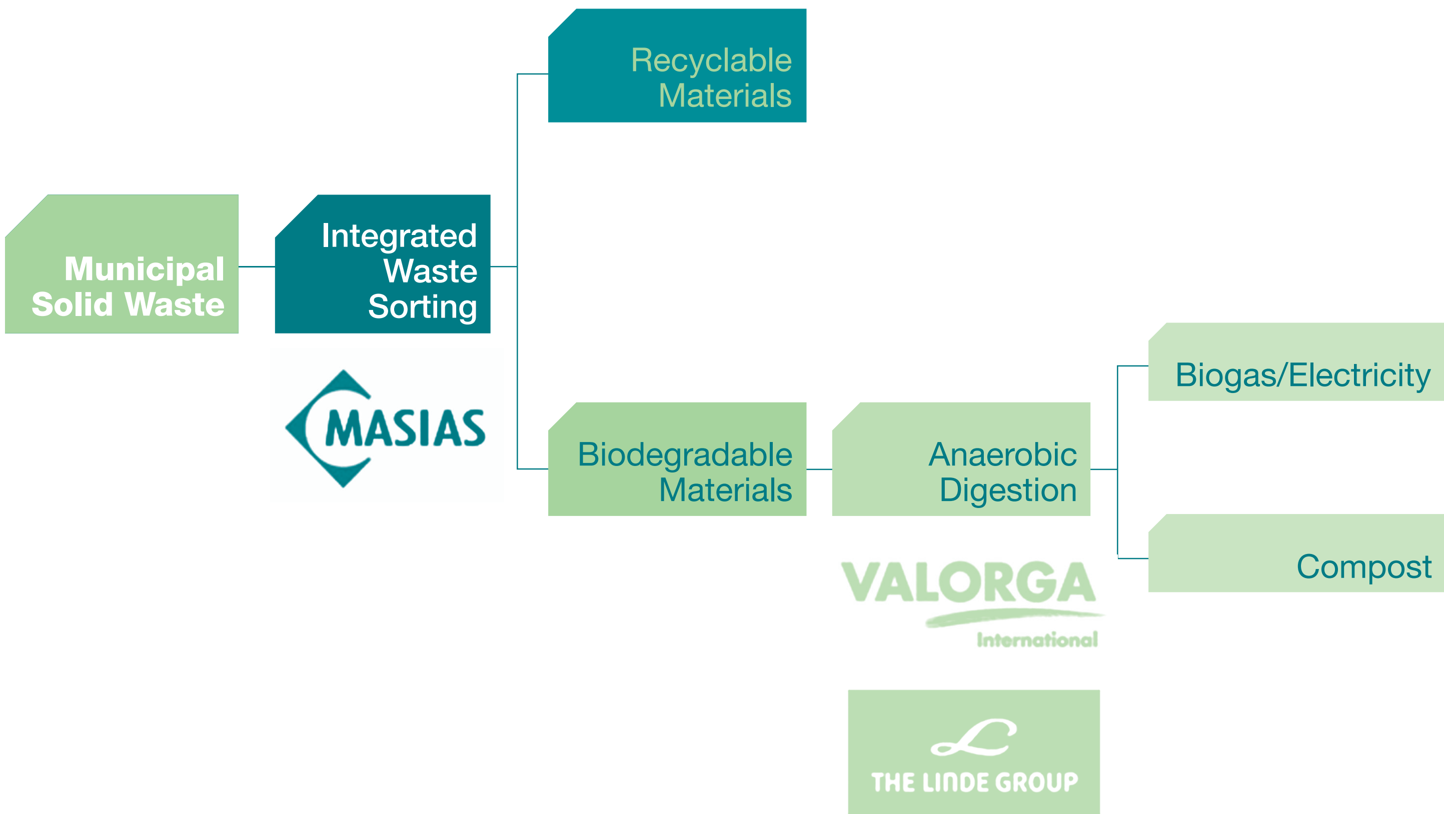
Anaerobic digestion technology (ADT) can be used to treat municipal solid wastes, sewage sludge, and agricultural or industrial organic wastes. There are three major components in the design of the anaerobic digestion system, namely sorting, digestion and biogas capture. The Digester is an oxygen free container where the sorted and compressed waste is decomposed to produce the biogas. It will then be captured and combusted in gas turbines to produce electricity for local consumption or it can be fed to the local power grid.

Compared to traditional waste treatment such as landfill and incineration, the benefits of applying anaerobic digestion technology are numerous. Other than efficiencies gained in the digestion process and the higher gas yield in a designed enclosed environment, there are green benefits to this modern technology. Since the gasification process occurs in airtight closures, an ADT plant eliminates the offensive odors normally associated with open waste treatments. This feature allows waste management facilities to be situated within urban residential areas without affecting nearby residents.

ADT has been widely adopted in developed countries, Europe in particular. As of 2006, there were over 120 ADT plants in Europe, treating at least 10% of the municipal solid waste of the continent. In China, construction of the FIRST two ADT plants is well underway and due for commission within 2010. Both projects are managed by New Environmental Energy where the best technology is employed and best industry practices adopted.

Anaerobic digestion technology paves way for a green China.

ANAEROBIC DIGESTION SOLUTION



BOARD OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Ngok Yan Yu, aged 37, is the chairman of the Company and founder of the Group and its newly acquired waste-to-energy business. Mr. Ngok has over 13 years of corporate management experience in different industries in Hong Kong and the PRC and Europe. He is responsible for the formulation of overall corporate direction and business strategy of the Group. Mr. Ngok is also responsible for supervising the new business development of the Group.

He previously worked for the accounting and sales departments in the Jiangsu Garment Export & Import Company, a state-owned PRC enterprise, for five years. He resigned from the Jiangsu Garment Export & Import Company in 1996 and started his garment trading business and his waste-to-energy business from 1997 to year 2000 respectively, He graduated from Nanjing International Relations Institute with a major in English and obtained a Master Degree in Environmental and Natural Resources Protection Law from Hohai University. He is the deputy chief executive committee member of the waste management special committee of China Association of Urban Environmental Sanitation and a member for the 12th Nanjing committee of the Chinese People's Political Consultative Conference.

Mr. Marcello Appella, aged 55, is an executive director of the Company and he joined the Group in 2001 and is responsible for sales and marketing of the Group in France. He has over 28 years of experience in the apparel industry and has accumulated substantial business knowledge in both the European and Asian markets. Prior to joining the Group, Mr. Appella had assumed various positions from technical advisor to general manager for international brand names such as Eminence, New Man, Adidas and Jockey International. He obtained a Diploma in Technology from the University of Montpellier, France in July 1976 and a Diploma in Engineering from the National College of Textile Industries of Mulhouse, France in July 1980.

Mr. Chan Tak Yan, aged 56, was appointed as an executive director of the Company in July 2009. He has 21 years of experience in transportation and logistics management and 15 years of experience in the banking industry with Shanghai Commercial Bank Limited and BNP Paribas, Hong Kong Branch. He was previously a General Manager of a PRC-HK container tractor company and a Deputy General Manager of a logistic company. Mr. Chan holds a Master of Business Administration degree from the University of Ballarat, Australia, a Diploma in Management Studies from The Hong Kong Management Association ("HKMA") and The Hong Kong Polytechnic University and a Diploma in Occupational Health & Safety from the Open University of Hong Kong. He is a full member of HKMA and member of The Hong Kong Institute of Directors.

Mr. Chan has been an independent non-executive director of Byford International Limited since 7 September 2007, which is a company listed on the Stock Exchange.

NON-EXECUTIVE DIRECTORS

Mr. Ho Gilbert Chi Hang, aged 33, was appointed as a non-executive director of the Company in January 2010. He is the senior investment director of New World Development Company Limited, which is a company listed on the Stock Exchange, and an executive director of New World Strategic Investment Limited. He is also a director of Smartview Investment Holdings Ltd. and Biomax Environment Holdings Limited, being subsidiaries of the Company. Mr. Ho has extensive experience in the area of corporate management, investments, corporate finance and merger and acquisition transactions and was a partner of an international law firm Fried, Frank, Harris, Shriver and Jacobson LLP prior to joining New World Development Company Limited. He is a Committee Member of the Chinese People's Political Consultative Conference of Shenyang and a Member of China Overseas Chinese Entrepreneurs Association. Mr. Ho holds a Bachelor of Commerce degree and a Bachelor of Laws degree from the University of Sydney, Australia and is a solicitor admitted in New South Wales, Australia and England and Wales.

Mr. Ho has been a non-executive director of Renhe Commercial Holdings Company Limited since December 2007, which is a company listed on the Stock Exchange.

Mr. Mok Chung Kwan, Stephen, aged 45, was appointed as a non-executive director of the Company in January 2010. He is a partner and the Head of Corporate of the Hong Kong office of Eversheds LLP, an international law firm. Mr. Mok specialises in corporate finance and mergers and acquisitions. Mr. Mok obtained a Bachelor of Commerce (Accounting) and Bachelor of Laws from the University of New South Wales, Australia.

Mr. Mok was an independent non-executive director of Shandong Xinhua Pharmaceutical Company Limited, which is a company listed on the Stock Exchange.

Currently, Mr. Mok is a joint company secretary of Datang International Power Generation Company Limited and Lianhua Supermarket Holdings Co. Ltd.

Mr. Lim Jui Kian, aged 38, was appointed as a non-executive director of the Company in April 2010. He is the Managing Director & Head of Asia Environment Group of FourWinds Capital Management since February 2008. FourWinds Capital Management is the investment manager of the Waste Resources Fund L.P. Mr. Lim has more than 15 years experience in the Asian infrastructure and environment sectors. He began his career in equity research in 1994 with Morgan Grenfell/Deutsche Securities and later, Peregrine Securities covering infrastructure, construction and building materials sector in Malaysia, Thailand and Singapore. In 1998, he joined Veolia Water Asia-Pacific where he spent 8 years helping Veolia Water Asia-Pacific build its Asian franchise and worked on acquisitions, joint-ventures, privatisations and project financing transactions. In 2006, Mr. Lim joined JPMorgan Chase's investment banking department to focus on client advisory services in the infrastructure and environment sectors. A Chevening Scholar, Mr. Lim earned his MSc (Economics) from the London School of Economics.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lo Ming Chi, Charles, aged 60, was appointed as an independent non-executive director of the Company in June 2006. He has over 30 years of professional and business experience in financial and investment services in Australia, Hong Kong and other Asian countries. He was appointed as Justice of the Peace of Australia in 1983. He is a certified practising accountant in Australia and is a fellow member of the Financial Services Institute of Australasia. From September 2004 to August 2006, he was an independent non-executive director of Freeman Corporation of Limited. From November 2003 to November 2006, he was an independent non-executive director of Cash Retail Management Group Limited. From September 1998 to April 2008, he was an independent non-executive director of Artfield Group Limited. From March 1999 to February 2009, he was an executive director of New Century Group Hong Kong Limited. From 7 December 2000 to 19 November 2009, he was the deputy chairman & chief executive officer of Poly Development Holdings Limited (formerly known as Xin Corporation Limited). From 21 July 2009 to 1 March 2010, he was an executive director of Sun Innovation Holdings Limited. Currently, he is an independent non-executive director of Cash Financial Services Group Limited, an independent non-executive director of Tak Sing Alliance Holdings Limited and the chief executive officer of Sewco International Holdings Limited, all of which are listed on the Stock Exchange.

Mr. Pao Ping Wing, JP, aged 62, was appointed as an independent non-executive director of the Company in June 2006. He had been actively serving on government policy and executive bodies, including those relating to town planning, urban renewal, public housing and environment matters for 23 years. He has been appointed as a Justice of the Peace of Hong Kong since 1987. He was an ex-urban councilor. He obtained a Master of Science Degree in Human Settlements Planning and Development from the Asian Institute of Technology in Thailand in 1980. He was elected as one of the Ten Outstanding Young Persons of Hong Kong in 1982 and one of the Ten Outstanding Young Persons of the World in 1983. He is an independent non-executive director of Oriental Press Group Limited, Sing Lee Software (Group) Limited, UDL Holdings Limited, Zhu Zhou CSR Times Electric Co. Ltd., Soundwill Holdings Limited and Maoye International Holdings Limited, all of which are listed on the Stock Exchange.

Mr. Kwan Hung Sang, Francis, Aged 59, was appointed as an independent non-executive director of the Company in June 2006. He is also a member of Audit Committee and Remuneration Committee. Mr. Kwan obtained a management development certificate from the University of British Columbia in Canada in January 1989. He has over 38 years of experience in exchange operations, commercial banking, investment and risk management in Hong Kong and Canada. He has held senior positions in The Hong Kong Exchanges and Clearing Limited for almost 10 years including senior vice president, responsible for the integration programme office and group risk management division of The Hong Kong Exchanges and Clearing Limited and chief operation officer of The Hong Kong Futures Exchange Limited. Prior to that, he had also worked with a number of international banks and financial institutions. Mr. Kwan is currently the chairman of USP Enterprise Limited, Rise & Shine Enterprise Limited and Foods for Beauty Enterprise Limited. These companies are engaged in the production, distribution, sales and marketing of natural health food products. Mr. Kwan is also the director of TTS Biotech (Holdings) Limited, which is in the process of developing exclusive natural health food products on therapy through skin.

Mr. Kwan has been an independent non-executive director of Tianjin Port Development Holdings Limited since 8 September 2005, which is a company listed on the Stock Exchange.

Mr. Cheng Kai Tai, Allen, aged 46, was appointed as an independent non-executive director of the Company in January 2010. He is a qualified accountant and a fellow member of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. He has practiced as a Certified Public Accountant in Hong Kong for over 12 years and has extensive professional experience in auditing, taxation, financial management, corporate recovery and restructuring. Mr. Cheng holds a Master Degree of accountancy from Jinan University in Mainland China and is a professional advisor to several international companies of investment management, textile, retailing, metal trading and manufacturing in Mainland China and Japan.

Mr. Cheng currently serves as an independent non-executive director of Lo's Enviro-Pro Holdings Limited and Amax Holdings Limited. Previously he also served as an independent non-executive director of Modern Beauty Salon Holdings Limited. All of these companies are listed on the Stock Exchange.

SENIOR MANAGEMENT

Mr. Shi Jian, Steven, aged 46, has been employed at Biomax Environment Holdings Limited, being a subsidiary of the Company, as its general manager/president, since July 2007. Prior to that, he has worked for many major pharmaceutical and waste-to-energy conglomerates. Mr. Shi has consultancy experience for thermal process system of power station, pure water preparation, circulation water treatment, solid waste incineration, flue gas treatment, sludge treatment and etc. and he has over 15-year experiences in solid waste treatment sector in China.

Mr. Teng Ruo Ping, aged 60, has almost 30 years of experience in the incineration sector and in the waste-to-energy industry. He has consultancy experience in the provision of consultancy services for project design, construction and management of waste-to-energy projects in the People's Republic of China. Mr. Teng has been employed at Biomax Environmental Technology Limited (a subsidiary of the Company) as its deputy general manager, since November 2005.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Tang Zhi Bin, aged 46, has over 20 years of experience in the accounting industry. He has been employed at Biomax Environment Holdings Limited (a subsidiary of the Company) as its investment and strategic consultant, since February 2009. Prior to that, Mr. Tang has been working in senior management and senior financial roles within conglomerates within the People's Republic of China.

Ms. Tang Chui Yi, Janny, aged 46, is the co-founder of the Group and holds directorships at various subsidiaries of the Group. Ms. Tang is responsible for the day-to-day management of the supply chain business of the Group. She has 21 years of experience in the garment industry with a strong garment business management capability. Prior to the establishment of the Group, Ms. Tang worked as a merchandiser for Yangtzekiang Garment Manufacturing Co., Ltd., a company listed on the Stock Exchange. She had also worked for a US based buying office in Hong Kong as a merchandising manager and was responsible for supervising the team in the textile division of such company, liaising with buyers and vendors and following through from sampling to shipments. She graduated from Hong Kong Polytechnic University with a Professional Diploma in Fashion & Clothing Technology in November 1988 and obtained a Master Degree in Management from the University of Kent at Canterbury, United Kingdom in July 1990.

Mr. Wong Ming Yeung, aged 44, joined the Group in June 2001 and holds directorships at various subsidiaries of the Group. He is responsible for sales and marketing of the supply chain business of the Group in Hong Kong. He has over 20 years of experience in the textile and garment industry at various posts such as merchandiser and sales manager and was responsible for handling and following up orders and liaising with overseas buyers. He graduated from the Hong Kong Polytechnic University in November 1990 with a Higher Diploma in Textile and Clothing Studies.

Mr. Wang Cheng Jun, aged 58, is the deputy general manager of Hembly (Nanjing) Garment Co., Ltd.. He joined the Group in April 2000 and is responsible for the overall business and operation management of the supply chain business in the region of Nanjing, the PRC.

Mr. Cai Shi Wei, aged 48, is the general manager of Hembly (Yangzhou) Garment Manufacturing Co., Ltd.. He joined the Group in February 2003 and is responsible for the overall business and operation management of the supply chain business in the region of Yangzhou, the PRC. Mr. Cai has over 10 years of experience in corporate management and administrative management. He obtained a Professional Diploma in Electronic Engineering from the Yangzhou Workers' University in 1988, a Diploma in Economic Management from the Central Party School in 2002 and a Diploma in Business Administration from University of Suzhou in 2001.

Ms. Kwan Shin Luen, Susanna, aged 42, is the chief legal and planning officer and the company secretary of the Company. She joined the Group in March 2006 and is responsible for the Company's legal and compliance matters. Ms. Kwan is a corporate finance lawyer, qualified in both Hong Kong and the United Kingdom. With 17 years of post qualification experience, Ms. Kwan specialises in corporate finance matters, which include venture capital incubation, pre-flotation funding, main board and second board flotation (in Hong Kong, Singapore and New York), debts and equities, plus regulation and compliance in the banking listing and IT areas. Ms. Kwan acted as the company secretary of hongkong.com, a company listed on the Stock Exchange. During the period from 2001 to 2004, Ms. Kwan was in charge of the corporate finance department of Gallant Y.T. Ho & Co., wherein she consolidated her network and exposure in cross border corporate finance and funding deals.

Mr. Lam Wai Fung, aged 36, is the financial controller of the Company. He joined the Group in July 2007 and is responsible for the finance, accounting and internal control functions of the Group. Prior to joining the Group, Mr. Lam worked for an international accounting firm in Hong Kong for over 7 years for external audit and 4 years in commercial sector as internal auditor and financial controller. Mr. Lam holds a Bachelor of Arts Degree in Accountancy. He is a certified public accountant of the Hong Kong Institute of Certified Public Accountants, a chartered financial analyst of the CFA Institute and a certified financial risk manager of the Global Association of Risk Professionals.

CORPORATE GOVERNANCE REPORT

The Board believes that high standards of corporate governance are essential to the success of the Company and is committed to maintain a high level of corporate governance standards and practices. The Company has complied with all the code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") for the year ended 31 December 2009.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its code for dealing in securities of the Company by the Directors. The Model Code is also applicable to the senior management of the Company. After a specific enquiry conducted by the Company, all the Directors confirmed that they have fully complied with the required standard set out in the Model Code throughout the year under review.

BOARD OF DIRECTORS

The Board is primarily responsible for establishing the strategic direction of the Group, setting objective and business development plan for the Group, monitoring the performance of the senior management and assuming responsibility for corporate governance. The Board is also responsible for the approval of annual and interim results, risk management, major acquisition(s), and other significant operational and financial matters. Both the Board and the management have clearly defined roles and powers towards internal control, policies and day-to-day operation of the Group's business. The management, under the leadership of the Board, will be empowered to implement the Group's strategies and business objectives.

The Board currently comprises three executive directors, three non-executive directors and four independent non-executive directors. All of the members of the Board understand that they jointly and severally accept full responsibility to all shareholders on matters of management, supervision and operation of the Company.

Executive directors

Mr. Ngok Yan Yu *(Chairman)*

Mr. Marcello Appella

Mr. Chan Tak Yan *(appointment effective on 15 July 2009)*

Non-executive directors

Mr. Ho Gilbert Chi Hang *(appointment effective on 6 January 2010)*

Mr. Mok Chung Kwan, Stephen *(appointment effective on 6 January 2010)*

Mr. Lim Jui Kian *(appointment effective on 14 April 2010)*

Independent non-executive directors

Mr. Lo Ming Chi, Charles

Mr. Pao Ping Wing

Mr. Kwan Hung Sang, Francis

Mr. Cheng Kai Tai, Allen *(appointment effective on 6 January 2010)*

The biographical details of all Directors are set out in the section headed "Board of Directors and Senior Management" of this annual report. Save as disclosed, none of the Directors has any relationship including financial, business, family or other material relationship with each other.

CORPORATE GOVERNANCE REPORT

To comply with Rule 3.10 of the Listing Rules, the Company has appointed four independent non-executive Directors whom the Company considers to have the appropriate and sufficient industry or finance experience and qualifications to carry out their duties. Pursuant to the requirements of Rule 3.13 of the Listing Rules, the Company has received annual confirmation of independence from the four independent non-executive Directors. The Company is of the view that all the independent non-executive Directors are independent.

The Board is circulated with relevant information by the senior management pertaining to matters to be brought before the Board for decision as well as reports relating to operational, business and financial performance of the Group before each board meeting. A 14 days minimum notice is also given to the Directors before each board meeting, to give them the opportunity to prepare for their attendance of such meetings and to provide them with the opportunity to include additional matters in the meeting's agenda. Board papers are dispatched to the Directors at least 3 days before the meeting to ensure they have ample time to review the papers and be adequately prepared for the meeting. Senior management, responsible for the preparation of the Board papers, are invariably invited to present their papers and to take any questions or address any queries that the Board members may have on the papers in the meeting.

The proceedings of the Board at its meeting are conducted by the Chairman of the Company who ensures that sufficient time is allocated for discussion and consideration of each agenda item and also equal chances are being given to each Director to express their views and share their concerns.

In considering any matters or transactions at any Board meeting, the Directors are required to declare any direct or indirect interests, and shall abstain from voting at the meeting(s) where appropriate. Minutes of the Board meetings will record in details the matters considered by the Board and the decisions reached. The draft minutes of each Board meeting are sent to the Directors for comments within a reasonable time after the meeting.

During the year under review, the Board had held four regular board meetings at approximately quarterly intervals. The attendance of the Directors was as follows:

	Meetings attended/held
Mr. Ngok Yan Yu	4/4
Mr. Lam Hon Keung, Keith *(resignation effective on 28 December 2009)*	3/4
Ms. Tang Chui Yi, Janny *(resignation effective on 28 December 2009)*	2/4
Mr. Wong Ming Yeung *(resignation effective on 28 December 2009)*	4/4
Ms. Tang Wai Ha *(resignation effective on 18 February 2009)*	n/a
Mr. Marcello Appella	3/4
Mr. Chan Tak Yan *(appointment effective from 15 July 2009)*	2/4
Mr. Antonio Piva *(resignation effective on 10 July 2009)*	n/a
Mr. Je Kin Ming *(retired effective on 16 June 2009)*	1/4
Mr. Lo Ming Chi, Charles	4/4
Mr. Pao Ping Wing	4/4
Mr. Kwan Hung Sang, Francis	4/4

Note: Mr. Ho Gilbert Chi Hang, Mr. Mok Chung Kwan, Stephen, Mr. Lim Jui Kian and Mr. Cheng Kai Tai, Allen are all appointed to the Board after 31 December 2009.

MANAGEMENT FUNCTIONS

The Chairman, Mr. Ngok Yan Yu, is responsible for the formulation of overall corporate direction and business development strategy of the Group. Mr. Ngok Yan Yu is responsible for ensuring that good corporate governance practices and procedures are established, implemented and enforced.

During the year under review, Ms. Tang Chui Yi, Janny, the Chief executive officer, being the spouse of Mr. Ngok Yan Yu was responsible for the day-to-day management of the Group and the implementation of the approved strategies.

CORPORATE GOVERNANCE REPORT

NON-EXECUTIVE DIRECTORS

During the year under review, each of the non-executive Director and independent non-executive Directors has entered into letter of appointment with the Company for a term of three years commencing from 15 June 2006 (except for Mr. Antonio Piva, whose three years term commences from 31 July 2007) and all subject to the rotational retirement provisions of the memorandum and articles of association of the Company.

REMUNERATION OF DIRECTORS

The Company established a remuneration committee on 15 June 2006 with written term of references. During the year under review, the remuneration committee comprises three members, a majority of whom are independent non-executive Directors. The chairman of the committee is Mr. Pao Ping Wing, an independent non executive Director and other members are Mr. Kwan Hung Sang, Francis, an independent non-executive Director and Mr. Ngok Yan Yu, the Chairman of the Company. The principal roles and functions of the remuneration committee include:

— To make recommendations to the Board on the Company's policy and structure for all remuneration of the Directors and senior management of the Group;

— To approve the terms of executive Directors' service contracts;

— To have the delegated responsibility to determine the specific remuneration packages of all executive Directors and senior management of the Group, and make recommendations to the Board of the remuneration of non-executive Directors and independent non-executive Directors;

— To review and approve performance-based remuneration with reference to corporate goals and objectives resolved by the Board from time to time;

— To review and approve the compensation payable to executive Directors and senior management of the Group in connection with any loss or termination of their office or appointment; and

— To review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct.

During the year under review, the remuneration committee had held three meetings with the presence of all committee members to consider and approve the following matters:

— Grant of share options to employees;

— Recommendation of remuneration package to the new appointed executive Director; and

— Review of remuneration packages to all Directors.

As incentive to attract, retain and motivate employees or senior management to strive for future developments and expansion of the Group and to provide the Company with flexible means of rewarding and remunerating employees, the Company has adopted a share option scheme and the grantees of which include senior management and persons who hold key management positions in the Company, in addition, an annual appraisal had been conducted by the Company and employees are rewarded a performance bonus based on the results of such annual appraisal.

NOMINATION OF DIRECTORS

The Board established a nomination committee on 15 June 2006 with written terms of references. During the year under review, the nomination committee comprises four members, the majority of whom are independent non-executive Directors. The chairman of the committee is Mr. Ngok Yan Yu, the Chairman of the Company and other members are the three independent non-executive Directors, namely, Mr. Lo Ming Chi, Charles, Mr. Pao Ping Wing and Mr. Kwan Hung Sang, Francis. The principal roles and functions of the nomination committee include:

— To review the structure, size and composition of the Board on a regular basis and make recommendations to the Board regarding any proposed changes;

— To determine the policy for the nomination of directors;

— To identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;

— To assess the independence of independent non-executive Directors with regard to the requirements under the Listing Rules; and

— To make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for Directors in particular the Chairman and the Chief executive officer.

All new appointment of Directors and re-nomination of Directors for re-election at the annual general meeting are first considered by the nomination committee, which recommendations would then be put forward for the Board's decision. Subsequently, all those Directors are subject to re-election by the shareholders of the annual general meeting pursuant to the memorandum and articles of association of the Company. In considering the new appointment or re-nomination of Directors, the nomination committee will focus their decisions based on attributes such as integrity, loyalty, industry exposure and professional and technical skills together with the ability to contribute time and effort to carry out their duties effectively and responsibly.

During the year under review, the nomination committee had held two meetings with the presence of all committee members to pass the resolution for (i) re-nomination of Mr. Ngok Yan Yu, Ms Tang Chui Yi, Janny, Mr. Antonio Piva and Mr. Lo Ming Chi, Charles as directors, and to retire at the annual general meeting held on 3 June 2009 and stand for re-appointment and they also offered themselves for re-election by the shareholders of the Company at the 2009 annual general meeting, and (ii) nomination of an executive Director to the Board.

AUDITORS' REMUNERATION

For the year ended 31 December 2009, the auditors' remuneration paid or payable in respect of the audit and other non-audit services provided by the auditors to the Group were as follows:

	HK$'000
Audit service	1,752
Non-audit related service	59
	1,811

AUDIT COMMITTEE

The Company established an audit committee on 15 June 2006 with written terms of references in compliance with the Code. The audit committee comprises three independent non-executive Directors and one non-executive Director, namely, Mr. Lo Ming Chi, Charles, Mr. Pao Ping Wing, Mr. Kwan Hung Sang, Francis and Mr. Lim Jui Kian respectively. Mr. Lo Ming Chi, Charles is the chairman of the audit committee. All of the audit committee members possess the necessary qualifications and experience in financial matters and are well versed and well exposed in the accounting and financial areas, which are crucial to their key roles and functions. The principal roles and functions of the committee include:

— To consider and recommend to the Board on the appointment, re-appointment and removal of external auditors, and to approve their remuneration, and any question of their resignation and dismissal;

— To maintain an appropriate relationship with the Group's external auditors;

— To review the financial information of the Group; and

— To oversee the Group's financial reporting system and internal controls procedures.

During the year under review, the audit committee had held two meetings with the Group's senior management and its external auditors. All audit committee members were present in the meetings. The work performed by the audit committee during the year under review include:

— To review the interim report and interim results announcement for the six months ended 30 June 2009;

— To review the annual report and annual results announcement for the year ended 31 December 2008;

— To review the accounting principles and practices adopted by the Group and other financial reporting matters;

— To discuss with external auditor on any significant findings and audit issues;

— To discuss the effectiveness of the system of internal controls throughout the Group, including financial, operational and compliance controls, and risk management; and

— To review all significant business affairs managed by the executive Directors.

Minutes of the audit committee meeting have recorded the details of the matters considered by the audit committee members and the decisions reached. Drafts of these minutes were sent to the audit committee members for comments within a reasonable time after the audit committee meeting.

CORPORATE GOVERNANCE REPORT

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for the preparation of the financial statements for each financial year, which give a true and fair view of the state of affairs of the Group and of the results and cash flow for that year and in compliance with relevant laws and disclosure provisions of the Listing Rules. In preparing the financial statements for the year ended 31 December 2009, the Directors have selected appropriate accounting policies and applied them consistently; made judgments and estimates that are prudent and reasonable; and have prepared the financial statements on a going concern basis. The Directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Group.

INTERNAL CONTROLS

The Board acknowledges its responsibilities for the Group's internal control system and has reviewed its effectiveness to ensure that all internal control measures are in place to safeguard the Group's assets and to comply with relevant regulations and best practices.

INVESTOR RELATIONS

Communication with shareholders of the Company is given the highest priority. To promote and enhance investor relations and communications, the Company has established and maintained intensive communication channels with the media, analysts and fund managers through one-on-one meetings, road shows and conferences. Designated members of the Board and the senior management of the Group are given the specific responsibilities to maintain regular dialogues with institutional investors, potential institutional investors, fund managers, shareholders and analysts to keep them abreast of the Company's development.

The Company regards the annual general meeting as an important event as it provides an important opportunity for direct communications between the Board and the Company's shareholders in the presence of the Company's external auditors. All the Directors and senior management of the Group will make the special effort to attend, notwithstanding their place of residence. External auditors' presence at the meeting would also allow them to address shareholders' queries. Notice of general meetings together with relevant circular and annual report were dispatched to shareholders and they are encouraged to attend the annual general meeting and other general meetings. The procedure of general meeting was conducted in compliance with the Listing Rules and the articles of association of the Company, where sufficient time was given to shareholders for consideration of resolutions proposed and for question and answer, leading to satisfactory communications between the management and shareholders. Announcement of the resolutions passed at the meeting was published on both the websites of the Stock Exchange and the Company in a timely manner.

Directors' Report

DIRECTORS' REPORT

DIRECTORS' REPORT

The Directors present their report together with the audited consolidated financial statements for the year ended 31 December 2009.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The Group is principally engaged in manufacturing and sales of apparel and accessories, and the waste-to-energy business. Particulars of the Company's principal subsidiaries are set out in note 57 to the consolidated financial statements.

RESULTS

The results of the Group for the year ended 31 December 2009 are set out in the consolidated statement of comprehensive income on pages 46 to 47 of this annual report.

RESERVES

The distributable reserves of the Company as at 31 December 2009, calculated in accordance with the provisions of Companies Law of the Cayman Islands, amounted to HK$387.6 million.

Movements in reserves of the Group during the year are set out in the consolidated statement of changes in equity on pages 50 to 51 of this annual report.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 156 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 18 to the consolidated financial statements.

INVESTMENT PROPERTIES

Particulars of major properties held by the Group for investment purposes during the year, are set out in note 19 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year are set out in note 44 to the consolidated financial statements.

CONVERTIBLE NOTES AND PROMISSORY NOTES

A summary of the principal terms of the convertible notes and the promissory notes are respectively set out in note 41 and note 42 to the consolidated financial statements.

NON-LISTED WARRANTS

On 2 July 2009, the Company and Fortune (HK) Securities Limited entered into a warrant placing agreement in respect of the placing of 55,000,000 warrants of the Company to independent third parties at a price of HK$0.03 per warrant. Each warrant confers the right to subscribe for one ordinary share of the Company of HK$0.10 each at a subscription price of HK$0.70 per share, during a period of 18 months commencing from 31 July 2009, being the date which completion of the warrant placing took place. During the period from 31 July 2009 to 31 December 2009, all of the issued warrants were exercised and there were no outstanding warrants as at 31 December 2009.

PLACING OF NEW SHARES AND CONVERTIBLE BONDS

On 27 August 2009, the Company and Fortune (HK) Securities Limited entered into a placing agreement in respect of placing of 29,900,000 shares of the Company to independent third parties at a price of HK$0.60 per share. Placing of the new shares was completed on 15 September 2009.

DIRECTORS' REPORT

On 24 November 2009, the Company and CCB International Capital Limited entered into a placing agreement in respect of placing of 25,000,000 shares of the Company to independent third parties at a price of HK$2.60 per share. Placing of new shares was completed on 17 December 2009.

On 29 January 2010, the Company and Waste Resources G.P. Limited acting as general partner for and on behalf of Waste Resources Fund L.P. entered into a subscription agreement in connection with the subscription of convertible bonds in the principal amount of HK$156,000,000 and 9,431,000 new shares of the Company at the price of HK$1.67 per share. Completion of the subscription took place on 13 April 2010.

On 1 April 2010, Best View Enterprises Limited, a shareholder and connected person of the Company entered into a subscription agreement with the Company in respect of the subscription of 76,400,000 new shares of the Company at the price of HK$2.02 per share, upon the completion of placing of its 76,400,000 shares via The Royal Bank of Scotland N.V., Hong Kong Branch (acting as placing agent), to independent parties, at a price of HK$2.02 per share. The placing and subscription was completed on 8 April 2010 and 14 April 2010 respectively.

OTHER DISCLOSEABLE TRANSACTION

On 10 December 2009, the Company (via its wholly owned subsidiary) entered into a disposal agreement (the "Disposal Agreement") with a purchaser (which together with its ultimate beneficial owners are third parties independent of the Company and its connected persons) for the sale of the entire registered capital of Hembly (Nanjing) Garment Co., Ltd. for an aggregate cash consideration of HK$60,000,000 (the "Proposed Disposal"). As the Company would require further time to consult professional advice in relation to the Proposed Disposal, a memorandum of supersession, as supplemented by a supplemental memorandum of supersession, were respectively entered into by the parties on 14 December 2009 and 13 January 2010, the same of which superseded the Disposal Agreement such that the Company and the purchaser in effect granted each other an exclusivity period till 30 June 2010 to carry out due diligence, prepare funds and otherwise to consider whether or not to proceed with the sale and purchase of Hembly (Nanjing) Garment Co., Ltd. Up to the date of this report, the Proposed Disposal had not as yet materialized. Details of the above are disclosed in the Company's announcements dated respectively 10 and 14 December 2009 and 13 January 2010.

BANK BORROWINGS

Details of the Group's bank borrowings are set out in note 39 to the consolidated financial statements.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the share option scheme disclosures in note 54 to the consolidated financial statements, at no time during the year was the Company, its holding company, any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors or any of their spouse or children under the age of 18 to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS

The Directors during the year and up to the date of this annual report are:

Executive directors

Mr. Ngok Yan Yu *(Chairman)*
Mr. Lam Hon Keung, Keith *(Deputy chairman) (resignation effective on 28 December 2009)*
Ms. Tang Chui Yi, Janny *(Chief executive officer) (resignation effective on 28 December 2009)*
Mr. Wong Ming Yeung *(resignation effective on 28 December 2009)*
Mr. Marcello Appella
Ms. Tang Wai Ha *(resignation effective on 18 February 2009)*
Mr. Chan Tak Yan *(appointment effective on 15 July 2009)*

Non-executive directors

Mr. Antonio Piva *(resignation effective on 10 July 2009)*
Mr. Je Kin Ming *(retired effective on 16 June 2009)*
Mr. Ho Gilbert Chi Hang *(appointment effective on 6 January 2010)*
Mr. Mok Chung Kwan, Stephen *(appointment effective on 6 January 2010)*
Mr. Lim Jui Kian *(appointment effective on 14 April 2010)*

Independent non-executive directors

Mr. Lo Ming Chi, Charles
Mr. Pao Ping Wing
Mr. Kwan Hung Sang, Francis
Mr. Cheng Kai Tai, Allen *(appointment effective on 6 January 2010)*

In accordance with articles 86 and 87 of the Articles of Association of the Company, Mr. Marcello Appella, Mr. Chan Tak Yan, Mr. Ho Gilbert Chi Hang, Mr. Mok Chung Kwan, Stephen, Mr. Lim Jui Kian, Mr. Pao Ping Wing and Mr. Cheng Kai Tai, Allen will retire from office and, being eligible offer themselves for re-election at the forthcoming annual general meeting.

The Company has received annual confirmations of independence pursuant to Rule 3.13 of the Listing Rules from each of the independent non-executive Directors and still considers them to be independent.

DIRECTORS' REPORT

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the Directors and senior management are set out on pages 13 to 18 of this annual report.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with the Company for a term of three years, and will continue thereafter until terminated by either party thereto giving to the other not less than three months' prior notice in writing.

Each of the non-executive Directors and independent non-executive Directors has entered into letter of appointment with the Company and is appointed for a period of three years.

Save as disclosed above, none of the Directors has entered into any service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

During the year, the Group has continued its exclusive sourcing arrangements with Sergio Tacchini International S.p.A., previously known as H4T S.r.l. for the souricng of "*Sergio Tacchini*" products. Sergio Tacchini International S.p.A. is a company indirectly jointly owned by Mr. Ngok Yan Yu, the Company's chairman, and his associate(s) and hence a connected person of the Company under Chapter 14A of the Listing Rules.

On 8 September 2009, the Group entered into an agreement to acquire, from, inter alia, Bright King Investments Limited and other vendors, the entired issued share capital of Smartview Investment Holdings Ltd. at an aggregate consideration of HK$1,155.54 million, to be satisfied by convertible notes and promissory notes. Since Mr. Ngok Yan Yu, the Company's chairman, is the warrantor in this transaction and also the ultimate beneficial owner of Bright King Investments Limited, this transaction constitutes a very substantial acquisition and connected transaction of the Company and was disclosed in the Company's announcement and circular dated respectively 23 September 2009 and 23 November 2009. This transaction completed on 11 December 2009.

On 24 December 2009, the Company entered into a memorandum of understanding with Bloom Origin Limited, a company wholly owned by Mr. Ngok Yan Yu, the Company's chairman, wherein Bloom Origin Limited has been granted an exclusive right for a period of 12 months to explore the possibility of making investment in Full Prosper Holdings Limited ("Full Prosper"), a wholly owned subsidiary of the Company, including but not limited to subscription of new shares and/or convertible instruments in Full Prosper, provide financing or acquiring the interest of the Company and/or companies held by Full Prosper, in which the consideration must not exceed HK$450 million. As at the date of this annual report, the foregoing proposed investment had not yet materialized. Details of this matter was disclosed in the Company's announcement dated 24 December 2009.

Save as disclosed, no other contracts of significance in relation to the Group's business to which the Company, its holding company or any of its subsidiaries or fellow subsidiaries was a party, and in which a Director had a material interest, whether directly or indirectly, subsisted at the year-end or at any time during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31 December 2009, none of the Directors had any interest in any business, apart from the Group's business, which competes or is likely to compete, either directly or indirectly with the Group's business.

INTERESTS AND SHORT POSITIONS OF THE DIRECTORS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2009, the interests or short positions of the Directors in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) which were 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 were as follows:

Shares of the Company

Name of director	Capacity	Number of shares held	Approximate percentage of shareholdings
Mr. Ngok Yan Yu	Interest of a controlled corporation and interest of spouse *(Note 1)*	152,994,205 (L)	23.24%
Mr. Marcello Appella	Interest of a controlled corporation *(Note 2)*	3,588,030 (L)	0.55%
Mr. Kwan Hung Sang, Francis	Beneficial owner	270,000 (L)	0.04%

(L) denotes a long position

Notes:

1. *These Shares represent 152,744,205 shares held by Charm Hero Investments Limited ("Charm Hero"), which was wholly owned by Mensun Limited ("Mensun"), which was in turn wholly owned by Mr. Ngok Yan Yu, chairman of the Company and 250,000 shares held by Ms. Tang Chui Yi, Janny, the spouse of Mr. Ngok Yan Yu. As such, Mr. Ngok Yan Yu was deemed or taken to be interested in the Shares held by Charm Hero and Ms. Tang Chui Yi, Janny for the purposes of the SFO.*

2. *These Shares were held by Sycomore Limited ("Sycomore"), which was owned as to 50% by Mr. Marcello Appella, an executive director of the Company, and 50% by Mrs. Maguy, Alice, Juliette, Marie Pujol ep. Appella, the spouse of Mr. Marcello Appella. As such, Mr. Marcello Appella was deemed or taken to be interested in the Shares held by Sycomore for the purposes of the SFO.*

DIRECTORS' REPORT

Shares of the associated corporations of the Company

Name of director	Name of associated corporation	Capacity	Approximate percentage of issued share capital
Mr. Ngok Yan Yu	Shanghai Biomax Green Energy Park Company Limited ("Shanghai BGEP")	Interest of a controlled corporation *(Note 1)*	23.20%

Notes:

1. *Shanghai BGEP, a company indirect non-wholly owned by the Company, as to 23.20% of its entire issued share capital was held by J&B Assets Management Limited, which was in turn a company ultimately 100% owned by Mr. Ngok Yan Yu, a substantial shareholder and chairman of the Company.*

Share options of the Company

The interests of the Directors in the share options of the Company as at 31 December 2009 and the movements of the outstanding share options during the year are set out as follows:

	Number of share options							Exercise price		
	Balance as at 1 January 2009	Adjusted during the year *(Note 1)*	Granted during the year	Exercised during the year	Lapsed during the year	Balance as at 31 December 2009	Exercisable period	Before Adjustment	After Adjustment	Approximate percentage of issued share capital of the Company
Name of Directors										
Mr. Ngok Yan Yu *(Note 2)*	1,000,000 *(Note 3)*	7,658	–	–	(1,007,658)	–	14/9/2006 – 13/9/2009	HK$2.60	HK$2.5802	
	300,000 *(Note 4)*	2,298	–	–	–	302,298	09/10/2007 – 08/10/2010	HK$4.91	HK$4.8727	
	500,000 *(Note 7)*	3,829	–	–	–	503,829	18/8/2008 – 17/8/2018	HK$1.57	HK$1.5581	
	1,800,000	13,785	–	–	(1,007,658)	806,127				0.12%
Mr. Marcello Appella	500,000 *(Note 3)*	3,829	–	–	(503,829)	–	14/9/2006 – 13/9/2009	HK$2.60	HK$2.5802	
	250,000 *(Note 4)*	1,915	–	–	–	251,915	09/10/2007 – 08/10/2010	HK$4.91	HK$4.8727	
	200,000 *(Note 7)*	1,532	–	–	–	201,532	18/8/2008 – 17/8/2018	HK$1.57	HK$1.5581	
	950,000	7,276	–	–	(503,829)	453,447				0.07%

	Number of share options							Exercise price		Approximate percentage of issued share capital of the Company
	Balance as at 1 January 2009	Adjusted during the year *(Note 1)*	Granted during the year	Exercised during the year	Lapsed during the year	Balance as at 31 December 2009	Exercisable period	Before Adjustment	After Adjustment	
Ms. Tang Wai Ha (resignation effective on 18 February 2009	300,000 *(Note 5)*	2,299	—	—	(302,298)	—	7/5/2007 – 6/5/2010	HK$2.9	HK$2.878	
	200,000 *(Note 7)*	1,531	—	—	(201,532)	—	18/8/2008 — 17/8/2018	HK$1.57	HK$1.5581	
	500,000	3,830	—	—	(503,830)	—				0%
Mr. Je Kin Ming (retired effective on 16 June 2009)	500,000 *(Note 3)*	3,829	—	—	(503,829)	—	14/9/2006 — 13/9/2009	HK$2.60	HK$2.5802	
	100,000 *(Note 7)*	766	—	—	(100,766)	—	18/8/2008 — 17/8/2018	HK$1.57	HK$1.5581	
	600,000	4,595	—	—	(604,595)	—				0%
Mr. Antonio Piva (resignation effective on 10 July 2009)	500,000 *(Note 3)*	3,829	—	—	(503,829)	—	14/9/2006 — 13/9/2009	HK$2.60	HK$2.5802	
	100,000 *(Note 7)*	766	—	—	(100,766)	—	18/8/2008 — 17/8/2018	HK$1.57	HK$1.5581	
	600,000	4,595	—	—	(604,595)	—				0%
Ms. Tang Chui Yi, Janny (resignation effective on 28 December 2009) *(Note 2)*	800,000 *(Note 3)*	6,126	—	—	(806,126)	—	14/9/2006 — 13/9/2009	HK$2.60	HK$2.5802	
	400,000 *(Note 4)*	3,063	—	—	—	403,063	09/10/2007 — 08/10/2010	HK$4.91	HK$4.8727	
	500,000 *(Note 7)*	3,829	—	(250,000)	—	253,829	18/8/2008 — 17/8/2018	HK$1.57	HK$1.5581	
	1,700,000	13,018	—	(250,000)	(806,126)	656,892				0.10%

DIRECTORS' REPORT

	Number of share options							Exercise price		Approximate percentage of issued share capital of the Company
	Balance as at 1 January 2009	Adjusted during the year *(Note 1)*	Granted during the year	Exercised during the year	Lapsed during the year	Balance as at 31 December 2009	Exercisable period	Before Adjustment	After Adjustment	
Mr. Lam Hon Keung, Keith (resignation effective on 28 December 2009)	400,000 *(Note 3)*	3.063	—	—	(403,063)	—	14/9/2006 — 13/9/2009	HK$2.60	HK$2.5802	
	200,000 *(Note 4)*	1,532	—	—	—	201,532	09/10/2007 — 08/10/2010	HK$4.91	HK$4.8727	
	100,000 *(Note 7)*	766	—	—	—	100,766	18/8/2008 — 17/8/2018	HK$1.57	HK$1.5581	
	700,000	5,361	—	—	(403,063)	302,298				0.05%
Mr. Wong Ming Yeung (resignation effective on 28 December 2009)	250,000 *(Note 3)*	1,915	—	—	(251,915)	—	14/9/2006 — 13/9/2009	HK$2.60	HK$2.5802	
	300,000 *(Note 4)*	2,298	—	—	—	302,298	09/10/2007 — 08/10/2010	HK$4.91	HK$4.8727	
	100,000 *(Note 7)*	766	—	(50,000)	—	50,766	18/8/2008 — 17/8/2018	HK$1.57	HK$1.5581	
	650,000	4,979	—	(50,000)	(251,915)	353,064				0.05%
Employees In aggregate	700,000 *(Note 5)*	5,360	—	—	—	705,360	7/5/2007 — 6/5/2010	HK$2.90	HK$2.878	
	550,000 *(Note 6)*	4,214	—	—	(100,766)	453,448	9/10/2007 — 8/10/2010	HK$4.91	HK$4.8727	
	6,100,000 *(Note 8)*	46,718	—	(3,559,000)	(201,532)	2,386,186	11/11/2008 — 10/11/2018	HK$0.362	HK$0.3592	
	—	—	20,000,000 *(Note 9)*	(20,000,000)	—	—	19/5/2009 — 18/5/2019	HK$0.51		
	7,350,000	56,292	20,000,000	(23,559,000)	(302,298)	3,544,994				0.54%

Notes:

1. *Upon the completion of open offer on 3 March 2009 on the basis of one offer share for every two shares, the exercise price of the options granted and the number of shares to be issued upon full exercise of the options granted were adjusted.*

2. *Ms. Tang Chui Yi, Janny is the spouse of Mr. Ngok Yan Yu. As such, Ms. Tang Chui Yi, Janny and Mr. Ngok Yan Yu were deemed or taken to be interested in the share options of each other for the purposes of the SFO. The aggregate family interest in share options is 1,463,019 which represents approximately 0.22% of the issued share capital of the Company as at 31 December 2009.*

3. *These share options were granted on 14 September 2006. 20% of the granted share options have vested on 14 September 2006 and be exercisable from 14 September 2006 to 13 September 2009. Another 30% of the granted share options have vested on 14 September 2007 and be exercisable from 14 September 2007 to 13 September 2009. The remaining 50% of the granted share options have vested on 14 September 2008 and be exercisable from 14 September 2008 to 13 September 2009.*

4. *These share options were granted on 9 October 2007. 20% of the granted share options have vested on 9 October 2007 and be exercisable from 9 October 2007 to 8 October 2010. Another 30% of the granted share options have vested on 9 October 2008 and be exercisable from 9 October 2008 to 8 October 2010. The remaining 50% of the granted share options have vested on 9 October 2009 and be exercisable from 9 October 2009 to 8 October 2010.*

5. *These share options were granted on 7 May 2007 and have vested on 7 May 2007 and be exercisable from 7 May 2007 to 6 May 2010.*

6. *These share options were granted on 9 October 2007 and have vested on 9 October 2007 and be exercisable from 9 October 2007 to 8 October 2010.*

7. *These share options were granted on 18 August 2008. 20% of the granted share options have vested on 18 August 2008 and be exercisable from 18 August 2008 to 17 August 2018. Another 30% of the granted share options have vested on 18 August 2009 and be exercisable from 18 August 2009 to 17 August 2018. The remaining 50% of the granted share options would vest on 18 August 2010 and be exercisable from 18 August 2010 to 17 August 2018.*

8. *These share options were granted on 11 November 2008. 30% of the granted share options have vested on 11 November 2008 and be exercisable from 11 November 2008 to 10 November 2018. Another 30% of the granted share options have vested on 11 November 2009 and be exercisable from 11 November 2009 to 10 November 2018. The remaining 40% of the granted share options would vest on 11 November 2010 and be exercisable from 11 November 2010 to 10 November 2018.*

9. *These share options were granted on 19 May 2009 and have vested on 19 May 2009 and be exercisable from 19 May 2009 to 18 May 2019.*

None of the above share options were cancelled during the year.

Save as disclosed above, as at 31 December 2009, none of the Directors, chief executives of the Company or their associates had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Model Code.

DIRECTORS'
REPORT

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

As at 31 December 2009, the following shareholders (other than the Directors or chief executive of the Company whose interests and short positions in the shares or underlying shares of the Company as disclosed above) had interests or short positions in the shares and underlying shares of the Company which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of shareholders	Capacity	Number of shares held	Approximate percentage of shareholdings
Charm Hero	Beneficial owner	152,744,205 (L)	23.20%
Mensun	Interest of a controlled corporation *(Note 1)*	152,744,205 (L)	23.20%
Ms. Tang Chui Yi, Janny	Family interest *(Note 2)*	152,994,205 (L)	23.24%
Simple Success Investments Limited	Beneficial owner *(Note 3)*	406,666,666 (L)	61.77%
New World Strategic Investment Limited	Interest of a controlled corporation *(Note 3)*	406,666,666 (L)	61.77%
New World Development Company Limited	Interest of a controlled corporation *(Note 3)*	406,666,666 (L)	61.77%
Bright Good Limited	Beneficial owner *(Note 4)*	60,898,000 (L)	9.25%
Famous Lion Group Limited	Interest of a controlled corporation *(Note 4)*	60,898,000 (L)	9.25%
Liang Hui Sheng	Interest of a controlled corporation *(Note 4)*	60,898,000 (L)	9.25%
Ecofin Limited	Held as investment manager	40,116,000 (L)	6.09%

(L) denotes a long position

Notes:

1. *These Shares were held by Charm Hero, which was wholly owned by Mensun. As such, Mensun was deemed or taken to be interested in the Shares held by Charm Hero for the purpose of the SFO.*

2. *These Shares represent 152,744,205 shares held by Charm Hero, which was in turned owned by Mr. Ngok Yan Yu, spouse of Ms. Tang Chui Yi, Janny and 250,000 shares held by Ms. Tang Chui Yi, Janny. As such, Ms. Tang Chui Yi, Janny was deemed or taken to be interested in the Shares held by Charm Hero.*

3. *The interests in these Shares represent the issue of conversion shares upon conversion of all the outstanding convertible notes held by Simple Success Investments Limited, which was a wholly-owned subsidiary of New World Strategic Investment Limited, which was in turn wholly-owned by New World Development Company Limited. As such, New World Development Company Limited and New World Strategic Investment Limited were deemed to be interested in the said Shares held by Simple Success Investments Limited for the purposes of the SFO.*

4. *The interests in these Shares represent 4,198,000 shares and the issue of conversion shares upon conversion of the outstanding convertible notes in principal amount of HK$68,040,000 held by Bright Good Limited, which was a wholly-owned subsidiary of Famous Lion Group Limited, which was in turn wholly-owned by Liang Hui Sheng. As such, Famous Lion Group Limited and Liang Hui Sheng were deemed to be interested in the said Shares held by Bright Good Limited for the purposes of the SFO.*

Save as aforesaid and as disclosed in the "Interests and Short Positions of the Directors in Shares, Underlying Shares and Debentures of the Company and its Associated Corporations" section of this annual report, the Company has not been notified by any person who had any interest or short position in the shares or underlying shares of the Company as at 31 December 2009 which are required to be notified to the Company pursuant to Part XV of the SFO or which are recorded in the register required to be kept by the Company under Section 336 of the SFO.

CONNECTED TRANSACTIONS

During the year, the Group had the following continuing connected transactions, details of which are disclosed in compliance with the requirements of Chapter 14A of the Listing Rules.

New Sourcing Agreement

On 14 November 2008, Hembly Garment Manufacturing Limited, a wholly owned subsidiary of the Company entered into sourcing agreement (the "New Sourcing Agreement") with Sergio Tacchini International S.p.A. for a term of 3 years from 1 January 2009 to 31 December 2011. Pursuant to the New Sourcing Agreement, Sergio Tacchini International S.p.A. has appointed Hembly Garment Manufacturing Limited (including all its subsidiaries and its fellow subsidiaries) as its sourcing supplier to provide exclusive sourcing services for all sourcing of sport apparel, leisure wear and related accessories bearing the trademarks of "Sergio Tacchini" and/or "S.T." that will be manufactured in Asia.

DIRECTORS' REPORT

As at 14 November 2008 (namely, the date of the New Sourcing Agreement), Sergio Tacchini International S.p.A. was a company indirectly wholly-owned by Mr. Ngok Yan Yu, the then controlling shareholder and chairman of the Company and hence a connected person of the Company under Chapter 14A of the Listing Rules.

As at 31 December 2009 (namely, the end of the year under review), Sergio Tacchini International S.p.A. is a company indirectly owned by Mr. Ngok Yan Yu and his associate(s). Mr. Ngok Yan Yu is the chairman of the Company and hence a connected person of the Company under Chapter 14A of the Listing Rules.

For the year ended 31 December 2009, the provision of sourcing services by Hembly Garment Manufacturing Limited, its subsidiaries and fellow subsidiaries to Sergio Tacchini International S.p.A. amounted to about HK$104,855,000.

At an extraordinary general meeting of the Company held on 30 December 2008, independent shareholders of the Company (namely, shareholders of the Company other than Charm Hero Investments Limited and its associated) had approved the New Sourcing Agreement and the related annual caps for the amount of sales by the Group to Sergio Tacchini International S.p.A. pursuant to the New Sourcing Agreement for the three years ending 31 December 2011 in the amount of HK$410,000,000, HK$540,000,000 and HK$717,000,000 respectively.

Pursuant to Rule 14A.38 of the Rules Governing the Listing Securities on the Stock Exchange of Hong Kong Limited, the board of directors engaged the auditor of the Company to perform certain agreed upon procedures in respect of the continuing connected transactions of the Group. The auditor has reported the factual findings on these procedures to the board of directors.

The independent non-executive Directors had reviewed the above continuing connected transaction and confirmed that the transaction has been entered into:

1. in the ordinary and usual course of its business;

2. on normal commercial terms or on terms no less favourable to the Company than terms available to or from independent third parties; and

3. in accordance with the relevant agreement governing it on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Agreement on Disposal of a Subsidiary

On 3 December 2008, the Company entered into an agreement with Primewill Investments Limited (the "Purchaser") to guarantee the disposal of a subsidiary at the consideration of HK$100 million upon conditions being fulfilled, whereby the Purchaser is an associate of New World Development Company Limited, which in turn beneficially owns the entire issued share capital of All Field Investments Limited ("All Field"), being a substantial shareholder of Well Metro Group Limited (the entire issued share capital of which is held as to 83.33% by the Group and as to 16.67% by All Field). As such, this transaction constitutes a very substantial disposal and connected transaction and details were disclosed in the announcement dated 3 December 2008. This transaction completed on 30 October 2009.

PUBLIC FLOAT

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

MAJOR CUSTOMERS AND SUPPLIERS

Sales to the Group's five largest customers accounted for 51.03% of the Group's total sales for the year and sales to the Group's largest customer included therein accounted for 21.38%.

Sergio Tacchini International S.p.A. (formerly known as H4T S.r.l.) was one of the Group's five largest customers of which Mr. Ngok Yan Yu, the chairman of the Company, and his associate(s), are the 100% ultimate beneficial owners.

Purchase from the Group's five largest suppliers together represented less than 30% of the Group's total purchases during the year.

Save as the aforesaid, none of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, owned more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or five largest suppliers.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's article of association or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata to existing shareholders.

DIRECTORS' REPORT

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

CORPORATE GOVERNANCE

The Company's corporate governance principles and practices are set out in the Corporate Governance Report on pages 19 to 27 of this annual report.

AUDITORS

The consolidated financial statements for the year ended 31 December 2009 have been audited by Deloitte Touche Tohmatsu who retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting of the Company.

On behalf of the Board

Ngok Yan Yu
Chairman

Hong Kong, 27 April 2010

INDEPENDENT AUDITOR'S REPORT

Deloitte.
德勤

TO THE MEMBERS OF NEW ENVIRONMENTAL ENERGY HOLDINGS LIMITED
新環保能源控股有限公司
(FORMERLY KNOWN AS HEMBLY INTERNATIONAL HOLDINGS LIMITED 恒寶利國際控股有限公司)
(incorporated in Cayman Islands with limited liability)

We have audited the consolidated financial statements of New Environmental Energy Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 46 to 155, which comprise the consolidated statement of financial position as at 31 December 2009, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the disclosure requirements of 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 the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement 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 HKICPA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated 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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2009 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

27 April 2010

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2009

	NOTES	2009 HK$'000	2008 HK$'000 (restated)
Continuing operations			
Revenue	7	**740,218**	1,094,892
Cost of sales		**(714,579)**	(874,287)
Gross profit		**25,639**	220,605
Discount on acquisition of additional interest in a subsidiary		**—**	4,922
Other income, gains and losses	9	**(25,155)**	11,390
Administrative expenses		**(101,192)**	(113,443)
Distribution and selling costs		**(30,831)**	(44,388)
Gain on disposal of a business	46	**7,787**	—
Loss on disposal of subsidiaries	46	**(33,664)**	—
Loss on disposal of a jointly controlled entity	47	**(2,242)**	—
Impairment loss on goodwill	22	**(645,060)**	—
Impairment loss on property, plant and equipment	18	**(79,729)**	—
Finance costs	10	**(36,119)**	(45,999)
(Loss) profit before tax	11	**(920,566)**	33,087
Income tax expense	12	**(305)**	(11,215)
(Loss) profit for the year from continuing operations		**(920,871)**	21,872
Discontinued operation			
Loss for the year from discontinued operation	13	**(57,315)**	(20,398)
(Loss) profit for the year		**(978,186)**	1,474
Other comprehensive (expense) income			
Exchange differences on translation/			
Exchange difference arising during the year		**(10,641)**	33,129
Reclassification adjustment upon disposal of a jointly controlled entity		**(647)**	(1,442)
Reclassification adjustment upon disposal of subsidiaries		**(15,685)**	—
Available-for-sale investments			
Fair value gain (loss) on available-for-sale investments		**72**	(45)
Reclassification adjustment on disposal of available-for-sale investments		**(367)**	(168)
Revaluation increase on step acquisition from a jointly controlled entity to a subsidiary		**—**	1,118
Other comprehensive (expense) income for the year (net of tax)		**(27,268)**	32,592
Total comprehensive (expense) income for the year		**(1,005,454)**	34,066

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2009

	NOTE	2009 HK$'000	2008 HK$'000 (restated)
(Loss) profit for the year attributable to:			
Owners of the Company		**(978,257)**	7,798
Minority interests		**71**	(6,324)
		(978,186)	1,474
Total comprehensive (expense) income attributable to:			
Owners of the Company		**(1,005,655)**	41,173
Minority interests		**201**	(7,107)
		(1,005,454)	34,066
(Loss) earnings per share	17		
From continuing and discontinued operation			
Basic		**HK(225.98) cents**	HK2.76 cents
Diluted		**HK(225.98) cents**	HK1.31 cents
From continuing operations			
Basic		**HK(212.74) cents**	HK9.96 cents
Diluted		**HK(212.74) cents**	HK9.96 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2009

	NOTES	2009 HK$'000	2008 HK$'000
Non-current assets			
Property, plant and equipment	18	**196,148**	323,432
Investment property	19	**—**	29,885
Intangible assets	20	**6,722**	12,177
Goodwill	21	**423,280**	—
Prepaid lease payments	23	**65,898**	66,044
Amounts due from grantors for contract work	25	**137,134**	—
Available-for-sale investments	26	**34,700**	575
Financial assets at fair value through profit or loss	27	**6,404**	5,968
Advance payment for acquisition of an associate	28	**74,254**	—
Deposits paid for construction of infrastructure in service concession arrangements	29	**107,068**	—
Deferred tax assets	43	**—**	626
		1,051,608	438,707
Current assets			
Inventories	30	**206,670**	291,844
Trade receivables	31(a)	**171,693**	402,210
Deposits, prepayments and other receivables	31(b)	**118,795**	59,999
Deferred consideration receivable	46	**58,264**	—
Prepaid lease payments	23	**1,528**	1,497
Amounts due from related companies	32	**87,898**	99,171
Amounts due from jointly controlled entities	33	**11,634**	12,417
Amount due from a former jointly controlled entity	33	**405**	918
Tax recoverable		**682**	—
Available-for-sale investments	26	**511**	3,021
Pledged bank deposits	35	**6,666**	41,719
Bank deposits with original maturity of more than three months	35	**96,536**	218,391
Bank balances and cash	35	**125,303**	48,969
		886,585	1,180,156
Assets classified as held for sale	36	**—**	25,380
		886,585	1,205,536
Current liabilities			
Trade payables	37(a)	**85,011**	148,592
Other payables and accruals	37(b)	**151,740**	77,609
Deposit received for disposal of a subsidiary	46	**—**	80,000
Amounts due to related companies	34	**265,569**	—
Amounts due to joint venturers of jointly controlled entities	33	**10,582**	9,155
Amounts due to jointly controlled entities	33	**27,084**	20,028
Taxation payable		**41,578**	32,894
Obligations under finance leases – due within one year	38	**777**	798
Bank borrowings – due within one year	39	**124,343**	345,932
Bank overdrafts	39	**2,425**	26,073
		709,109	741,081
Liabilities associated with assets classified as held for sale	36	**—**	25,113
		709,109	766,194
Net current assets		**177,476**	439,342
Total assets less current liabilities		**1,229,084**	878,049

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2009

	NOTES	2009 HK$'000	2008 HK$'000
Non-current liabilities			
Obligations under finance leases – due after one year	38	**576**	1,219
Bank borrowings – due after one year	39	**181,554**	206,627
Convertible redeemable preference shares	40	**—**	79,292
Conversion option derivative liability	40	**—**	2,149
Convertible notes	41	**294,796**	—
Promissory notes	42	**191,533**	—
Deferred consideration payable	45	**461**	—
Deferred tax liabilities	43	**53,667**	6,492
		722,587	295,779
		506,497	582,270
Capital and reserves			
Share capital	44	**65,830**	28,303
Reserves		**399,962**	562,843
Equity attributable to owners of the Company		**465,792**	591,146
Minority interests		**40,705**	(8,876)
		506,497	582,270

The consolidated financial statements on pages 46 to 155 were approved and authorised for issue by the board of directors on 27 April 2010 and are signed on its behalf by:

DIRECTOR *DIRECTOR*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2009

	Attributable to owners of the Company														
	Share capital HK$'000	Share premium HK$'000	Enterprise expansion reserve HK$'000 (Note a)	Statutory reserve HK$'000 (Note b)	Translation reserve HK$'000	Share options reserve HK$'000	Special reserve HK$'000 (Note c)	Warrant reserve HK$'000	Investment revaluation reserve HK$'000	Step acquisition revaluation reserve HK$'000	Convertible notes equity reserve HK$'000	Accumulated profits (losses) HK$'000	Total HK$'000	Minority interests HK$'000 (Note d)	Total HK$'000
At 1 January 2008	28,283	210,685	2,015	10,931	38,744	2,505	30,052	–	508	–	–	251,184	574,907	7,653	582,560
Profit for the year	–	–	–	–	–	–	–	–	–	–	–	7,798	7,798	(6,324)	1,474
Exchange differences arising on translation of foreign operations	–	–	–	–	33,912	–	–	–	–	–	–	–	33,912	(783)	33,129
Loss on fair value change of available-for-sale investments	–	–	–	–	–	–	–	–	(45)	–	–	–	(45)	–	(45)
Revaluation increase on step acquisition from a jointly controlled entity to a subsidiary recognised directly in equity (note 45)	–	–	–	–	–	–	–	–	–	1,118	–	–	1,118	–	1,118
Transfer to profit or loss on disposal of available-for-sale investment	–	–	–	–	–	–	–	–	(168)	–	–	–	(168)	–	(168)
Released on disposal of a jointly controlled entity	–	–	–	–	(1,442)	–	–	–	–	–	–	–	(1,442)	–	(1,442)
Total comprehensive income (expense) for the year	–	–	–	–	32,470	–	–	–	(213)	1,118	–	7,798	41,173	(7,107)	34,066
Exercise of share options	20	560	–	–	–	–	–	–	–	–	–	–	580	–	580
Transfer to share premium upon exercise of share options	–	100	–	–	–	(100)	–	–	–	–	–	–	–	–	–
Recognition of equity-settled share based payments	–	–	–	–	–	2,789	–	–	–	–	–	–	2,789	–	2,789
Acquisition of additional interest in subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	–	(9,422)	(9,422)
Transfer	–	–	–	6,483	–	–	–	–	–	–	–	(6,483)	–	–	–
Dividend paid	–	–	–	–	–	–	–	–	–	–	–	(28,303)	(28,303)	–	(28,303)
At 31 December 2008	28,303	211,345	2,015	17,414	71,214	5,194	30,052	–	295	1,118	–	224,196	591,146	(8,876)	582,270
Loss for the year	–	–	–	–	–	–	–	–	–	–	–	(978,257)	(978,257)	71	(978,186)
Exchange differences arising on translation of foreign operations	–	–	–	–	(10,771)	–	–	–	–	–	–	–	(10,771)	130	(10,641)
Gain on fair value change of available-for-sale investments	–	–	–	–	–	–	–	–	72	–	–	–	72	–	72
Transfer to profit or loss on disposal of available-for-sale investment	–	–	–	–	–	–	–	–	(367)	–	–	–	(367)	–	(367)
Released on disposal of a jointly controlled entity	–	–	–	–	(647)	–	–	–	–	–	–	–	(647)	–	(647)
Released on disposal of subsidiaries	–	–	–	–	(15,685)	–	–	–	–	–	–	–	(15,685)	–	(15,685)
Total comprehensive expense for the year	–	–	–	–	(27,103)	–	–	–	(295)	–	–	(978,257)	(1,005,655)	201	(1,005,454)
Exercise of share options	2,385	9,560	–	–	–	–	–	–	–	–	–	–	11,945	–	11,945
Transfer to share premium upon exercise of share options	–	4,105	–	–	–	(4,105)	–	–	–	–	–	–	–	–	–
Recognition of equity-settled share based payments	–	–	–	–	–	4,726	–	–	–	–	–	–	4,726	–	4,726
Transfer	–	–	–	1,429	–	–	–	–	–	–	–	(1,429)	–	–	–
Acquisition of a subsidiary (Note 45)	–	–	–	–	–	–	–	–	–	–	–	–	–	37,867	37,867
Disposal of subsidiaries	–	–	–	–	–	–	–	–	–	(1,118)	–	1,118	–	11,513	11,513
Issue of shares (Note 44(b) and (c))	19,642	105,753	–	–	–	–	–	–	–	–	–	–	125,395	–	125,395
Share issuance expenses	–	(4,818)	–	–	–	–	–	–	–	–	–	–	(4,818)	–	(4,818)
Issue of warrants	–	–	–	–	–	–	–	1,650	–	–	–	–	1,650	–	1,650
Warrant issuance expenses	–	–	–	–	–	–	–	(831)	–	–	–	–	(831)	–	(831)
Exercise of warrants	5,500	33,819	–	–	–	–	–	(819)	–	–	–	–	38,500	–	38,500
Recognition of equity component of convertible notes	–	–	–	–	–	–	–	–	–	–	683,286	–	683,286	–	683,286
Issue of shares upon conversion of convertible notes	10,000	174,839	–	–	–	–	–	–	–	–	(121,286)	–	63,553	–	63,553
Deferred tax on convertible notes	–	–	–	–	–	–	–	–	–	–	(52,843)	–	(52,843)	–	(52,843)
Deferred tax transferred upon conversion of convertible notes	–	–	–	–	–	–	–	–	–	–	9,738	–	9,738	–	9,738
Lapse of share options	–	–	–	–	–	(2,171)	–	–	–	–	–	2,171	–	–	–
At 31 December 2009	65,830	534,603	2,015	18,843	44,111	3,644	30,052	–	–	–	518,895	(750,201)	465,792	40,705	506,497

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2009

Notes:

(a) *According to their respective Articles of Association, the subsidiaries registered in the People's Republic of China ("PRC") shall make appropriation to the enterprise expansion reserve out of profit after tax of the statutory financial statements and the amount and allocation basis are decided by its board of directors annually. The enterprise expansion reserve can be used to expand the capital of the PRC subsidiaries.*

(b) *The statutory reserve of the Group refers to the PRC statutory reserve fund. Appropriations to such reserve fund are made out of profit after tax of the statutory financial statements of the PRC subsidiaries and the amount should not be less than 10% of the profit after tax unless the aggregate amount exceeded 50% of registered capital of the PRC subsidiaries. The statutory reserve fund can be used to make up prior years' losses of the PRC subsidiaries.*

(c) *The special reserve arose during the year ended 31 December 2006 represents the difference between the aggregate of the nominal value of share capital and share premium of Full Prosper Holdings Limited acquired by the Company pursuant to a group reorganisation in June 2006 and the nominal value of the share capital issued by the Company as consideration for the acquisition.*

(d) *A minority shareholder of M.D.T. Sourcing (China) Limited, a non-wholly owned subsidiary of the Group, has a binding obligation to make investment to cover the losses in excess of the share capital contributed by him. M.D.T. Sourcing (China) Limited was disposed of during the current year. At the date of disposal, accumulated losses applicable to the minority shareholder in excess of its share capital amounted to HK$11,895,000 (31.12.2008: HK$9,350,000).*

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2009

	NOTES	2009 HK$'000	2008 HK$'000
OPERATING ACTIVITIES			
(Loss) profit for the year		**(978,186)**	1,474
Adjustments for:			
Income tax expense		**371**	14,301
Discount on acquisition of additional interest in a subsidiary		**—**	(4,922)
Depreciation of property, plant and equipment		**21,492**	29,218
Amortisation of prepaid lease payments		**1,588**	1,463
Profit on construction under service concession arrangement		**(2,631)**	—
Share-based payment expense		**4,726**	2,789
Finance costs		**46,647**	58,207
Interest income		**(3,664)**	(7,916)
Loss (gain) on disposal of a jointly controlled entity	47	**2,242**	(15,134)
Loss on disposal of subsidiaries	46	**33,664**	—
Gain on disposal of a business	46	**(7,787)**	—
Impairment loss recognised in respect of trade receivables		**24,491**	1,234
Impairment loss recognised in respect of other receivable		**9,174**	—
Allowance for inventories		**46,089**	317
Gain on disposal of available-for-sale investments		**(367)**	(168)
Change in fair value of financial assets at fair value through profit and loss		**(436)**	194
Loss on disposal of property, plant and equipment		**2,324**	1,443
Amortisation of intangible assets		**1,030**	2,409
Change in fair value of investment property		**—**	3,371
Impairment loss on goodwill		**645,060**	36,862
Impairment loss on intangible assets		**—**	2,138
Impairment loss on property, plant and equipment		**85,628**	23,425
Impairment loss on prepaid lease payments		**—**	2,405
Gain on change in fair value of conversion option derivative liability		**(1,452)**	(19,873)
Operating cash flows before movements in working capital		**(69,997)**	133,237
Increase in inventories		**(79,179)**	(112,850)
Decrease (increase) in trade receivables		**215,552**	(150,108)
(Increase) decrease in deposits, prepayments and other receivables		**(116,395)**	48,673
Decrease (increase) in amounts due from jointly controlled entities		**2,374**	(6,601)
(Increase) decrease in amount due from related companies		**(50,209)**	75,217
(Decrease) increase in trade payables		**(64,586)**	15,792
Increase in other payables and accruals		**39,865**	17,329
Increase in amounts due to related companies		**9,518**	—
Increase in amounts due to joint venturers of jointly controlled entities		**—**	12,919
Increase in amount due to a jointly controlled entity		**7,056**	22,205
Cash (used in) from operations		**(106,001)**	55,813
Hong Kong Profits Tax paid		**(28)**	(9)
Tax paid for other jurisdictions		**(4,898)**	(6,361)
NET CASH (USED IN) FROM OPERATING ACTIVITIES		**(110,927)**	49,443

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2009

	NOTES	2009 HK$'000	2008 HK$'000
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(4,762)	(92,560)
Payments to contractors for construction of infrastructure in service concession arrangement		(40,498)	—
Purchase of available-for-sale investments		(511)	(805)
Acquisition of a subsidiary	45	4,425	—
Acquisition of additional interest in a jointly controlled entity	45	—	(7,042)
Purchase of intangible assets		—	(4,789)
Purchase of financial assets at fair value through profit and loss		—	(6,162)
Increase in prepaid lease payments		—	(36)
Earnest money received from a related company	34	250,000	—
Advance payment for acquisition of an associate		(62,890)	—
Deposit received for disposal of a subsidiary		—	80,000
Decrease in bank deposits with original maturity of more than three months		121,855	71,212
Interest received		2,018	7,916
Proceeds on disposal of property, plant and equipment		49	3,176
Decrease in pledged bank deposits		38,462	6,342
Repayment from jointly controlled entities		—	12,046
Disposal of jointly controlled entities	47	(3,483)	5,193
Disposal of subsidiaries	46	16,744	—
Proceeds on disposal of available-for-sale investments		3,668	3,208
NET CASH FROM INVESTING ACTIVITIES		325,077	77,699
FINANCING ACTIVITIES			
Repayment of bank borrowings		(973,604)	(2,364,804)
Interest paid		(30,982)	(46,986)
Dividend paid		—	(28,303)
Repayment of loans from joint venturers of jointly controlled entities		—	(14,836)
Repayment of obligations under finance leases		(729)	(913)
New bank borrowings raised		716,306	2,215,210
Additional capital contribution from minority shareholder of a subsidiary		—	6,689
Proceeds from issue of ordinary shares		175,840	580
Proceeds from issue of warrants		1,650	—
Share issuance expenses		(4,818)	—
Warrant issuance expenses		(831)	—
NET CASH USED IN FINANCING ACTIVITIES		(117,168)	(233,363)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		96,982	(106,221)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		(483)	20,984
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		26,379	111,616
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		122,878	26,379
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Bank balances and cash		125,303	48,969
Bank overdrafts		(2,425)	(26,073)
Cash and cash equivalents included in a disposal group held for sale		—	3,483
		122,878	26,379

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

1. GENERAL

The Company was incorporated in Cayman Islands under the Companies Law as an exempted company with limited liability on 27 May 2004 and its shares have been listed on Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect from 13 July 2006. The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section to the annual report.

The principal activities of the Company and its subsidiaries (hereinafter collectively referred as the "Group") are the manufacture and sales of apparel and accessories. During the year, the Group diversified its business into the investment, engineering, procurement of equipment, operation and maintenance of waste treatment and waste-to-energy plants in the PRC through the acquisition of a subsidiary in December 2009 (Note 45). The Group was also engaged in the distribution and retailing of apparel and footwear which was discontinued in current year (Note 13).

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

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following new and revised Standards, Amendments and Interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC)-Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC)-Int 13	Customer Loyalty Programmes
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC)-Int 18	Transfers of Assets from Customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendments to HKFRS 5 that is effective for annual periods beginning on or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendments to paragraph 5B of HKFRS 5 and paragraph 80 of HKAS 39

Except as described below, the adoption of new and revised HKFRSs had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

New and revised HKFRSs affecting presentation and disclosure only

HKAS 1 (Revised 2007) Presentation of Financial Statements

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.

HKFRS 8 Operating Segments

HKFRS 8 is a disclosure standard that has not resulted in a redesignation of the Group's reportable segments (see Note 8) nor changes in the basis of measurement of segment profit or loss, segment assets and segment liabilities.

Improving Disclosures about Financial Instruments (Amendments to HKFRS 7 Financial Instruments: Disclosures)

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements in respect of financial instruments which are measured at fair value. The amendments also expand and amend the disclosures required in relation to liquidity risk. The Group has not provided comparative information for the expanded disclosures in accordance with the transitional provision set out in the amendments.

In addition, the Group has adopted the following amendment in advance of its effective date:

Amendment to HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations

As part of Improvement to HKFRSs issued in 2009, the amendment has clarified that HKFRS 5 has specified the disclosure required in respect of disposal groups classified as discontinued operation. Disclosure requirements in other HKFRSs do not generally apply to such disposal groups.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

New and revised HKFRSs affecting presentation and disclosure only *(continued)*

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

HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009, except for the amendments to paragraph 5B of HKFRS 5 [2]
HKAS 24 (Revised)	Related Party Disclosures[6]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 32 (Amendment)	Classification of Rights Issues[4]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[3]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[5]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[3]
HKFRS 3 (Revised)	Business Combinations[1]
HKFRS 9	Financial Instruments[7]
HK(IFRIC)-Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[6]
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners[1]
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments[5]

1 *Effective for annual periods beginning on or after 1 July 2009*
2 *Amendments that are effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate*
3 *Effective for annual periods beginning on or after 1 January 2010*
4 *Effective for annual periods beginning on or after 1 February 2010*
5 *Effective for annual periods beginning on or after 1 July 2010*
6 *Effective for annual periods beginning on or after 1 January 2011*
7 *Effective for annual periods beginning on or after 1 January 2013*

The application of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after 1 January 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in Group's ownership interest in a subsidiary.

HKFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

The directors of the Company anticipate that the application of the other new and revised Standards, Amendments or Interpretations will have no material impact on the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for investment property and certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange ("the Listing Rules") and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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

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

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Acquisition of additional interests in subsidiaries

On acquisition of additional interests in subsidiaries, goodwill is measured at the excess of the consideration over aggregate of the carrying amounts of identified assets and liabilities attributable to the additional interests in the subsidiaries acquired.

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 that meet the conditions for recognition under HKFRS 3 *Business Combinations* are recognised at their fair values at the acquisition date.

When a business combination involves more than one exchange transaction, each exchange transaction shall be treated separately by the acquirer, using the cost of the transaction and fair value information at the date of each exchange transaction to determine the amount of any goodwill associated with that transaction. Any adjustment to those fair values relating to previously held interests of the Group is credited to the revaluation reserve.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination 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.

Contingent consideration was recognised, if and only if, the contingent consideration was probable and could be measured reliably. Subsequent adjustments to contingent consideration were recognised against goodwill.

Goodwill

Goodwill arising on an acquisition of a business or a jointly controlled entity (which is accounted for using proportionate consolidation) is carried at cost less any accumulated impairment losses and is presented separately in the consolidated statement of financial position.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Goodwill *(continued)*

On disposal of the relevant cash-generating units, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

Jointly controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The Group recognises its interests in jointly controlled entities using proportionate consolidation, except when the investment is classified as held for sale in which case it is accounted for under HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. The Group's share of each of the assets, liabilities, income and expenses of the jointly controlled entities are combined with the Group's similar line items, line by line, in the consolidated financial statements.

When a group entity transacts with a jointly controlled entity of the Group, unrealised profits or losses are eliminated to the extent of the Group's interest in the jointly controlled entity.

Non-current 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.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and service provided in the normal course of business, net of discounts and sales related taxes.

Revenue from sales of goods is recognised when goods are delivered and title has passed.

Royalty fee income is recognised when the rights to receive payment are established.

Sourcing income are recognised when the services are rendered.

Delivery charge and management fee income are recognised when services are rendered.

Interest income from a financial asset excluding financial assets at fair value through profit and loss is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset's net carrying amount on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Construction contracts

Where the outcome of a construction contract including construction services of the infrastructure under a service concession arrangement can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, as measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs, except where this would not be representative of the stage of completion.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Property, plant and equipment

Property, plant and equipment, including buildings held for use in the production or supply of goods or services, or for administrative purpose other than construction in progress, are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment other than construction in progress, over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method, at the following rates per annum:

Leasehold land and buildings	4.5%
Leasehold improvement	Shorter of useful life or the lease terms
Plant and machinery	9% to 20%
Furniture, fixtures and equipment	10% to 20%
Motor vehicles	10% to 20%

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment *(continued)*

If an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by end of owner-occupation, any resulting decrease in the carrying amount of that item is recognised in profit or loss upon transfer to investment property at its fair value.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured using the fair value model. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss for the period in which the asset is derecognised.

When there is any transfer from investment property carried at fair value to owner-occupied property, the property's deemed cost for subsequent accounting shall be its fair value at the date of change in use.

Leasing

Leases are classified as finance lease 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.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

Operating leases payments are recognised as an expense on a straight-line basis over the relevant lease term. Benefits received and receivable as an incentive to enter into operating lease are recognised as a reduction of rental expense over the lease term on a straight line basis.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leasing *(continued)*

Leasehold land and building

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as a finance lease and accounted for as property, plant and equipment. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases and amortised over the lease term on a straight line basis except for those that are classified and accounted for as investment properties under the fair value model.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale for which the commencement date for capitalisation is on or after 1 January 2009, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowing pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense 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 end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. 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.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, and interests in joint ventures, 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation *(continued)*

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

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 is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. 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 end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Foreign currencies

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollar) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the translation reserve). Such exchange differences are recognised in consolidated statement of comprehensive income in the year in which the foreign operation is disposed of.

Goodwill and fair value adjustments on identifiable assets acquired and liabilities assumed arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and retranslated at the rate of exchange prevailing at the end of the reporting period. Exchange differences arising are recognised in the translation reserve.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into loans and receivables, available-for-sale financial assets and financial assets at fair value through profit or loss ("FVTPL").

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 (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, of which interest income is included in net gains or losses.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade receivables, other receivables, deferred consideration receivable, amounts due from grantors for contract work, amounts due from a related company, a former jointly controlled entity and jointly controlled entities, pledged bank deposits and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

Available-for-sale financial assets are measured at fair value at the end of each reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in investment revaluation reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see accounting policy on impairment loss on financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Effective interest method *(continued)*

Available-for-sale financial assets (continued)

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at the end of each reporting period (see accounting policy on impairment loss on financial assets below).

Financial assets at fair value through profit or loss

Financial assets at FVTPL represent financial assets designated as at FVTPL on initial recognition.

A financial asset may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets 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 assets have been affected.

For an available-for sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets *(continued)*

For certain categories of financial asset, such as trade receivables, that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 to 90 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, other receivables, amounts due from a related company, jointly controlled entities and a former jointly controlled entity, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When trade receivables, other receivables, amounts due from a related company, jointly controlled entities and a former jointly controlled entity, are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in investment revaluation reserve.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

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 (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Convertible notes

Convertible notes issued by the Group that contain both the liability and conversion option components are classified separately into respective items on initial recognition. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the gross proceeds of the issue of the convertible notes and the fair value assigned to the liability component, representing the conversion option for the holder to convert the notes into equity, is included in equity (convertible notes equity reserve).

In subsequent periods, the liability component of the convertible notes is carried at amortised cost using the effective interest method. The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in convertible notes equity reserve until the embedded option is exercised (in which case the balance stated in convertible notes equity reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible notes equity reserve will be released to the retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

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. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible notes using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity *(continued)*

Effective interest method *(continued)*

Convertible redeemable preference shares

Convertible redeemable preference shares issued by the Group that contain both liability and conversion option components are classified separately into respective items on initial recognition. Conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Group's own equity instruments is a conversion option derivative. At the date of issue, both the liability and conversion option components are recognised at fair value.

In subsequent periods, the liability component of the convertible redeemable preference shares is carried at amortised cost using the effective interest method. The conversion option derivative is measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that relate to the issue of the convertible redeemable preference shares are allocated to the liability and conversion option components in proportion to their relative fair values at initial recognition. Transaction costs relating to the conversion option derivative is charged to profit or loss immediately. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible loan notes using the effective interest method.

Other financial liabilities

Other financial liabilities including trade payables, other payables, deposit received for disposal of a subsidiary, amounts due to related companies, joint venturers of jointly controlled entities and jointly controlled entities, promissory notes, obligations under finance leases, bank overdrafts, bank borrowings and deferred consideration payable are subsequently measured at amortised cost, using the effective interest method.

Warrants

Warrants issued by the Company that will be settled by a fixed amount of cash for a fixed number of the Company's own equity instruments are equity instrument. The net proceed received from the issue of warrants is recognised in equity (warrant reserve). The warrant reserve will be transferred to share capital and share premium accounts upon the exercise of the warrants. When the warrants are still not exercised at the expiry date, the amount previously recognised in warrant reserve will be transferred to retained profits.

Equity instruments

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

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in other comprehensive income is recognised in profit or loss. If the Group retains substantially all the risks and rewards of ownership of a transferred asset, the Group continues to recognise the financial asset and recognise a collateralised borrowing for proceeds received.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Intangible assets

Intangible assets acquired separately

Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Service concession arrangements

Consideration received or receivable by the Group for the provision of construction service in a service concession arrangement is recognised at its fair value as a financial asset or an intangible asset.

When the Group has an unconditional contractual right to receive cash or another financial asset from or at the direction of the grantor for the construction services and the grantor has little, if any, discretion to avoid payment, usually because the agreement is enforceable by law, it recognises a financial asset under loans and receivables at fair value upon initial recognition. Subsequent to initial recognition, the financial asset is carried at amortised cost using the effective interest method, less any identified impairment losses.

Contractual obligations to restore the infrastructure to a specified level of serviceability

The Group has contractual obligations under the service concession arrangements to maintain the infrastructure to a specified level of serviceability, or to restore the infrastructure to a specified condition before it is handed over to the grantor at the end of the service arrangement. These contractual obligations to maintain and restore the infrastructure are measured at the best estimate of the expenditure that would be required to settle the present obligation at the end of the reporting period.

Impairment losses on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible 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. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, 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 in prior years. A reversal of an impairment loss is recognised as income immediately.

Retirement benefit costs

Payments to the defined contributions retirement benefit plans are charged as expense when employees have rendered service entitling them to the contributions.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to directors and employees

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve).

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss, with a corresponding adjustment to share options reserve.

For share options that vested at the date of grant, the fair value of the share options is expensed immediately to profit or loss.

At the time when the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCE OF ESTIMATION UNCERTAINTY

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

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

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCE OF ESTIMATION UNCERTAINTY *(continued)*

Key sources of estimation uncertainty

Estimated impairment of trade receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, additional material impairment loss may arise. As at 31 December 2009, the carrying amount of trade receivables is approximately HK$171,693,000 (2008: HK$402,210,000).

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, additional material impairment loss may arise. As at 31 December 2009, the carrying amount of goodwill is approximately HK$423,280,000 (2008: Nil). Impairment loss on goodwill of approximately HK$645,060,000 (2008: HK$36,862,000) was recognised in consolidated statement of comprehensive income during the year ended 31 December 2009. Details of the recoverable amount calculation are disclosed in Note 22.

Estimated impairment of property, plant and equipment

If there is any indication of impairment, determining the extent to which property, plant and equipment are impaired requires an estimation of the value in use of the cash-generating units to which they have been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value.

At 31 December 2009, the carrying amount of property, plant and equipment is approximately HK$196,148,000 (2008: HK$323,432,000). Impairment loss on property, plant and equipment of approximately HK$85,628,000 (2008: HK$23,425,000) was recognised in consolidated statement of comprehensive income during the year ended 31 December 2009.

Revenue recognition on construction service under service concession arrangements

The Group uses the stage of completion method to account for its revenue from construction service under service concession arrangements where it is probable that construction costs are recoverable. The stage of completion is measured in accordance with the accounting policy stated in Note 3.

Significant judgment is required in determining the stage of completion, the extent of the construction costs incurred, the estimated total construction revenue and the recoverability of the construction costs. In making the judgment, the Group evaluates by relying on past experience and the work of the project management team. Revenue from construction service under service concession arrangements is disclosed in Note 7. The stage of completion of each construction service under service concession arrangement is assessed on a cumulative basis in each accounting period. Changes in estimate of construction revenue or construction costs, or changes in the estimated outcome of a service concession agreement could impact the amounts of construction revenue and construction costs recognised in the consolidated statement of comprehensive income in the period in which the change is made and in subsequent periods. Such impact could potentially be significant.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes obligations under finance leases, bank borrowings, convertible redeemable preference shares, convertible notes and promissory notes disclosed in Notes 38, 39, 40, 41 and 42, respectively, net of cash and cash equivalents, and equity attributable to owners of the Company, comprising issued share capital, reserves and retained profits.

The directors of the Company review the capital structure on a quarterly basis. As part of this review, the directors consider the cost of capital and the risks associates with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

6. FINANCIAL INSTRUMENTS

6a. Categories of financial instruments

	2009 HK$'000	2008 HK$'000
Financial assets		
FVTPL	6,404	5,968
Loans and receivables (including cash and cash equivalents)	701,256	885,062
Available-for-sale investments	35,211	3,596
Financial liabilities		
Amortised cost	1,243,877	994,387
Conversion option derivative liability	—	2,149

6b. Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, other receivables, available-for-sale investments, financial assets at FVTPL, amounts due from grantors for contract work, deferred consideration receivable, bank deposits and bank balances, amounts due from (to) a former jointly controlled entity, jointly controlled entities, joint venturers of jointly controlled entities and related companies, trade payables, other payables, promissory notes, convertible notes, deferred consideration payable, convertible redeemable preference shares, conversion option derivative liability, obligations under finance leases and bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

6. FINANCIAL INSTRUMENTS *(continued)*

6b. Financial risk management objectives and policies *(continued)*

Market risk

Currency risk

Several subsidiaries of the Company have foreign currency sales and purchases, and certain trade receivables and trade payables of the Group are denominated in Renminbi ("RMB"), United States Dollars ("USD") and Euro ("EUR"), which expose the Group to foreign currency risk. Approximately 49% (2008: 60%) of the sales of the Group are denominated in currencies other than functional currencies of the group entity making the sale, whilst almost 57% (2008: 35%) costs are denominated in currencies other than the group entity's functional currencies. For sales made in USD, the currency risk is minimal as the exchange rate of HK$ is pegged with USD.

The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure by closely monitoring the movement of foreign currency rate.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	2009 HK$'000	2008 HK$'000
Assets		
EUR	**30,596**	4,311
Liabilities		
RMB	**1,106**	32
EUR	**10,824**	18,789
USD	**28,489**	272,758

6. FINANCIAL INSTRUMENTS *(continued)*

6b. Financial risk management objectives and policies *(continued)*

Market risk *(continued)*

Currency risk *(continued)*

Sensitivity analysis

The Group is mainly exposed to the fluctuations in RMB and EUR against HK$, which is the functional currency of respective group entities.

The following table details the Group's sensitivity to a 7% (2008: 7%) increase and decrease in RMB and EUR against HK$. 7% (2008: 7%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 7% (2008: 7%) change in foreign currency rates. A positive number below indicates an increase in loss/a decrease in in profit of the Group where RMB and EUR strengthen 7% (2008: 7%) against HK$. For a 7% (2008: 7%) weakening of RMB and EUR against HK$, there would be an equal and opposite impact on the loss or profit of the Group, and the balances below would be negative.

	RMB		EUR	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
2009: Increase in loss; 2008: Decrease (increase) in profit (i)	**77**	2	**(1,384)**	1,013

(i) This is mainly attributable to the exposure to outstanding RMB and EUR receivables and payables in the Group at year end.

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to pledged bank deposits, fixed-rate bank borrowings, convertible redeemable preference shares, convertible notes and promissory notes (see Notes 35, 39, 40, 41 and 42 for details of these borrowings). The Group currently does not enter into any hedging instruments for fair value interest rate risk.

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank borrowings, amount due from a jointly controlled entity and amount due to joint venturer of a jointly controlled entity at the end of the reporting period (as detailed in respective notes). It is the Group's policy to keep its bank borrowings based on economic conditions.

The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Inter-Bank Offer Rate ("HIBOR") arising from the Group's USD and HK$ denominated borrowings.

6. FINANCIAL INSTRUMENTS *(continued)*

6b. Financial risk management objectives and policies *(continued)*

Market risk *(continued)*

Interest rate risk *(continued)*

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for the variable-rate bank borrowings, amount due from a jointly controlled entity and amount due to joint venturer of a jointly controlled entity at the end of the reporting period. For these variable-rate bank borrowings, the analysis is prepared using the liability outstanding at the end of the reporting period. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

At 31 December 2009, if interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's loss for the year would increase/decrease by HK$587,000 (2008: HK$1,721,000).

Other price risk

The Group is exposed to equity price risk through its financial assets at FVTPL as disclosed in Note 27. The Group has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

For unlisted available-for-sale investment, it is exposed to price risk. However, as the fair value of the unlisted available-for-sale investment cannot be determined reliably, hence it is stated at cost and excluded from the sensitivity analysis.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risks at the reporting date.

If the prices of the respective financial assets at FVTPL had been 5% lower/higher , loss for the year would decrease/increase by approximately HK$320,000 (2008: HK$298,000) for the Group as a result of the change in fair value of financial assets at FVTPL.

Credit risk

As at 31 December 2009, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge obligations by the counterparties or debtors is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has been largely dependent on a small number of customers for a substantial portion of its business. The largest 5 (2008: 5) customers accounted for a total of 78% (2008: 53%) of the Group's trade receivables as at 31 December 2009. The failure of any of these customers to make required payments could have a substantial negative impact on the Group's profits. The Group manages this risk by applying a limit on the credit to these customers.

6. FINANCIAL INSTRUMENTS *(continued)*

6b. Financial risk management objectives and policies *(continued)*

Credit risk *(continued)*

The Group's concentration of credit risk also arises from amounts due from related companies, in which a director of the Company has beneficial interest, amounting to approximately HK$87,898,000 as at 31 December 2009 (2008: HK$99,171,000). The Group considers the risk is minimal as there is continuing trade and settlement with the related company.

The credit risk on bank balances is limited because the counterparties are reputable banks in the PRC and Hong Kong.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenant.

Liquidity and interest risk tables

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest dates on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at end of the reporting period.

	Weighted average interest rate	Repayable on demand HK$'000	Less than 3 months HK$'000	3 months to 1 year HK$'000	1 to 2 years HK$'000	2 to 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
2009								
Trade and other payables	—	—	144,177	—	—	—	144,177	144,177
Amounts due to related companies	—	—	15,569	250,000	—	—	265,569	265,569
Amount due to a jointly controlled entity	—	27,084	—	—	—	—	27,084	27,084
Amount due to a joint venturer of a jointly controlled entity	7.00%	10,582	—	—	—	—	10,582	10,582
Convertible notes (Note)	13.70%	—	—	—	—	556,040	556,040	294,796
Promissory notes	13.51%	—	—	—	—	335,500	335,500	191,533
Deferred consideration payable	13.70%	—	—	—	—	461	461	461
Obligations under finance leases	3.20%	—	210	631	599	—	1,440	1,353
Bank borrowings								
— Fixed rate	6.19%	—	23,181	—	169,015	—	192,196	187,508
— Variable rate	4.87%	—	61,303	41,628	18,444	—	121,375	118,389
Bank overdrafts	6.00%	—	2,461	—	—	—	2,461	2,425
		37,666	246,901	292,259	188,058	892,001	1,656,885	1,243,877

Note: The undiscounted cash flow above represents redemption amount at maturity date repayable to the holders of convertible notes based on the contractual terms on the assumption that there is no conversion prior to maturity date.

6. FINANCIAL INSTRUMENTS *(continued)*

6b. Financial risk management objectives and policies *(continued)*

Liquidity risk *(continued)*

Liquidity and interest risk tables *(continued)*

	Weighted average interest rate	Repayable on demand HK$'000	Less than 3 months HK$'000	3 months to 1 year HK$'000	1 to 2 years HK$'000	2 to 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
2008								
Trade and other payables	—	—	71,955	130,843	—	—	202,798	202,798
Deposit received for disposal of a subsidiary	—	—	—	80,000	—	—	80,000	80,000
Amounts due to joint venturers of jointly controlled entities	—	31,620	—	—	—	—	31,620	31,620
Amount due to a jointly controlled entity	—	—	—	20,028	—	—	20,028	20,028
Convertible redeemable preference shares (Note)	15.6%	—	—	—	105,181	—	105,181	81,441
Obligations under finance leases	3.2%	—	223	668	761	516	2,168	2,017
Bank borrowings								
— Fixed rate	7.0%	—	444	1,331	227,139	—	228,914	208,307
— Variable rate	3.4%	—	342,111	5,026	—	—	347,137	344,252
Bank overdrafts	5.3%	—	26,188	—	—	—	26,188	26,073
		31,620	440,921	237,896	333,081	516	1,044,034	996,536

Note: The undiscounted cash flow above represents accrued interest and redemption amount at maturity date repayable to the holder of convertible redeemable preference shares based on the contractual terms. The carrying amount of convertible redeemable preference shares represents the liability component carried at amortised cost with an effective interest rate of 15.6% and the fair value of the derivative embedded in the convertible redeemable preference shares as at end of the reporting period (details are set out in Note 40).

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

6c. Fair value

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities (including financial assets at FVTPL and certain available-for-sale investments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.
- the fair value of conversion option derivative liability is measured using the binominal model.

6. FINANCIAL INSTRUMENTS *(continued)*

6c. Fair value *(continued)*

Except as detailed in the following table, the directors consider that the carrying amounts of the Group's financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

	2009		2008	
	Carrying amount HK$'000	**Fair value HK$'000**	Carrying amount HK$'000	Fair value HK$'000
Financial liabilities				
Liability component of convertible notes	**294,796**	**297,024**	—	—
Promissory notes	**191,533**	**198,725**	—	—
Convertible redeemable preference shares	**—**	**—**	79,292	80,530

Fair value measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	2009			
	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
Financial assets at FVTPL				
Unlisted securities	**—**	**6,404**	**—**	**6,404**
Available-for-sale investments				
Unlisted securities	**511**	**—**	**—**	**511**
	511	**6,404**	**—**	**6,915**

There were no transfers between Level 1 and 2 in the current year.

7. REVENUE

	2009 HK$'000	2008 HK$'000
Continuing operations		
Manufacture and sales of apparel and accessories	**728,818**	1,094,892
Provision of construction service under service concession arrangements	**11,400**	—
	740,218	1,094,892

8. SEGMENT INFORMATION

The Group has adopted HKFRS 8 Operating Segments with effect from 1 January 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (i.e. the Board of Directors of the Company) for the purpose of allocating resources to segments and assessing their performance. In contrast, the predecessor Standard (HKAS 14, Segment Reporting) required an entity to identify two sets of segments (business and geographical) using a risks and returns approach.

In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14. Nor has the adoption of HKFRS 8 changed the basis of measurement of segment profit or loss, segment assets and segment liabilities.

In prior years, segment information reported externally was analysed on the basis of the types of goods and services supplied by the Group's operating divisions: (1) manufacture and sales of apparel and accessories; (2) distribution and retailing of apparel and footwear. Upon acquisition of a subsidiary in December 2009 (Note 45), a new operating segment on waste treatment and waste-to-energy business was formed. Therefore, the Group's operating and reportable segments for the year ended 31 December 2009 under HKFRS 8 are as follows:

(a) Manufacture and sales of apparel and accessories — Provision of supply chain services for its supply of apparel and accessories to international brands.

(b) Waste treatment and waste-to-energy business — Investment, engineering, procurement of equipment, operation and maintenance of waste treatment and waste-to-energy plants in first tier cities in the PRC primarily on a build-operate-transfer ("BOT") basis with a concessionary period of 25 to 30 years.

The Group was involved in the distribution and retailing of apparel and footwear which was reported as a separate reportable segment. That operation was discontinued during the year ended 31 December 2009, segment information is disclosed in note 13.

8. SEGMENT INFORMATION *(continued)*

Segment revenues and results

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

Year ended 31 December 2009

Continuing operations

	Manufacture and sales of apparel and accessories HK$'000	Waste treatment and waste-to-energy business HK$'000	Elimination HK$'000	Total HK$'000
SEGMENT REVENUE				
External sales	728,818	11,400	—	740,218
Inter-segment sales (note)	13,606	—	(13,606)	—
Total	742,424	11,400	(13,606)	740,218
RESULT				
Segment loss	(202,516)	(648,092)		(850,608)
Unallocated income				3,664
Unallocated expense				(9,384)
Loss on disposal of a jointly controlled entity				(2,242)
Loss on disposal of subsidiaries				(33,664)
Gain on disposal of a business				7,787
Finance costs				(36,119)
Loss before tax				(920,566)

8. SEGMENT INFORMATION *(continued)*

Segment revenues and results *(continued)*

Year ended 31 December 2008

Continuing operations

	Manufacture and sales of apparel and accessories HK$'000	Elimination HK$'000	Total HK$'000
SEGMENT REVENUE			
External sales	1,094,892	—	1,094,892
Inter-segment sales	23,351	(23,351)	—
Total	1,118,243	(23,351)	1,094,892
RESULT			
Segment profit			98,194
Elimination of inter-segment transactions			(22,865)
Unallocated income			7,333
Unallocated expense			(8,498)
Discount on acquisition of additional interest in a subsidiary			4,922
Finance costs			(45,999)
Profit before tax			33,087

Note: Inter-segment sales are charged at prevailing market rates.

The accounting policies of the reportable segments are the same as the Group's accounting policies Note 3. Segment profit (loss) represents the profit earned by/loss from each segment without allocation of bank interest income, royalty fee income, central administration cost, directors' salaries, gain (loss) on disposal of jointly controlled entities, subsidiaries and a business, fair value change of an investment property, gain on change in fair value of conversion option derivative liability, discount on acquisition of additional interest in a subsidiary, finance costs and income tax expense. This is the measure reported to the chief operation decision maker for the purposes of resource allocation and performance assessment.

8. SEGMENT INFORMATION *(continued)*

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segment:

Year ended 31 December 2009

Continuing operations

	Manufacture and sales of apparel and accessories HK$'000	Waste treatment and waste-to-energy business HK$'000	Total HK$'000
ASSETS			
Segment assets	823,987	877,644	1,701,631
Financial assets at FVTPL			6,404
Pledged bank deposits			6,666
Bank deposits with original maturity of more than three months			96,536
Bank balances and cash			125,303
Other unallocated assets			1,653
Consolidated total assets			1,938,193
LIABILITIES			
Segment liabilities	107,920	171,193	279,113
Amounts due to related companies			250,000
Bank borrowings			305,897
Convertible notes			294,796
Promissory notes			191,533
Deferred consideration payable			461
Obligations under finance leases			1,353
Tax payable			41,578
Deferred tax liabilities			53,667
Other unallocated liabilities			13,298
Consolidated total liabilities			1,431,696

8. SEGMENT INFORMATION *(continued)*

Segment assets and liabilities *(continued)*

Year ended 31 December 2008

	Total
	HK$'000
ASSETS	
Segment assets	
Continuing operations	950,715
Discontinued operation	340,714
Total segment assets	1,291,429
Financial assets at FVTPL	5,968
Pledged bank deposits	41,719
Bank deposits with original maturity of more than three months	218,391
Bank balances and cash	48,969
Deferred tax assets	626
Other unallocated assets	37,141
Consolidated total assets	1,644,243
LIABILITIES	
Segment liabilities	
Continuing operations	188,748
Discontinued operation	91,281
Total segment liabilities	280,029
Bank borrowings	552,559
Obligations under finance leases	2,017
Convertible redeemable preference shares	79,292
Conversion option derivative liability	2,149
Tax payable	32,894
Deferred tax liabilities	6,492
Deposit received for disposal of a subsidiary	80,000
Other unallocated liabilities	26,541
Consolidated total liabilities	1,061,973

8. SEGMENT INFORMATION *(continued)*

Segment assets and liabilities *(continued)*

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to reportable segments other than available-for-sale investments in unlisted funds, investment property, financial assets at fair value through profit or loss, deferred tax assets, pledged bank deposits, bank deposits with original maturity of more than three months, bank balances and cash and assets used jointly by reportable segments.

- all liabilities are allocated to reportable segments other than current and deferred tax liabilities, bank borrowings, bank overdrafts, obligations under finance leases, convertible redeemable preference shares, conversion option derivative liability, convertible notes, promissory notes, deferred consideration payable, deposit received for disposal of a subsidiary and liabilities for which reportable segments are jointly liable.

Other segment information

Year ended 31 December 2009

	Continuing operations		
	Manufacture and sales of apparel and accessories HK$'000	Waste treatment and waste-to-energy business HK$'000	Total HK$'000
Capital additions (note)	1,466	1,110,338	1,111,804
Amortisation of prepaid lease payments	1,416	3	1,419
Amortisation of intangible assets	—	126	126
Depreciation of property, plant and equipment	14,608	452	15,060
Loss on disposal of property, plant and equipment	533	3	536
Allowance for inventories	46,089	—	46,089
Impairment loss on trade receivables	24,491	—	24,491
Impairment loss on other receivables	9,174	—	9,174
Impairment loss on goodwill	—	645,060	645,060
Impairment loss on property, plant and equipment	79,729	—	79,729

8. SEGMENT INFORMATION *(continued)*

Other segment information *(continued)*

Year ended 31 December 2008

Continuing operations	**Manufacture and sales of apparel and accessories** HK$'000
Capital additions (note)	5,277
Amortisation of prepaid lease payments	1,128
Depreciation of property, plant and equipment	15,495
Loss on disposal of property, plant and equipment	204
Impairment loss on trade receivables	694
Allowance for inventories	317

Note: Capital additions included additions to goodwill, property, plant and equipment, prepaid lease payments and intangible assets.

8. SEGMENT INFORMATION *(continued)*

Geographical information

The Group's operations are principally located in the PRC excluding Hong Kong (country of domicile) and Europe.

The Group's revenue from continuing operations from external customers by geographical location of the customers and information about its non-current assets by geographical location of the assets are detailed below:

	Revenue from external customers		Non-current assets	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Continuing operations				
Europe	**413,869**	584,924	**—**	—
The PRC	**290,706**	459,249	**868,871**	234,923
Hong Kong	**12,191**	19,817	**4,451**	7,392
Others	**23,452**	30,902	**48**	74
	740,218	1,094,892	**873,370**	242,389

Note: *Non-current assets excluded those relating to discontinued operation, financial instruments and deferred tax assets.*

Information about major customers

During the year ended 31 December 2009, revenue from continuing operations from a customer contributing over 10% of the total sales of the Group amounted to approximately HK$175,864,000 (2008: sales to two customers of HK$322,690,000 and HK$202,037,000, respectively), and is attributable to the manufacture and sales of apparel and accessories segment.

9. OTHER INCOME, GAINS AND LOSSES

	2009 HK$'000	2008 HK$'000
Continuing operations		
Bank interest income	1,977	7,182
Interest income from a jointly controlled entity	1,078	—
Interest income on amount due from grantor for contract work	568	—
Total interest income	3,623	7,182
Gain (loss) on change in fair value of financial assets at FVTPL	436	(194)
Gain on disposal of available-for-sale investments	367	168
Management fee income from jointly controlled entities	720	915
Management fee income from a related company	—	990
Royalty fee income	41	150
Gain on sale of raw materials	2,850	1,749
Sundry income	473	1,664
Impairment loss recognised in respect of trade receivables	(24,491)	(1,234)
Impairment loss recognised in respect of other receivables	(9,174)	—
	(25,155)	11,390

10. FINANCE COSTS

	2009 HK$'000	2008 HK$'000
Continuing operations		
Interest on:		
Bank borrowings and overdrafts wholly repayable within five years	30,642	45,863
Promissory notes	1,387	—
Convertible notes	2,570	—
Obligations under finance leases	93	136
Amounts due to joint venturers of jointly controlled entities	1,427	—
	36,119	45,999

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2009

11. (LOSS) PROFIT BEFORE TAX

	2009 HK$'000	2008 HK$'000
Continuing operations		
(Loss) profit before tax has been arrived at after charging:		
Auditors' remuneration		
— Current year	1,752	1,457
— Underprovision in prior year	—	204
Cost of inventories recognised as an expense	665,927	852,101
Contract cost recognised for waste treatment business	8,769	—
Amortisation of intangible assets	126	—
Depreciation of property, plant and equipment	15,060	15,495
Amortisation of prepaid lease payments	1,419	1,128
Allowance for inventories	46,089	317
Impairment loss recognised in respect of trade receivables	24,491	694
Impairment loss recognised in respect of other receivables	9,174	—
Loss on disposal of property, plant and equipment	536	204
Net exchange loss	2,106	2,929
Staff costs		
— directors' remuneration (Note 14)	9,353	15,709
— other staff costs	36,663	73,711
— share-based payments excluding directors	3,864	1,101
— retirement benefit scheme contribution excluding directors	3,755	5,335
	53,635	95,856

12. INCOME TAX EXPENSE

	Continuing operations	
	2009	2008
	HK$'000	HK$'000
Current tax:		
Hong Kong	**—**	20
Other jurisdictions	**924**	9,330
	924	9,350
Under(over)provision in prior years:		
Hong Kong	**1**	(12)
Other jurisdictions	**—**	(1,137)
	1	(1,149)
Deferred tax:		
Current year	**(620)**	3,014
	305	11,215

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the Enterprise Income Tax rate of the Group's subsidiaries in the PRC is 25% from 1 January 2008 onwards.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

Pursuant to the relevant laws and regulations in the PRC, certain subsidiaries were exempted from PRC income tax for two years starting from their first profit-making year, followed by a 50% reduction for next three years. The tax holiday and tax concession will expire in 2010. Accordingly, tax provision for these subsidiaries have been provided for after taking into account of these tax exemption and tax concession during the years ended 31 December 2009 and 2008, respectively.

12. INCOME TAX EXPENSE *(continued)*

The income tax expense for the year can be reconciled to the (loss) profit before tax per the consolidated statement of comprehensive income as follows:

	2009 **HK$'000**	2008 HK$'000
(Loss) profit before tax (from continuing operations)	**(920,566)**	33,087
Tax at the domestic income tax rate of 25%	**(230,142)**	8,272
Deferred tax on distributable earnings of PRC subsidiaries and jointly controlled entities	**(1,552)**	3,294
Tax effect of expenses not deductible for tax purpose	**174,379**	9,147
Tax effect of income not taxable for tax purpose	**(4,024)**	(4,975)
Tax effect on tax concession	**(236)**	(9,376)
Effect of different tax rates of subsidiaries operating in jurisdictions other than the PRC	**—**	99
Tax effect of tax losses not recognised	**30,046**	5,978
Tax effect of other deductible temporary differences not recognised	**37,085**	—
Utilisation of tax losses previously not recognised	**(5,252)**	—
Under(over)provision in prior years	**1**	(1,149)
Others	**—**	(75)
Income tax expense for the year (from continuing operations)	**305**	11,215

Note: Majority of the operation of the Group is operated by its PRC subsidiaries which are entitled to a tax rate of 25%.

13. DISCONTINUED OPERATION

On 3 December 2008, the Company entered into a conditional sale agreement with Luxba Group Limited ("Luxba", formerly known as Primewill Investments Limited) to dispose of its 100% equity interest in Well Metro Group Limited ("Well Metro"), which carried out all of the Group's distribution and retailing of apparel and footwear operations. The disposal was completed on 30 October 2009, on which date Well Metro ceased to be a subsidiary of the Company (see Note 46).

The loss for the year from the discontinued operation is analysed as follows:

	2009 HK$'000	2008 HK$'000
Revenue	**82,475**	261,553
Cost of sales	**(36,313)**	(117,018)
Gross profit	**46,162**	144,535
Other income, gains and losses	**2,083**	10,116
Gain on fair value of conversion option derivative liability (Note 40)	**1,452**	19,873
Gain on disposal of a jointly controlled entity (Note 47)	**—**	15,134
Fair value change of an investment property	**—**	(3,371)
Distribution and selling expenses	**(48,271)**	(89,001)
Administrative expenses	**(42,248)**	(37,560)
Impairment loss on goodwill	**—**	(36,862)
Impairment loss on property, plant and equipment	**(5,899)**	(23,425)
Impairment loss on prepaid lease payments	**—**	(2,405)
Impairment loss on intangible assets	**—**	(2,138)
Finance costs	**(10,528)**	(12,208)
Loss before tax	**(57,249)**	(17,312)
Income tax expense	**(66)**	(3,086)
Loss for the year	**(57,315)**	(20,398)

13. DISCONTINUED OPERATION *(continued)*

Loss for the year from discontinued operation is arrived at after charging (crediting):

	2009 HK$'000	2008 HK$'000
Interest on bank borrowings and overdrafts	**247**	687
Effective interest expense on convertible redeemable preference shares	**10,281**	11,221
Interest on loans from joint venturers of jointly controlled entities	**—**	300
Total interest expense	**10,528**	12,208
Bank interest income	**(41)**	(610)
Interest income from a jointly controlled entity	**—**	(124)
Total interest income	**(41)**	(734)
Staff costs		
— directors' remuneration (Note 14)	**—**	—
— other staff costs	**21,127**	20,294
— retirement benefit scheme contribution excluding directors	**4,338**	2,121
	25,465	22,415
Auditor's remuneration	**—**	370
Cost of inventories recognised as an expense	**36,313**	117,018
Depreciation of property, plant and equipment	**6,432**	13,723
Amortisation of intangible assets	**904**	2,409
Amortisation of prepaid lease payments	**169**	335
Impairment loss recognised on trade receivables	**—**	540
Loss on disposal of property, plant and equipment	**1,788**	1,239
Management fee income from former jointly controlled entities	**—**	500

13. DISCONTINUED OPERATION *(continued)*

Cash flows from discontinued operation

	2009 HK$'000	2008 HK$'000
Net cash (outflows) inflows from operating activities	**(10,708)**	12,780
Net cash inflows (outflows) from investing activities	**3,448**	(53,530)
Net cash inflows from financing activities	**27,607**	20,362
Effect of foreign exchange rate changes	**(44)**	5,442
Net cash inflows (outflows)	**20,303**	(14,946)

Segment revenues and results

The following is an analysis of segment revenues and results from the distribution and retailing of apparel and footwear segment:

	2009 HK$'000	2008 HK$'000
REVENUE		
External sales	**82,475**	261,553
Segment loss	**(47,390)**	(60,215)

Segment assets and liabilities

The following is an analysis of segment assets and liabilities of the distribution and retailing of apparel and footwear segment at 31 December 2008:

	2008 HK$'000
Segment assets	340,714
Segment liabilities	91,281

13. DISCONTINUED OPERATION *(continued)*

Other segment information

The following amounts are included in the measure of segment loss or segment assets of the distribution and retailing of apparel and footwear segment:

	2009	2008
	HK$'000	HK$'000
Capital additions	**3,277**	96,563
Amortisation of prepaid lease payments	**169**	335
Amortisation of intangible assets	**904**	2,409
Depreciation of property, plant and equipment	**6,432**	13,723
Loss on disposal of property, plant and equipment	**1,788**	1,239
Impairment loss on goodwill	**—**	36,862
Impairment loss on intangible assets	**—**	2,138
Impairment loss on property, plant and equipment	**5,899**	23,425
Impairment loss on prepaid lease payments	**—**	2,405
Impairment loss recognised on trade receivables	**—**	540

Geographical information

The Group's operation of distribution and retailing and apparel and footwear is principally located in the PRC excluding Hong Kong and Europe.

The segment revenue from external customers and information about its non-current assets by geographical location of the assets are detailed below:

	Revenue from external customers		Non-current assets
	2009	2008	2008
	HK$'000	HK$'000	HK$'000
Europe	**6,913**	73,058	4,120
The PRC	**75,562**	186,488	176,179
Hong Kong	**—**	2,007	8,850
	82,475	261,553	189,149

14. DIRECTORS' EMOLUMENTS

	Ngok Yan Yu HK$'000	Tang Chui Yi, Janny HK$'000 (note b)	Wong Ming Yeung HK$'000 (note b)	Tang Wai Ha HK$'000 (note c)	Marcello Appella HK$'000	Antonio Piva HK$'000 (note d)	Chan Tak Yan HK$'000 (note e)	Lam Hon Keung, Keith HK$'000 (note b)	Je Kin Ming HK$'000 (note f)	Lo Ming Chi, Charles HK$'000	Pao Ping Wing HK$'000	Kwan Hung Sang, Francis HK$'000	Total 2009 HK$'000
2009													
Fee	—	—	—	—	502	138	222	339	165	230	230	230	2,056
Other emoluments													
Salaries and other benefits	2,325	2,938	984	145	—	—	—	—	—	—	—	—	6,392
Contribution to retirement benefit schemes	12	12	12	1	—	—	6	—	—	—	—	—	43
Share-based compensation	207	239	118	44	124	22	—	86	22	—	—	—	862
Total emoluments	2,544	3,189	1,114	190	626	160	228	425	187	230	230	230	9,353

	Ngok Yan Yu HK$'000	Tang Chui Yi, Janny HK$'000 (note b)	Wong Ming Yeung HK$'000 (note b)	Tang Wai Ha HK$'000 (note c)	Marcello Appella HK$'000	Antonio Piva HK$'000 (note d)	Lam Hon Keung, Keith HK$'000 (note b)	Je Kin Ming HK$'000 (note f)	Lo Ming Chi, Charles HK$'000	Pao Ping Wing HK$'000	Kwan Hung Sang, Francis HK$'000	Total 2009 HK$'000
2008												
Fee	—	—	—	—	549	274	360	360	240	240	240	2,263
Other emoluments												
Salaries and other benefits	2,100	3,300	900	1,668	—	—	—	—	—	—	—	7,968
Contribution to retirement benefit schemes	12	12	12	12	—	—	—	—	—	—	—	48
Bonus (note a)	2,676	550	272	—	244	—	—	—	—	—	—	3,742
Share-based compensation	380	440	264	26	260	55	208	55	—	—	—	1,688
Total emoluments	5,168	4,302	1,448	1,706	1,053	329	568	415	240	240	240	15,709

Notes:

(a) *The bonus paid to directors is determined on discretionary basis.*

(b) *Resigned on 28 December 2009.*

(c) *Resigned on 18 February 2009.*

(d) *Resigned on 10 July 2009.*

(e) *Appointed on 15 July 2009.*

(f) *Retired on 16 June 2009.*

14. DIRECTORS' EMOLUMENTS *(continued)*

No director waived or agreed to waive any emoluments for the years ended 31 December 2009 and 2008. No emoluments have been paid to the directors as an inducement to join or upon joining the Group, or as compensation for loss of office.

During the year ended 31 December 2008, 1,800,000 share options (2009: Nil) were granted to directors of the Company in respect of their services provided to the Group, further details of which are set out in Note 54.

15. EMPLOYEES' EMOLUMENTS

Of the five highest emoluments in the Group, three (2008: four) were directors of the Company whose emoluments are included in Note 14 above. The emoluments of the remaining two individuals individual for the year ended 31 December 2009 (2008: one) are as follows:

	2009 HK$'000	2008 HK$'000
Salaries and other benefits	**1,759**	1,440
Retirement benefits scheme contributions	**24**	12
Share-based compensation	**302**	10
	2,085	1,462

Their emoluments are within the following bands:

	2009 Number of employees	2008 Number of employees
Nil to HK$1,000,000	**1**	—
HK$1,000,001 to HK$1,500,000	**1**	1

No employees waived or agreed to waive any emoluments for the years ended 31 December 2009 and 2008. No emoluments have been paid to the employees as an inducement to join or upon joining the Group, or as compensation for loss of office.

16. DIVIDENDS

	2009 HK$'000	2008 HK$'000
Dividend recognised as distribution during the year:		
2008 interim dividend of HK3 cents per share	–	8,491
2007 final dividend of HK7 cents per share	–	19,812
	–	28,303

The directors do not recommend the payment of a final dividend for the years ended 31 December 2009 and 2008.

17. (LOSS) EARNINGS PER SHARE

For continuing and discontinued operation

The calculation of the basic and diluted (loss) earnings per share attributable to the owners of the Company is based on the following data:

Earnings

	2009 HK$'000	2008 HK$'000
(Loss) earnings for the purpose of basic (loss) earnings per share	(978,257)	7,798
Effect of dilutive potential ordinary shares		
Adjustment to the share of profit of a subsidiary based on potential dilution of its earnings per share in respect of convertible preference shares issued by a subsidiary	–	(4,100)
(Loss) earnings for the purpose of diluted (loss) earnings per share	(978,257)	3,698

17. (LOSS) EARNINGS PER SHARE *(continued)*

For continuing and discontinued operation *(continued)*

Number of shares

	2009 '000 (Note)	2008 '000 (Note)
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	**432,892**	283,026
Effect of dilutive potential ordinary shares		
Share options	**—**	9
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	**432,892**	283,035

Note:

The computation of diluted loss per share for the year ended 31 December 2009 does not assume the exercise of certain outstanding share options of the Company as the respective exercise price was higher than the applicable average market price for that year, nor the conversion of the outstanding convertible notes and warrants of the Company since their assumed exercise would result in a decrease in loss per share.

The computation of diluted earnings per share for the year ended 31 December 2008 did not assume the exercise of certain outstanding share options as the respective exercise price was higher than the applicable average market price for that year.

The weighted number of ordinary shares for the purpose of basic (loss) earnings per share has not been adjusted retrospectively for the open offer of shares completed on 3 March 2009 as the subscription price per offer share is higher than the share price immediately before the subscription date.

17. (LOSS) EARNINGS PER SHARE *(continued)*

From continuing operations

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

Earnings figures are calculated as follows:

	2009	2008
	HK$'000	HK$'000
(Loss) profit for the year attributable to owners of the Company	**(978,257)**	7,798
Add: Loss for the year from discontinued operation	**57,315**	20,398
(Loss) earnings for the purpose of basic and diluted (loss) earnings per share from continuing operations	**(920,942)**	28,196

The denominators used are the same as those detailed above for both basic and diluted (loss) earnings per share.

From discontinued operation

Basic loss per share for the discontinued operation is HK13.24 cents per share (2008: loss per share of HK7.20 cents) and diluted loss per share for the discontinued operation is HK13.24 cents per share (2008: loss per share of HK8.65 cents), based on the loss for the year from the discontinued operation of approximately HK$57,315,000 (2008: HK$20,398,000) and the denominators detailed above for both basic and diluted (loss) earnings per share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

18. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK$'000	Construction in progress HK$'000	Leasehold improvement HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
COST							
At 1 January 2008	157,467	24,266	14,935	22,161	34,630	11,684	265,143
Exchange realignment	12,828	3,327	1,195	1,823	2,094	504	21,771
Additions	291	50,941	22,054	843	18,428	3	92,560
Transfer	2,021	(2,021)	—	—	—	—	—
Transfer from investment property	42,697	—	—	—	—	—	42,697
Acquired on acquisition of additional interest in a former jointly controlled entity	—	—	588	—	1,517	114	2,219
Disposals	—	—	(4,640)	—	(2,221)	(1,264)	(8,125)
Disposal of a jointly controlled entity	—	—	(1,620)	—	(3,941)	(146)	(5,707)
Reclassified as held for sale	—	—	(2,608)	—	(2,333)	—	(4,941)
At 31 December 2008	215,304	76,513	29,904	24,827	48,174	10,895	405,617
Exchange realignment	(2,616)	(997)	(245)	(292)	(468)	(99)	(4,717)
Additions	482	—	1,511	5	2,758	6	4,762
Transfer to investment property	(16,449)	—	—	—	—	—	(16,449)
Acquired on acquisition of a subsidiary	25,710	—	2,524	—	1,873	2,745	32,852
Disposals	—	(14,495)	(2,555)	—	(374)	—	(17,424)
Disposal of subsidiaries/business	(26,966)	—	(24,514)	—	(19,983)	(271)	(71,734)
At 31 December 2009	195,465	61,021	6,625	24,540	31,980	13,276	332,907
DEPRECIATION AND IMPAIRMENT							
At 1 January 2008	11,522	—	4,220	4,604	9,681	4,133	34,160
Exchange realignment	1,073	—	405	354	419	188	2,439
Provided for the year	8,056	—	8,895	2,043	8,387	1,837	29,218
Eliminated on disposals	—	—	(2,177)	—	(490)	(840)	(3,507)
Eliminated on disposal of a jointly controlled entity	—	—	(405)	—	(1,051)	(11)	(1,467)
Impairment loss recognised	6,422	11,296	2,497	—	2,910	300	23,425
Reclassified as held for sale	—	—	(879)	—	(1,204)	—	(2,083)
At 31 December 2008	27,073	11,296	12,556	7,001	18,652	5,607	82,185
Exchange realignment	(290)	—	(87)	(82)	(92)	(30)	(581)
Provided for the year	7,914	—	4,965	1,949	5,215	1,449	21,492
Eliminated on transfer to investment property	(1,379)	—	—	—	—	—	(1,379)
Eliminated on disposals	—	(13,613)	(1,330)	—	(108)	—	(15,051)
Eliminated on disposal of subsidiaries/business	(7,431)	—	(15,729)	—	(12,101)	(274)	(35,535)
Impairment loss recognised	10,492	63,338	2,402	2,030	6,931	435	85,628
At 31 December 2009	36,379	61,021	2,777	10,898	18,497	7,187	136,759
CARRYING VALUES							
At 31 December 2009	159,086	—	3,848	13,642	13,483	6,089	196,148
At 31 December 2008	188,231	65,217	17,348	17,826	29,522	5,288	323,432

18. PROPERTY, PLANT AND EQUIPMENT *(continued)*

During the year ended 31 December 2009, management of the Group has implemented business restructurings and has closed down the production plant of a subsidiary in the PRC on the basis that the recoverable amount, measured at the higher of value and fair value less costs to sell, is below its carrying value by approximately HK$85,628,000. As a result, impairment losses from continuing operations and discontinued operation of HK$79,729,000 and HK$5,899,000 have been recognised on property, plant and equipment, respectively.

During the year ended 31 December 2008, the Company entered into a conditional sale agreement to dispose of its 100% equity interest in Well Metro and its subsidiaries (collectively referred to as "Well Metro Group"). In view of this, the management considered that the disposal plan is an indicator for the impairment of property, plant and equipment of the Group. An impairment loss of HK$23,425,000 had been recognised on property, plant and equipment as detailed in Note 22.

The Group's leasehold land and buildings are situated in the PRC under medium term lease.

The carrying values of motor vehicles include an amount of approximately HK$1,436,000 (2008: HK$2,065,000) in respect of assets held under finance leases. Also, the carrying values of furniture, fixtures and equipment include an amount of approximately HK$12,000 (2008: HK$32,000) in respect of assets held under finance leases.

19. INVESTMENT PROPERTY

	HK$'000
FAIR VALUE	
At 1 January 2008	71,505
Exchange realignment	4,448
Transfers to property, plant and equipment upon commencement of owner occupation	(42,697)
Decrease in fair value recognised in profit or loss	(3,371)
At 31 December 2008	29,885
Exchange realignment	(369)
Transfers from property, plant and equipment for rental purpose	15,070
Disposal of a subsidiary	(44,586)
At 31 December 2009	—

The fair value of the Group's investment property at 31 December 2008 has arrived at on the basis of a valuation carried out on that date by GA Appraisal Limited, independent qualified professional valuers not connected with the Group. GA Appraisal Limited are members of the Hong Kong Institute of Valuers, and have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation, which conforms to International Valuation Standards, was arrived at by reference to market evidence of transaction prices for similar properties in the same locations and conditions.

During the year ended 31 December 2009, the Group's investment property was disposed of as a result of the disposal of Well Metro as detailed in Note 46. The fair value of the investment property at the date of disposal has been determined by the directors of the Company and did not differ materially from the carrying value at 31 December 2008. No valuation has been performed by independent qualified professional valuers. The valuation performed by the directors of the Company was arrived at by reference to recent market prices for similar properties in the same locations and conditions.

All of the Group's property interests held under operating leases with medium lease term in the PRC are for rental purposes and are measured using the fair value model and are classified and accounted for as investment properties.

20. INTANGIBLE ASSETS

	Franchise HK$'000	Trademarks HK$'000	Technology know-how HK$'000	Total HK$'000
COST				
At 1 January 2008	10,817	—	—	10,817
Exchange realignment	—	(581)	—	(581)
Additions	—	4,789	—	4,789
Arising from acquisition of additional interest in a former jointly controlled entity	—	2,236	—	2,236
At 31 December 2008	10,817	6,444	—	17,261
Exchange realignment	—	265	—	265
Arising from acquisition of a subsidiary	—	—	6,848	6,848
Disposal of a subsidiary	(10,817)	(6,709)	—	(17,526)
At 31 December 2009	—	—	6,848	6,848
AMORTISATION AND IMPAIRMENT				
At 1 January 2008	631	—	—	631
Exchange realignment	—	(94)	—	(94)
Provided for the year	1,082	1,327	—	2,409
Impairment losses recognised	1,360	778	—	2,138
At 31 December 2008	3,073	2,011	—	5,084
Exchange realignment	—	155	—	155
Provided for the year	405	499	126	1,030
Eliminated on disposal of a subsidiary	(3,478)	(2,665)	—	(6,143)
At 31 December 2009	—	—	126	126
CARRYING AMOUNT				
At 31 December 2009	—	—	6,722	6,722
At 31 December 2008	7,744	4,433	—	12,177

20. INTANGIBLE ASSETS *(continued)*

The above intangible assets have finite useful lives. Such intangible assets are amortised on a straight-line basis over the following periods:

Franchise	10 years
Trademarks	10 years
Technology know-how	9–10 years

Included in franchise as at 31 December 2008 was an amount of HK$7,744,000 representing the carrying amount of the franchise and distribution right in relation to footwear and apparel in the PRC for a period of 10 years up to May 2017, granted by an independent third party in 2007.

Included in trademarks as at 31 December 2008 was an amount of HK$3,482,000 representing the carrying amount of the trademarks "Bond Street" and "Fortuny House Club", acquired from an independent third party in 2008.

During the year ended 31 December 2008, the Company entered into a conditional sale agreement to dispose of its 100% equity interest in Well Metro Group. In view of this, the management considered that the disposal plan is an indicator for the impairment of intangible assets of the Group. An impairment loss of HK$2,138,000 was recognised on the intangible assets as detailed in Note 22.

The franchise and trademarks have been disposed of during the year ended 31 December 2009 along with the disposal of Well Metro (Note 46).

During the year ended 31 December 2009, the Group acquired technology know-how on acquisition of a subsidiary as detailed in Note 45 in relation to license agreements entered with independent third parties who granted the Group the right to use anaerobic digestion technology in the Group's waste treatment and waste-to-energy business in the PRC. The technology know-how is amortised on a straight-line basis over the terms of the license agreements.

21. GOODWILL

	2009 HK$'000	2008 HK$'000
COST		
At 1 January	**36,862**	20,800
Arising on acquisition of a subsidiary (Note 45)	**1,068,340**	—
Arising on acquisition of additional interest in a former jointly controlled entity (Note 45)	**—**	16,062
Disposal of a subsidiary	**(36,862)**	—
At 31 December	**1,068,340**	36,862
IMPAIRMENT		
At 1 January	**36,862**	—
Impairment loss recognised during the year	**645,060**	36,862
Eliminated on disposal of a subsidiary	**(36,862)**	—
At 31 December	**645,060**	36,862
CARRYING AMOUNTS		
At 31 December	**423,280**	—

Impairment loss of HK$645,060,000 (2008: HK$36,862,000) recognised during the year ended 31 December 2009 is detailed in Note 22.

22. IMPAIRMENT TEST ON GOODWILL/INTANGIBLE ASSETS/PROPERTY, PLANT AND EQUIPMENT AND PREPAID LEASE PAYMENTS

In 2009, the Group acquired the entire equity interest in Smartview Investment Holdings Limited ("Smartview") resulting in a goodwill of approximately HK$1,068,340,000.

In applying HKFRS 3 *Business Combinations*, the basis of computing the fair value of purchase consideration of Smartivew amounting to HK$1,230,552,000 involving convertible notes includes the market price of the Company's share at the acquisition date of HK$2.54 per share, which is substantially higher than the market price of HK$0.98 per share at the date of entering into the acquisition agreement by the contracting parties. Accordingly, the Group recognised the amount of HK$421,420,000, which was in effect the increase in the fair value of the purchase consideration for the business acquired attributable to the substantial rise in market share price of the Company during the intervening period, as impairment loss on goodwill in profit or loss.

For the purposes of impairment testing, the remaining amount of goodwill of approximately HK$646,920,000 has been allocated to two groups of cash generating units ("CGUs") based on the nature of technology used in waste treatment and waste-to-energy business.

An additional impairment loss of HK$223,640,000 was recognised in profit or loss based on the value in use calculation as detailed below. Total impairment loss on goodwill arising on acquisition of Smartview of HK$645,060,000 was recognised during the year ended 31 December 2009.

The carrying amount of goodwill after impairment is as follows:

	2009 HK$'000	2008 HK$'000
Incineration technology	**234,020**	—
Anaerobic digestion technology	**189,260**	—
	423,280	—

The recoverable amount of each group of CGUs has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management. For each group of CGUs, it consists of cash flows arising from operation of waste treatment and waste-to-energy plants and provision of engineering and procurement of equipment services and discounted at a rate of 14.48% per annum. Cash flows arising from operation of waste treatment and waste-to-energy plants are budgeted over the respective concession period of 25 to 30 years granted by the service concession agreements. Cash flows arising from provision of engineering and procurement of equipment services are budgeted over a 2-year period, and cash flows beyond the 2-year period are extrapolated at a constant growth rate of 3%. Other key assumptions for the value in use calculation relate to the estimation of cash inflows and outflows which include budgeted sales and budgeted gross margin, which is determined based on past performance and management's expectation for the market development.

During the year ended 31 December 2008, an impairment loss of HK$36,862,000 was recognised on goodwill under discontinued operation which had been allocated to an individual CGU, Well Metro, which is under distribution and retailing of apparel and footwear segment.

22. IMPAIRMENT TEST ON GOODWILL/INTANGIBLE ASSETS/PROPERTY, PLANT AND EQUIPMENT AND PREPAID LEASE PAYMENTS *(continued)*

As detailed in Note 13, on 3 December 2008, the Company entered into a conditional sale agreement to dispose of its 100% equity interest in Well Metro for cash consideration of HK$100 million, which is an indicator of impairment of Well Metro as comparing the net asset value of Well Metro.

An impairment loss was recognised for Well Metro as the recoverable amount of Well Metro, measured at the higher of the value-in-use and fair value less costs to sell, was less than its carrying amount. The impairment loss was allocated to reduce the carrying amount of assets of Well Metro in the following order:

(a) first, to reduce the carrying amount of goodwill of HK$36,862,000 allocated to Well Metro; and

(b) then, to the non-current assets of Well Metro pro rata on the basis of the carrying amount of intangible assets, property, plant and equipment and prepaid lease payments of Well Metro of HK$2,138,000, HK$23,425,000 and HK$2,405,000, respectively.

The fair value less costs to sell of Well Metro was determined based on the cash consideration of HK$100 million.

23. PREPAID LEASE PAYMENTS

	2009 **HK$'000**	2008 HK$'000
The Group's prepaid lease payments comprise:		
Medium-term leasehold land in the PRC	**67,426**	67,541
Analysed for reporting purposes as:		
Current asset	**1,528**	1,497
Non-current asset	**65,898**	66,044
	67,426	67,541

The amounts represent land use rights located in the PRC and are released to profit or loss over the term of the relevant rights of 50 years. Impairment loss on prepaid lease payments in the year ended 31 December 2008 is detailed in Note 22.

24. INTERESTS IN JOINTLY CONTROLLED ENTITIES

As at 31 December 2009 and 2008, the Group had interests in the following principal jointly controlled entities:

Name of entity	Place of incorporation/ operation	Class of shares held	Proportion of nominal values of issued share capital indirectly held by the Company		Principal activity
			2009	2008	
Benlim Limited ("Benlim")	Hong Kong	Ordinary shares	**(note 2)**	50%	Investment holding
M.T.T. Limited ("M.T.T.")	Hong Kong	Ordinary shares	**50%**	50%	Investment holding
M.T.T. Yangzhou Garment Co. Limited (note 1)	PRC	Registered capital	**50%**	50%	Sourcing, and distribution of apparel and footwear
Shanghai Sisley Trading Co. Limited ("Shanghai Sisley") (note 2)	PRC	Registered capital	**(note 2)**	50%	Sourcing, and distribution of apparel and footwear

Notes:

1. *The entity is a wholly-owned subsidiary of M.T.T.*

2: *Shanghai Sisley is a wholly-owned subsidiary of Benlim, before 1 January 2009. The Group disposed of its 50% shareholdings in Benlim to a joint venturer of Benlim on 1 January 2009. Details of the disposal are disclosed in Note 47.*

The Group's share of the assets, liabilities, income and expenses of the jointly controlled entities accounted for by the Group using proportionate consolidation are set out below:

	2009	2008
	HK$'000	HK$'000
Current assets	**56,605**	59,117
Non-current assets	**3,423**	5,428
Current liabilities	**43,514**	38,669
Non-current liabilities	**15,967**	22,414
Income	**46,301**	63,869
Expenses	**(47,550)**	(73,527)
Other comprehensive (expense) income	**(187)**	1,291

25. AMOUNTS DUE FROM GRANTORS FOR CONTRACT WORK

Amounts due from grantors for contract work represent costs incurred by the Group for the construction services rendered under service concession arrangements of waste treatment and waste-to-energy plant in the PRC on a BOT basis (as defined in Note 8), plus attributable profits on the construction services provided.

Prior to the acquisition of Smartview by the Group as detailed in Note 45, several subsidiaries of Smartview entered into service concession arrangements with certain government authorities in the PRC in ("Grantor") respect of their waste treatment and waste-to-energy businesses. These subsidiaries acted as operators in these service concession arrangements to construct waste treatment and waste-to-energy plants on a BOT basis, and operate and maintain the waste treatment and waste-to-energy plants at a specified level of serviceability on behalf of the relevant government authorities over the relevant service concession periods.

As at 31 December 2009, the Group had two service concession arrangements in the PRC and the major terms of each service concession arrangement are set out as follows:

Name of subsidiary as operator	Name of waste treatment and waste-to-energy plant	Location	Name of grantor	Service concession period	Practical processing per day	
					Waste treatment	Electricity generation
北京市一清百瑪士綠色能源有限公司 ("BJ Yiqing Biomax")	北京市董村分類綜合處理廠	Dongcun, Beijing	北京市市政管理委員會	29.12.2007 to 28.12.2034 (27 years)	650 tonnes	36 million kWh
南昌百瑪士綠色能源有限公司 ("NC Biomax GE")	南昌市垃圾焚燒發電廠	Quanling, Nanchang	南昌市市環境管理局	17.1.2009 to 16.1.2036 (27 years)	1,200 tonnes	131 million kWh

Pursuant to the service concession agreements, the Group is required to surrender these waste treatment and waste to energy plants to the Grantors at a specific level of serviceability at the end of the respective service concession periods, the Group is required to surrender these waste treatment and waste-to-energy plants to the grantors at a specified level of serviceability. As at 31 December 2009, no provision has been recognised in respect of the contractual obligations to maintain or restore these waste treatment and waste-to-energy plants to specified conditions as the operation has not commenced.

During the service concession periods, the Group will receive guaranteed receipts of waste treatment fee from the Grantors calculated by multiplying the minimum level of municipal waste to be processed per day at a pre-determined waste treatment fee per tonne as specified in the service concession agreements. In addition, the Group also has the right to charge on-grid electricity tariff from users after commencement of operation over the respective service concession periods.

During the year ended 31 December 2009, the Group recognised revenue from construction services of approximately HK$11,400,000 from the date of acquisition of Smartview by the Group to 31 December 2009 by reference to the stage of completion of the construction work. As at 31 December 2009, such construction revenue is recognised as construction services are rendered by the Group.

26. AVAILABLE-FOR-SALE INVESTMENTS

	2009 HK$'000	2008 HK$'000
Unlisted securities		
— Funds in Hong Kong (note a)	—	2,791
— Funds in the PRC (note b)	511	230
— Equity securities in the PRC (note c)	34,700	575
	35,211	3,596
Analysed for reporting purpose as:		
Non-current asset	34,700	575
Current asset	511	3,021
	35,211	3,596

Notes:

(a) As at 31 December 2008, the Funds represented Hang Seng 108% Capital Guaranteed HK Equity Fund. The potential return of the investments includes full repayment of investment cost plus a return linked to the performance of certain equity index in Hong Kong and Asia with a guaranteed return of 8% over the investment cost, which are measured at fair value at the end of the reporting period. The Funds were matured and the investment cost was fully repaid during the year ended 31 December 2009.

(b) The Funds represents an unlisted open-ended fund established in the PRC, which are measured at fair value at the end of the reporting period.

(c) The unlisted equity securities are issued by private entities established in the PRC. They are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

Included in unlisted equity securities in the PRC as at 31 December 2009 is the Group's investment in Shanghai Biomax Green Energy Park Company Limited ("SH Biomax GEP") 上海百瑪士綠色能源有限公司, a sino-foreign-owned joint venture enterprise established in the PRC, with a carrying amount of HK$34,700,000 (2008: Nil) acquired on acquisition of Smartview as detailed in Note 45. SH Biomax GEP operates a waste treatment and waste-to-energy plant in Shanghai, the PRC on a build-own-operate basis. The investment represents 33.8% equity interest of SH Biomax GEP. Such investment is a passive investment as a major shareholder of SH Biomax GEP with 37% equity interest has appointed all the directors to govern the financial and operating policies of SH Biomax GEP. In addition, the Group has surrendered all its voting rights in shareholders' meetings of SH Biomax GEP to the major shareholder under a contractual arrangement with the major shareholder. Accordingly, the directors of the Company considered that the Group has no significant influence over the financial and operating policy decision in SH Biomax GEP and hence the investment is accounted for as available-for-sale investment rather than as an associate. As at 31 December 2009, the directors of the Company estimated that the present value of the estimated future cash flows of SH Biomax GEP discounted at current market rate of return exceeds the carrying amount, hence no impairment loss is recognised at the end of the reporting period.

27. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2009 Non-current Assets HK$'000	2008 Non-current Assets HK$'000
Equity linked note (note a)	2,828	2,731
Foreign currencies yield differential accrual perpetual index notes (note b)	3,576	3,237
	6,404	5,968

Notes:

(a) The notional amount of the investment is HK$3,042,000 (equivalent to US$390,000) and the maturity date of the investment is 1 July, 2013. The periodic interest payments of the investment are linked to the performance of a basket of equity stocks listed in Taiwan. The Group is guaranteed to redeem the investment at the notional amount at the maturity date. The investment was designated at fair value through profit or loss on initial recognition. During the year, a gain of HK$97,000 (2008: loss of HK$311,000) arising from changes in fair value was recognised in the consolidated statement of comprehensive income.

(b) The notional amount of the investments is HK$3,120,000 (equivalent to US$400,000) and the maturity date of the investments is 5 May, 2011. The investments have zero interest payments and the redemption value is linked to the yield difference on a pool of foreign currencies captured by the FX Yield Differential Accrual Perpetual Index. The investment was designated at fair value through profit or loss on initial recognition. During the year, a gain of HK$339,000 (2008: HK$117,000) arising from changes in fair value was recognised in the consolidated statement of comprehensive income.

28. ADVANCE PAYMENT FOR ACQUISITION OF AN ASSOCIATE

A subsidiary of Smartview has entered into a conditional sale and purchase agreement prior to the acquisition of Smartview as detailed in Note 45 in February 2008 and supplemental agreements in July 2008 and December 2009 with an independent third party to acquire 46% equity interest in 深圳粵能環保再生能源有限公司 ("SZ Yueneng"), a company established in the PRC at a consideration of approximately HK$74,254,000 (equivalent to RMB65,000,000). SZ Yueneng operates a waste treatment and waste-to-energy plant in Shenzhen, the PRC on a BOT basis. Part of the consideration amounting to approximately HK$11,364,000 (equivalent to RMB10,000,000) has been paid before the date of acquisition. The remaining consideration was paid during the period from the date of acquisition of Smartview to 31 December 2009.

As at 31 December 2009, the acquisition has not been completed as the relevant registration procedures of shareholding was still under processed by the government authority. The transaction has eventually been subsequently completed in April 2010, since then, SZ Yueneng will become an associate of the Group.

29. DEPOSITS PAID FOR CONSTRUCTION OF INFRASTRUCTURE IN SERVICE CONCESSION ARRANGEMENTS

The amount represents advance payments to third party suppliers for purchase of materials and equipment which are not yet delivered to the Group at 31 December 2009 for the construction of waste treatment and waste-to-energy plants in the PRC by BJ Yiqing Biomax and NC Biomax GE under service concession arrangements as detailed in Note 25.

30. INVENTORIES

	2009 HK$'000	2008 HK$'000
Raw materials	56,231	155,898
Work in progress	5,914	75,385
Finished goods	144,525	70,316
	206,670	301,599
Less: Reclassified to assets held for sale	—	(9,755)
	206,670	291,844

31. TRADE RECEIVABLES AND DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

(a) Trade receivables

	2009 HK$'000	2008 HK$'000
Trade receivables	199,122	409,337
Less: allowance for doubtful debts	(27,429)	(4,585)
	171,693	404,752
Less: Reclassified to assets held for sale	—	(2,542)
	171,693	402,210

31. TRADE RECEIVABLES AND DEPOSITS, REPAYMENT AND OTHER RECEIVABLES *(continued)*

(a) Trade receivables *(continued)*

The Group allows an average credit period normally ranging from 7 days to 90 days to its trade customers.

The aged analysis of trade receivables (net of impairment) presented based on the invoice date at the reporting dates is as follows. The analysis includes those classified as held-for-sale.

	2009 HK$'000	2008 HK$'000
0–90 days	**52,756**	337,606
91–180 days	**82,945**	56,551
181–360 days	**24,758**	9,307
Over 360 days	**11,234**	1,288
	171,693	404,752

Before accepting any new customer, the Group assesses the potential customer's credit quality by respective sales team and defines credit limit by customer.

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of approximately HK$118,908,000 (2008: HK$50,950,000) which are past due as at the reporting date for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances. For customers with receivable balances which are neither past due nor impaired, management considered that they are with high credit quality and respective balances are considered recoverable.

Trade receivables which are past due but not impaired:

Overdue	**2009 HK$'000**	2008 HK$'000
1–90 days	**81,814**	23,067
91–180 days	**25,860**	17,288
181–360 days	**—**	9,307
Over 360 days	**11,234**	1,288
Total	**118,908**	50,950

31. TRADE RECEIVABLES AND DEPOSITS, REPAYMENT AND OTHER RECEIVABLES *(continued)*

(a) Trade receivables *(continued)*

Movement in the allowance for doubtful debts:

	2009 HK$'000	2008 HK$'000
Balance at beginning of the year	**4,585**	3,397
Exchange realignment	**(688)**	(46)
Impairment losses recognised on receivables	**24,491**	1,234
Eliminated on disposal of a subsidiary	**(959)**	—
Balance at end of the year	**27,429**	4,585

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of approximately HK$27,429,000 (2008: HK$4,585,000) that are considered irrecoverable by the management after consideration of the credit quality of those individual customers based on the amounts subsequently settled after year end, the ongoing relationship with the Group and the aging of these receivables. The Group does not hold any collateral over these balances.

(b) Deposits, prepayments and other receivables

The amounts mainly represented advances to suppliers in relation to the supply chain business of approximately HK$63,443,000 (2008: HK$20,936,000), and value-added taxes receivable of approximately HK$25,727,000 (2008: HK$10,509,000). During the year, an impairment loss on other receivables of HK$9,174,000 was recognised in profit or loss (2008: Nil).

32. AMOUNT DUE FROM A RELATED COMPANY

	2009 HK$'000	2008 HK$'000
Trade receivables		
Sergio Tacchini International S.P.A. (Note)	**54,553**	99,171
SH Biomax GEP (Note)	**25,270**	
	79,823	99,171
Other receivable		
SH Biomax GEP (Note)	**8,075**	—
Total	**87,898**	99,171

Note: Mr. Ngok Yan Yu, a director and substantial shareholder of the Company, beneficial owners in these companies. Other receivable due from a related company is unsecured, interest free and expected to be realized in the next twelve months from the end of the reporting period.

32. AMOUNT DUE FROM A RELATED COMPANY *(continued)*

The trade receivables due from related companies are unsecured, interest free and the Group allows a credit period of 120 days to Sergio Tacchini International S.P.A. and 7 days to SH Biomax GEP, respectively.

The aged analysis of the amount due from these related companies (net of impairment) presented based on the invoice date at the reporting date is as follows:

	2009 HK$'000	2008 HK$'000
0–90 days	**51,403**	37,523
91–180 days	**3,150**	7,476
181–360 days	**—**	54,172
Over 360 days	**25,270**	—
Total	**79,823**	99,171

Included in the Group's amounts due from related companies are aggregate carrying amount of approximately HK$54,622,000 (2008: HK$60,768,000) which are past due at 31 December 2009 for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over the balance.

Amount due from related companies which are past due but not impaired:

Overdue	**2009 HK$'000**	2008 HK$'000
1–90 days	**27,798**	6,596
91–180 days	**1,554**	54,172
181–360 days	**—**	—
Over 360 days	**25,270**	—
Total	**54,622**	60,768

33. AMOUNTS DUE FROM (TO) JOINTLY CONTROLLED ENTITIES/AMOUNTS DUE TO JOINT VENTURERS OF JOINTLY CONTROLLED ENTITIES AND AMOUNT DUE FROM A FORMER JOINTLY CONTROLLED ENTITY

The amounts as at 31 December 2009 are unsecured, repayable on demand and interest free except for amount due from a jointly controlled entity and amount due to a joint venturer of a jointly controlled entity which carry interest at 2% over the best lending rate quoted by the Hong Kong and Shanghai Banking Corporation Limited. The effective interest rate for the year is 7%.

The amounts as at 31 December 2008 were unsecured, interest free and repayable on demand. Management considered that amounts due from jointly controlled entities and a former jointly controlled entity are expected to be realized in the next twelve months from the end of the reporting period.

34. AMOUNTS DUE TO RELATED COMPANIES

	2009 HK$'000	2008 HK$'000
Trade payables		
恒寶利（南京）科技實業有限公司	**15,569**	—
Other payables		
Bloom Origin Limited ("Bloom Origin")	**250,000**	—
	265,569	—

恒寶利（南京）科技實業有限公司 and Bloom Origin are related companies of the Company in which Mr. Ngok Yan Yu, a director and major shareholder of the Company, has beneficial interests in these companies.

The aging analysis of the trade payable due to a related company presented based on the invoice date at the end of the reporting period is as follows:

	2009 HK$'000	2008 HK$'000
0–90 days	**6,328**	—
91–180 days	**—**	—
181–360 days	**—**	—
Over 360 days	**9,241**	—
	15,569	—

34. AMOUNTS DUE TO RELATED COMPANIES *(continued)*

The trade payables due to a related company is unsecured, interest-free with an average credit period of 90 days.

Included in the other payable due to a related company is an amount of HK$250,000,000 representing earnest money received by the Company pursuant to a memorandum of understanding (the "Memorandum") signed on 24 December 2009. The Company has granted Bloom Origin the exclusive right for a period of 12 months from the date of the Memorandum to negotiate and enter into a formal sale and purchase agreement for making investment in Full Prosper Holdings Limited ("Full Prosper"), a wholly-owned subsidiary of the Company, including but not limited to, subscription of new shares and/or convertible instruments in Full Prosper, providing financing or acquiring the interest of Full Prosper and/or companies held by Full Prosper in which the consideration must not exceed HK$450,000,000 ("Proposed Investment"). Full Prosper, together with its subsidiaries and jointly controlled entities, carried out all of the Group's business of manufacture and sales of apparel and accessories.

If the Proposed Investment is proceeded with, it will be subject to independent shareholders' approval in an extraordinary general meeting of the Company.

The amount is unsecured, interest-free and will be applied towards part payment of the consideration price if the Proposed Investment is proceeded with, or refunded by the Company by the expiry of the Memorandum being one year from the date of the Memorandum should the formal sale and purchase agreement cannot be entered into and at which the Memorandum will be terminated immediately.

35. PLEDGED BANK DEPOSITS/BANK DEPOSITS WITH ORIGINAL MATURITY OF MORE THAN THREE MONTHS/BANK BALANCES AND CASH

Pledged bank deposits are used to secure the Group's short term banking facilities. The pledged deposits carry average fixed interest rate of 1.98% (2008: 1.22%) per annum for the year ended 31 December 2009. Bank deposits with original maturity of more than three months but not exceeding twelve months which carry interest at market rates which range from 0.02% to 1.98% (2008: 2.3% to 3.5%) per annum. The bank balances carry interest at market rates which range from 0.001% to 0.01% (2008: 0.01% to 0.7%) per annum.

The Group has bank balances and deposits of approximately HK$208,538,000 (2008: HK$255,492,000) where the remittance of these funds out of the PRC is subject to exchange restrictions imposed by the Government of the PRC.

36. ASSETS CLASSIFIED AS HELD FOR SALE/LIABILITIES ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE

On 31 December 2008, the Group entered into a sale agreement with the joint venturer of Benlim to dispose of the Group's jointly controlled entity, Benlim. Benlim and its wholly-owned subsidiary, Shanghai Sisley Trading Co. Limited ("Benlim Group"), were principally engaged in the business of sourcing and distribution of apparel and footwear. Therefore, the assets and liabilities of Benlim Group were classified as assets held for sale and liabilities associated with assets held for sale as at 31 December 2008. No impairment loss was recognised on initial classification of the disposal as held for sale.

The disposal was completed on 1 January 2009. During the year, loss on disposal of a jointly controlled entity of approximately HK$2,242,000 was recognised in consolidated statement of comprehensive income (see Note 47).

The Group's share of major classes of assets and liabilities of Benlim Group as at 31 December 2008, which have been presented separately in the consolidated statement of financial position, are as follows:

	31.12.2008 HK$'000
Property, plant and equipment	2,858
Inventories	9,755
Trade receivables	2,542
Deposits, prepayments and other receivables	6,742
Amount due from group companies	6,122
Bank balances and cash	3,483
	31,502
Less: Amounts due from group companies eliminated on consolidation	(6,122)
Assets classified as held for sale	25,380
Trade payables	(308)
Other payables and accruals	(2,340)
Amount due to a joint venturer of a jointly controlled entity	(22,465)
Amounts due to group companies	(3,500)
	(28,613)
Less: Amounts due to group companies eliminated on consolidation	3,500
Liabilities associated with assets classified as held for sale	(25,113)

37. TRADE PAYABLES AND OTHER PAYABLES AND ACCRUALS

(a) Trade payables

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period. The analysis includes those classified as liabilities associated with assets held for sale.

	2009 HK$'000	2008 HK$'000
0–90 days	**32,452**	104,953
91–180 days	**17,697**	27,364
181–360 days	**22,939**	11,603
Over 360 days	**11,923**	4,980
	85,011	148,900
Less: Reclassified to liabilities associated with assets classified as held for sale	**—**	(308)
	85,011	148,592

The average credit period on purchases of goods ranges from 30 to 90 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

(b) Other payables and accruals

The amounts mainly represented advances from customers of approximately HK$28,391,000 (2008: HK$8,224,000), value-added taxes payable of approximately HK$36,637,000 (2008: HK$17,570,000), accrued subcontracting fees of approximately HK$3,278,000 (2008: HK$3,353,000) considerable payable for the acquisition of additional interest in a subsidiary of HK$4,500,000 (2008: HK$4,500,000) and accrued penalty charges of approximately HK$20,681,000 (2008: Nil) to the grantor arising from the delay of commencement of operation of a waste treatment and waste-to-energy plant as imposed required by the service concession agreement at RMB350,000 per week starting from the original commencement date of operation in January 2009.

38. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts payable under finance leases:				
Within one year	**841**	891	**777**	798
More than one year, but not exceeding two years	**599**	761	**576**	713
More than two years, but not exceeding three years	**—**	516	**—**	506
	1,440	2,168	**1,353**	2,017
Less: Future finance charges	**(87)**	(151)	**—**	—
Present value of lease obligations	**1,353**	2,017	**1,353**	2,017
Less: Amounts due for settlement within one year shown under current liabilities			**(777)**	(798)
Amounts due for settlement after one year			**576**	1,219

It is the Group's policy to lease certain of its motor vehicles and furniture, fixtures and equipment under finance leases. The average lease term is 5 years. For the year ended 31 December 2009, the average effective borrowing rates were 3.2% (2008: 3.2%). Interest rates are fixed at the contract dates. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The Group's obligations under finance leases are secured by the lessor's title to the leased assets.

39. BANK BORROWINGS

During the year, the Group obtained new trade finance and bank loans of approximately HK$716,306,000 (2008: HK$2,215,210,000) which carry interest at rates ranging from 3% to 10% per annum and are payable within one year from draw down date. The Group repaid approximately HK$973,604,000 (2008: HK$2,364,804,000) during the year. The proceeds were used to finance the operation of the Group.

	2009 HK$'000	2008 HK$'000
Bank borrowings	**305,897**	552,559
Bank overdrafts	**2,425**	26,073
	308,322	578,632
Analysed as:		
Secured	**249,899**	381,977
Unsecured	**58,423**	196,655
	308,322	578,632
Bank borrowings are repayable:		
Within one year	**124,343**	345,932
More than one year, but not exceeding two years	**181,554**	206,627
	305,897	552,559
Less: Amounts due within one year shown under current liabilities	**(124,343)**	(345,932)
Amounts due after one year shown under non-current liabilities	**181,554**	206,627

39. BANK BORROWINGS *(continued)*

The Group's variable-rate borrowings amounted to approximately HK$118,389,000 (2008: HK$344,252,000) and the contractual maturity dates are as follows:

	2009 **HK$'000**	2008 HK$'000
Variable-rate borrowings		
Within one year	**101,343**	344,252
More than one year, but not exceeding two years	**17,046**	—
	118,389	344,252

The Group's variable-rate borrowings carry interest at HIBOR. Interest is repriced every year.

The Group's fixed-rate borrowings amounted to approximately HK$187,508,000 (2008: HK$208,307,000) and the contractual maturity dates are as follows:

	2009 **HK$'000**	2008 HK$'000
Fixed-rate borrowings		
Within one year	**23,000**	1,680
More than one year, but not exceeding two years	**164,508**	206,627
	187,508	208,307

The bank borrowings are secured by the assets of the Group as disclosed in Note 49.

The range of effective interest rates on the Group's bank borrowings are as follows:

	2009	2008
Effective interest rate		
Fixed-rate borrowings	**4.9% to 9.0%**	6.5% to 8.5%
Variable-rate borrowings	**3.0% to 7.6%**	3.0% to 6.0%

39. BANK BORROWINGS *(continued)*

The Group's borrowings that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2009	2008
	HK$'000	HK$'000
USD	**8,510**	151,783
EUR	**123**	5,803

40. CONVERTIBLE REDEEMABLE PREFERENCE SHARES

On 28 December 2007, Well Metro issued 1,500 shares of convertible redeemable preference share with a yield to maturity in an amount equal to 5% of the issue price per annum, compounded annually, to an independent third party at a consideration of approximately HK$90,859,000 ("Consideration"). One convertible redeemable preference share can be converted to one ordinary share of Well Metro at any time after date of issuance, subject to certain adjustments including adjustment on conversion ratio based on actual profit of Well Metro and its subsidiaries, and is redeemable at an amount equal to Consideration plus any accrued yield by the holder after three years from date of issuance.

40. CONVERTIBLE REDEEMABLE PREFERENCE SHARES *(continued)*

The convertible redeemable preference shares contain two components, liability component and conversion option derivative. The effective interest rate of the liability component is 15.6%. The conversion option derivative is measured at fair value with changes in fair value recognised in consolidated statement of comprehensive income. The movement of carrying values of liability component and conversion option derivative are set out below:

	2009 HK$'000	2008 HK$'000
Liability component		
At 1 January	**79,292**	68,071
Effective interest charged	**10,281**	11,221
Eliminated on disposal of a subsidiary	**(89,573)**	—
At 31 December	**—**	79,292
Conversion option derivative		
At 1 January	**2,149**	22,022
Decrease in fair value recognised in the consolidated comprehensive income	**(1,452)**	(19,873)
Eliminated on disposal of a subsidiary	**(697)**	—
At 31 December	**—**	2,149

The convertible redeemable preference shares were fully disposed of on 30 October 2009 as a result of the disposal of Well Metro as detailed in Note 46. The fair value of the conversion option derivative decreased from HK$2,149,000 to HK$697,000 immediately before the disposal. The gain on fair value change of approximately HK$1,452,000 was recognised in profit or loss.

The inputs and methodology used for the calculation of fair values of the conversion option derivative are as follows:

Methodology	30.10.2009 Binomial model	31.12.2008 Binomial model
Risk-free rate	**0.40%**	0.547%
Time to maturity	**1.2 years**	2 years
Dividend yield	**0%**	0%
Volatility	**67.79%**	65.85%

The volatility used was based on the 389 days (2008: 400 days) volatility of comparable companies price return.

41. CONVERTIBLE NOTES

On 11 December 2009, the Company issued convertible notes with principal amounts of HK$488,000,000 and HK$188,040,000 to Simple Success Investment Limited ("Simple Success") and Bright Good Limited ("Bright Good"), respectively ("Simple Success Convertible Notes" and "Bright Good Convertible Notes", respectively and collectively referred to as "Convertible Notes") to satisfy part of the consideration for the acquisition of Smartview as detailed in Note 45.

The conversion price is HK$1.20 per share, subject to anti-dilutive adjustment, and the initial number of ordinary shares issuable upon conversion of the Simple Success Convertible Notes and Bright Good Convertible Notes were 406,666,667 and 156,700,000 shares respectively, which represented 37.47% and 14.44% of the total number of ordinary shares of the Company issued and outstanding as of the issuance date of Convertible Notes on a fully diluted basis. Pursuant to the terms of Convertible Note, holders of the Convertible Notes undertook to the Company that the conversion rights would only be exercised to the extent that the converted shares held by the holders will not trigger a change in control as defined in the Hong Kong Code on Takeovers and Mergers.

The Convertible Notes bear zero interest and mature on 10 December 2014, the date on which any outstanding principal amount of the Convertible Notes shall be redeemed at par if not converted before the maturity date. The Company is not entitled to redeem the Convertible Notes at any time before the maturity date. Pursuant to the terms of Convertible Notes, the Convertible Notes may be assigned or transferred, in whole multiples of HK$1,000,000 of its outstanding principal amount, to any non-connected person of the Company as defined in the Listing Rules.

Holder of the Convertible Notes shall have the right at any time after the issue date of the Convertible Notes to convert the whole or part of the outstanding principal amount of the Convertible Notes into ordinary shares of the Company in full board lot of shares or multiples thereof provided that such amounts shall exceed HK$1,000,000 on each conversion, unless the outstanding principal amount is less than HK$1,000,000 and in such event, the entire outstanding principal amount shall be converted.

The Convertible Notes contain two components, liability and equity elements. The equity element is presented in equity heading "convertible notes equity reserve". The effective interest rate of the liability component is 13.699% per annum.

During the year ended 31 December 2009, Convertible Notes with principal amounts of HK$120,000,000 were converted into 100,000,000 ordinary shares of the Company at the conversion price of HK$1.20 per share.

41. CONVERTIBLE NOTES *(continued)*

The fair value of Convertible Notes of approximately HK$1,039,065,000 is included in the fair value of purchase consideration of Smartview at the date of acquisition in Note 45. The movements of the liability component and equity component of Convertible Notes for the year are set out below:

	HK$'000
Liability component	
At date of issue	355,779
Effective interest charged to profit or loss (Note 10)	2,570
Transfer to equity upon conversion	(63,553)
At 31 December 2009	294,796
Equity component	
At date of issue	683,286
Transfer to share premium upon conversion	(121,286)
Deferred tax charged within equity	(52,843)
Deferred tax transferred upon conversion of convertible notes	9,738
At 31 December 2009	518,895

At 31 December 2009, Convertible Notes with principal amounts of HK$556,040,000 remained outstanding.

42. PROMISSORY NOTES

On 11 December 2009, the Group issued the following promissory notes to satisfy part of the consideration for the acquisition of Smartview as detailed in Note 45:

(a) a promissory note issued by the Company with principal amount of HK$80,500,000 to Bright Good ("Bright Good Promissory Note"). The Bright Good Promissory Note bears no interest and has a maturity date of 10 December 2012.

(b) a promissory note issued by the Company with a principal amount of HK$55,000,000 to Bright King Investments Limited ("Bright King Promissory Note"). Bright King Investments Limited ("Bright King") is beneficially owned by Mr. Ngok Yan Yu, a director and substantial shareholder of the Company. The Bright King Promissory Note bears no interest and has a maturity date of 10 December 2014.

(c) a promissory note issued by Full Prosper with a principal amount of HK$200,000,000 to Bright King ("Bright King Subsidiary Promissory Note"). The Bright King Subsidiary Promissory Note bears no interest and has a maturity date of 10 December 2014.

42. PROMISSORY NOTES *(continued)*

The fair value of the promissory notes of approximately HK$190,146,000 is included in the purchase consideration of Smartview at the date of acquisition in Note 45. The movement of the promissory notes for the year is set out below:

	HK$'000
At date of issue	190,146
Effective interest charged to profit or loss (Note 10)	1,387
At 31 December 2009	191,533

The effective interest rate and the carrying amounts of the promissory notes as at 31 December 2009 are as follows:

	Maturity date	**Effective interest rate per annum**	**Carrying amount** HK$'000
Bright Good Promissory Note	10 December 2012	12.895%	56,338
Bright King Promissory Note	10 December 2014	13.699%	29,160
Bright King Subsidiary Promissory Note	10 December 2014	13.699%	106,035
			191,533

43. DEFERRED TAXATION

The following are the deferred tax (liabilities) assets recognised by the Group and movements thereon during the current and prior years:

	Accelerated tax depreciation HK$'000	Convertible notes HK$'000	Intangible assets HK$'000	Revaluation of investment property HK$'000	Service concession arrangements HK$'000	Tax losses HK$'000	Undistributable earnings of PRC subsidiaries and jointly controlled entities HK$'000	Total HK$'000
At 1 January 2008	(1,032)	—	—	(3,411)	—	1,319	—	(3,124)
Exchange realignment	(27)	—	—	(238)	—	—	—	(265)
Acquisition of additional interest in a former jointly controlled entity (Note 45)	—	—	(559)	—	—	—	—	(559)
(Charge) credit to profit or loss	561	—	559	1,083	—	(195)	(3,926)	(1,918)
Effect of change in tax rate	51	—	—	—	—	(51)	—	—
At 31 December 2008	(447)	—	—	(2,566)	—	1,073	(3,926)	(5,866)
Exchange realignment	(13)	—	—	32	1	—	(26)	(6)
Charge to equity	—	(52,843)	—	—	—	—	—	(52,843)
Release upon conversion of convertible notes	—	9,738	—	—	—	—	—	9,738
Acquisition of a subsidiary (Note 45)	—	—	—	—	(7,862)	—	—	(7,862)
(Charge) credit to profit or loss	185	—	—	—	(933)	(798)	1,552	6
Disposal of subsidiaries (Note 46)	38	—	—	2,534	—	(38)	632	3,166
At 31 December 2009	(237)	(43,105)	—	—	(8,794)	237	(1,768)	(53,667)

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purpose:

	2009 HK$'000	2008 HK$'000
Deferred tax assets	—	626
Deferred tax liabilities	(53,667)	(6,492)
	(53,667)	(5,866)

43. DEFERRED TAXATION *(continued)*

The Group has unused tax loss of approximately HK$184,398,000 (2008: HK$110,213,000) available for offset against future profits. A deferred tax asset has been recognised in respect of tax losses of approximately HK$1,434,000 (2008: HK$6,501,000). No deferred tax asset has been recognised in respect of the remaining tax loss of HK$182,964,000 (2008: HK$103,712,000) due to the unpredictability of future profit streams of the relevant subsidiaries. During the year, unused tax losses of approximately HK$62,818,000 comprising recognised tax losses of HK$232,000 and unrecognised tax losses of HK$62,586,000 were released upon disposal of subsidiaries.

At the end of the reporting period, the Group has deductible temporary differences of approximately HK$148,339,000 in respect of impairment loss recognised on property, plant and equipment, impairment loss recognised on trade receivables and allowance for inventories. No deferred tax assets has been recognised in relation to such deductible temporary differences as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

The unrecognised tax losses will be expired in:

	2009	2008
	HK$'000	HK$'000
2011	**2,074**	5,439
2012	**1,969**	10,181
2013	**12,355**	20,265
2014	**109,058**	—
	125,456	35,885

All other remaining tax losses may be carried forward indefinitely.

44. SHARE CAPITAL

	Number of share	Amount HK$'000
Ordinary shares of HK$0.1 each		
Authorised:		
At 31 December 2008 and 31 December 2009	2,000,000,000	200,000
Issued and fully paid:		
At 1 January 2008	282,830,000	28,283
Exercise of share options	200,000	20
At 31 December 2008	283,030,000	28,303
Issue of shares under rights issue	141,515,000	14,152
Issue of shares under placement	54,900,000	5,490
Exercise of share options	23,859,000	2,385
Exercise of warrants	55,000,000	5,500
Conversion of convertible notes	100,000,000	10,000
At 31 December 2009	658,304,000	65,830

The following changes in the share capital of the Company took place during the years ended 31 December 2009 and 2008:

(a) During the year ended 31 December 2008, 200,000 new ordinary shares of the Company of HK$0.10 each were issued at an exercise price of HK$2.90 per share upon the exercise of share options.

(b) During the year ended 31 December 2009, 141,515,000 ordinary shares of the Company were issued under a rights issue at a price of HK$0.30 per share on the basis of one offer share for every two shares. The enlarged issued shares of the Company immediately after the rights issue was 424,545,000. The net proceeds were used for general working capital of the Group.

(c) During the year ended 31 December 2009, 29,900,000 and 25,000,000 ordinary shares of the Company were issued under placing to independent placees on 15 September 2009 and 17 December 2009 respectively at a price of HK$0.60 and HK$2.60 per share, respectively. The net proceeds were used for general working capital of the Group.

44. SHARE CAPITAL *(continued)*

(d) During the year ended 31 December 2009, a total of 23,859,000 ordinary shares of the Company were issued upon the exercise of 300,000, 3,559,000 and 20,000,000 share options at an exercise price of HK$1.5581, HK$0.3592 and HK$0.51, respectively, upon the exercise of share options.

(e) During the year ended 31 December 2009, 55,000,000 ordinary shares of the Company were issued upon exercise of warrants at the exercise price of HK$0.70 per share.

(f) During the year ended 31 December 2009, 100,000,000 ordinary shares of the Company were issued upon conversion of Convertible Notes at the conversion price of HK$1.20 per share.

Warrants

On 2 July 2009, the Company entered into a warrant placing agreement (the "Warrant Placing Agreement") with Fortune (HK) Securities Limited ("Fortune") pursuant to which the Company agreed to place, through Fortune, 55,000,000 warrants to not less than six independent placees, on a fully underwritten basis, at the issue price of HK$0.03 per warrant. Amounts received on the issue of warrants of HK$1,650,000 were recognised in warrant reserve in equity.

Pursuant to the Warrant Placing Agreement, the warrants entitle the placees to subscribe for a maximum of 55,000,000 new ordinary shares of the Company at an initial exercise price of HK$0.70 per share for a period of 18 months commencing from the date of issue of the warrants. Each warrant carries the right to subscribe for one new ordinary share of the Company. The placing of warrants was completed on 31 July 2009.

During the year ended 31 December 2009, all of the 55,000,000 warrants have been exercised by the holders to subscribe for 55,000,000 ordinary shares of the Company at HK$0.70 per share. As at 31 December 2009, none of the warrants are outstanding.

45. ACQUISITION OF A SUBSIDIARY/ADDITIONAL INTEREST IN A JOINTLY CONTROLLED ENTITY

On 8 September 2009, Rising Boom Enterprises Limited, a wholly-owned subsidiary of the Company, entered into an acquisition agreement with Simple Success, Bright Good and Bright King to conditionally acquire the entire equity interest in Smartview at a total consideration of HK$1,155,540,000 (subject to adjustment) involving the issuance of convertible notes (Note 41), promissory notes (Note 42) and a performance-based promissory note being a deferred contingent consideration as described below. Smartview and its subsidiaries (collectively referred as "Smartview Group") are principally engaged in investment, engineering, procurement of equipment, operation and maintenance of waste treatment and waste-to-energy plants in the PRC. The acquisition was approved by the shareholders at an extraordinary general meeting and completed on 11 December 2009. The acquisition has been accounted for using the purchase method.

The fair value of the above consideration was HK$1,230,552,000. The goodwill arising from the acquisition was HK$1,068,340,000.

45. ACQUISITION OF A SUBSIDIARY/ADDITIONAL INTEREST IN A JOINTLY CONTROLLED ENTITY

(continued)

The net assets acquired in the transaction, and the goodwill arising from acquisition of Smartview, are as follows:

	Acquiree's carrying amount before combination HK$'000	**Fair value adjustments** HK$'000	**Fair value** HK$'000
Net assets acquired:			
Intangible assets	6,848	—	6,848
Property, plant and equipment	32,852	—	32,852
Prepaid lease payments	2,279	—	2,279
Amounts due from grantors for contract work	125,166	—	125,166
Available-for-sale investment	34,700	—	34,700
Advance payment for acquisition of an associate	11,364	—	11,364
Deposits paid for construction of infrastructure in service concession arrangement	75,442	—	75,442
Trade receivables	7,973	—	7,973
Deposits, prepayments and other receivables	18,314	—	18,314
Amount due from a related company	28,023	—	28,023
Amount due from a director	10,293	—	10,293
Pledged bank deposits	3,409	—	3,409
Bank balances and cash	5,305	—	5,305
Trade payables	(18,741)	—	(18,741)
Other payables and accruals	(63,275)	—	(63,275)
Amounts due to related companies	(23,154)	—	(23,154)
Tax payable	(14,608)	—	(14,608)
Bank borrowings	(34,091)	—	(34,091)
Obligations under finance leases	(158)	—	(158)
Deferred tax liabilities	(7,862)	—	(7,862)
	200,079	—	200,079
Minority interest			(37,867)
Goodwill			1,068,340
			1,230,552
Satisfied by:			
Convertible notes (Note 41)			1,039,065
Promissory notes (Note 42)			190,146
Deferred contingent consideration (Note)			461
Directly attributable acquisition costs			880
			1,230,552
Net cash inflow arising on acquisition:			
Bank balances and cash acquired			5,305
Directly attributable acquisition costs paid			(880)
			4,425

45. ACQUISITION OF A SUBSIDIARY/ADDITIONAL INTEREST IN A JOINTLY CONTROLLED ENTITY

(continued)

Note: The deferred contingent consideration represents a performance based promissory note to be issued by the Company with principal amount of HK$144,000,000 (subject to adjustment) to Bright King ("Performance Based Promissory Note") within seven days after the issue of the certification of the net profit after taxation, minority interest and extraordinary items of Smartview Group for the year ending 31 December 2010 ("2010 Net Profit") by the auditors of the Company.

In the event that the 2010 Net Profit is less than HK$96,000,000, the principal amount of the Performance Based Promissory Note shall be reduced by the amount equivalent to: (HK$96,000,000–2010 Net Profit) × 12 × 12.46%. If Smartview Group records a net loss after taxation, minority interest and extraordinary items for the year ending 31 December 2010, zero shall be adopted as the 2010 Net Profit in the formula.

In the event that the 2010 Net Profit is more than HK$96,000,000, the principal amount of the Performance Based Promissory Note shall be increased by the amount equivalent to: (2010 Net Profit — HK$96,000,000) × 12 × 12.46%. The 2010 Net Profit to be adopted in the formula will be capped at HK$300,000,000.

The Performance Based Promissory Note bears no interest and is redeemable at par on the fifth anniversary of the date of issue.

At the date of acquisition, the deferred contingent consideration is recognised at the fair value of the Performance Based Promissory Note with a principal amount of approximately HK$461,000, on the basis that the directors consider it is probable that the 2010 Net Profit would be nil, taking into account the risks involved in determining the commencement date of operation of the waste treatment and waste-to-energy plants arising from delay in construction and time required for obtaining government approval before commencement of operation. The BOT plants as detailed in Note 25 are not yet ready for operation up to the date of these consolidated financial statements were authorised for issue.

Smartview contributed HK$4,279,000 to the Group's loss for the period between the date of acquisition and the end of the reporting period.

If the acquisition had been completed on 1 January 2009, total group revenue for the year would have been HK$850,324,000, and loss for the period would have been HK$1,003,068,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of the operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2009, nor is it intended to be a projection of future results.

Goodwill arose in the business combination is partly attributable to the relevant government authorities for the potential waste treatment and waste-to-energy projects in the form of service concession arrangements under the negotiation with the relevant government authorities.

On 28 April 2008, the Group acquired additional 50% issued share capital of STF (China) Limited ("STF"), previously a jointly controlled entity of the Group which became a wholly owned subsidiary of the Group, at a consideration of approximately HK$7,380,000 (EUR600,000). Before the acquisition, the Group recognised its 50% equity interest in STF as jointly controlled entity using proportionate consolidation. This acquisition of additional 50% equity interest has been accounted for using the purchase method. The amount of goodwill arising as a result of the acquisition was approximately HK$16,062,000.

45. ACQUISITION OF A SUBSIDIARY/ADDITIONAL INTEREST IN A JOINTLY CONTROLLED ENTITY *(continued)*

The net assets acquired in the transaction, and the goodwill arising from acquisition of STF, are as follows:

	Acquiree's carrying amount before combination HK$'000	**Fair value adjustments** HK$'000	**Fair value** HK$'000
Net assets acquired:			
Intangible asset	—	2,236	2,236
Property, plant and equipment	4,438	—	4,438
Inventories	17,574	—	17,574
Trade receivables	12,478	—	12,478
Deposits, prepayments and other receivables	5,634	—	5,634
Bank balances and cash	676	—	676
Trade payables	(1,436)	—	(1,436)
Other payables and accruals	(4,514)	—	(4,514)
Amounts due to related companies	(43,532)	—	(43,532)
Bank borrowings	(9,800)	—	(9,800)
Deferred tax liabilities	—	(559)	(559)
	(18,482)	1,677	(16,805)
Less: Net liabilities previously held by the Group using proportionate consolidation			9,241
Step acquisition revaluation reserve			(1,118)
Goodwill			16,062
Total consideration satisfied by cash			7,380
Net cash outflow arising on acquisition:			
Cash consideration paid			7,380
Bank balances and cash acquired			(338)
			7,042

45. ACQUISITION OF A SUBSIDIARY/ADDITIONAL INTEREST IN A JOINTLY CONTROLLED ENTITY *(continued)*

STF contributed HK$13,226,000 to the Group's profit for the period between the date of acquisition and to 31 December 2008.

If the acquisition had been completed on 1 January 2008, total group revenue for the year would have been HK$1,361,336,000, and profit for the year ended 31 December 2008 would have been HK$1,076,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of the operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2008, nor is it intended to be a projection of future results.

Goodwill arose in the business combination because the consideration paid effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled work force of STF.

46. DISPOSAL OF SUBSIDIARIES/BUSINESS

On 3 December 2008, the Company entered into a conditional sale agreement with Luxba to dispose of its 100% equity interest in Well Metro, which carried out all of the Group's distribution and retailing of apparel and footwear operations. On 30 October 2009, the Company entered into a supplemental agreement with Luxba pursuant to which the disposal is agreed at a consideration of HK$80,000,000. The transaction was approved by independent shareholders at an extraordinary general meeting and completed on 30 October 2009.

On 16 October 2009, the Group entered into a sale and purchase agreement with independent third parties to dispose of its 100% equity interest in 揚州恒寶利服飾營銷有限公司 ("YZ Garment Distribution") at a consideration of approximately HK$40,858,000 (equivalent to RMB36,000,000). The transaction was completed on 16 October 2009.

On 30 October 2009, the Group entered into a sale and purchase agreement with an independent third party to dispose of certain assets and liabilities of retail business under the brand of Sisley ("Sisley") at a consideration of approximately HK$8,258,000 (equivalent to RMB7,276,000). The disposal was completed on 30 October 2009.

On 30 November 2009, the Group entered into a sale and purchase agreement with Full Global Investments Limited, an independent third party, to dispose of its 100% equity interest in Complete Expert Limited ("Complete Expert") at a consideration of HK$50,000,000. The transaction was completed on 30 November 2009.

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For the year ended 31 December 2009

46. DISPOSAL OF SUBSIDIARIES/BUSINESS *(continued)*

The net assets of Well Metro, Sisley, Complete Expert and YZ Garment Distribution at the date of disposal were as follows:

	Well Metro HK$'000	**Sisley** HK$'000	**Complete Expert** HK$'000	**YZ Garment Distribution** HK$'000	**Total** HK$'000
NET ASSETS DISPOSED OF					
Property, plant and equipment	35,854	—	292	53	36,199
Intangible assets	11,383	—	—	—	11,383
Investment property	44,586	—	—	—	44,586
Inventories	55,955	1,434	57,467	—	114,856
Trade and other receivables	25,373	2,443	15,508	3	43,327
Bank balances and cash	24,008	—	104	2	24,114
Trade and other payables	(36,404)	(3,400)	(4,780)	—	(44,584)
Bank borrowing	(20,996)	—	—	—	(20,996)
Obligations under finance leases	(92)	—	—	—	(92)
Convertible redeemable preference shares	(89,573)	—	—	—	(89,573)
Conversion option derivative liability	(697)	—	—	—	(697)
Tax payable	(1,659)	—	—	—	(1,659)
Deferred tax liabilities	(3,166)	—	—	—	(3,166)
Amount due from a related company	54,673	—	—	—	54,673
Net amount due from group companies	—	—	—	40,800	40,800
	99,245	477	68,591	40,858	209,171
Release of translation reserve	(16,465)	—	780	—	(15,685)
Minority interest	—	—	11,513	—	11,513
Gain on disposal of a business	—	7,787	—	—	7,787
Loss on disposal of a subsidiary	(2,780)	—	(30,884)	—	(33,664)
	80,000	8,264	50,000	40,858	179,122
Satisfied by:					
Cash	—	—	—	40,858	40,858
Deferred consideration	—	8,264	50,000	—	58,264
Deposit received for disposal of a subsidiary	80,000	—	—	—	80,000
	80,000	8,264	50,000	40,858	179,122
Net cash (outflow) inflow arising on disposal:					
Cash consideration	—	—	—	40,858	40,858
Bank balances and cash disposed of	(24,008)	—	(104)	(2)	(24,114)
	(24,008)	—	(104)	40,856	16,744

The deferred consideration will be settled in cash on or before 30 June 2010.

The subsidiaries disposed of during the year contributed to the Group's revenue and losses of approximately HK$89,522,000 and HK$62,245,000, respectively.

No tax charge or credit arose on loss on the disposal.

47. DISPOSAL OF JOINTLY CONTROLLED ENTITIES

On 31 December 2008, the Group entered into a sale and purchase agreement to dispose of the Group's jointly controlled entity, Benlim, to Benetton Asia Pacific Limited, a joint venturer of Benlim as a consideration of HK$1. Benlim Group was principally engaged in the business of sourcing and distribution of apparel and footwear. The transaction was completed on 1 January 2009.

The Group's share of net assets of Benlim at the date of disposal was as follows:

	HK$'000
NET ASSETS DISPOSED OF	
Property, plant and equipment	2,858
Inventories	9,755
Trade and other receivables	9,284
Bank balances and cash	3,483
Trade and other payables	(2,648)
Amount due to a joint venturer	(22,465)
Net amount due from group companies	2,622
	2,889
Release of translation reserve	(647)
Loss on disposal of jointly controlled entity	(2,242)
Total consideration, satisfied by cash	—
Net cash inflow arising on disposal:	
Cash consideration	—
Bank balances and cash disposed of	(3,483)
	(3,483)

No profit or loss was contributed to the Group by the jointly controlled entity disposed of during the year.

No tax charge or credit arose on loss on the disposal.

47. DISPOSAL OF JOINTLY CONTROLLED ENTITIES *(continued)*

On 30 June 2008, the Group entered into a sale agreement to dispose of 50% shareholdings in a jointly controlled entity, Lotto China Limited ("Lotto"), which carried out distribution and retailing of apparel and footwear, to a joint venturer of Lotto at a consideration of HK$6,000,000. The transaction was completed in July 2008 resulting in a gain on disposal of approximately HK$15,134,000 recognised in profit or loss in 2008.

The Group's share of net liabilities of Lotto at the date of disposal were as follows:

	HK$'000
NET LIABILITIES DISPOSED OF	
Property, plant and equipment	4,240
Inventories	11,906
Trade and other receivables	6,568
Bank balances and cash	807
Trade and other payables	(5,727)
Amount due to a shareholder	(12,329)
Amount due to the Group	(12,023)
Amounts due to fellow subsidiaries	(1,134)
	(7,692)
Release of translation reserve	(1,442)
Gain on disposal	15,134
Total consideration, satisfied by cash	6,000
Net cash inflow arising on disposal:	
Cash consideration	6,000
Bank balances and cash disposed of	(807)
	5,193

The jointly controlled entity disposed of during the year contributed to the Group's revenue and losses of approximately HK$7,491,000 and HK$2,973,000, respectively.

No tax charge or credit arose on gain on the disposal.

48. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2009, construction revenue of approximately HK$11,140,000 was recognised in return for amounts due from grantors for contract work.

As at 31 December 2009, HK$50,000,000 and HK$8,264,000 consideration receivable on disposal of Complete Expert and Sisley, respectively during the year have not been settled.

As at 31 December 2009 and 2008, HK$4,500,000 consideration on acquisition of additional interest in a former subsidiary in 2008 has not been settled.

49. PLEDGE OF ASSETS

At the end of the reporting period, the Group has pledged the following assets to secure the general banking facilities and bank borrowings granted to the Group.

	2009 **HK$'000**	2008 HK$'000
Available-for-sale investments	**—**	2,791
Bank deposits	**6,666**	41,719
Financial assets at FVTPL	**6,404**	5,968
Prepaid lease payments	**31,520**	67,541
Investment property	**—**	29,885
Property, plant and equipment	**165,657**	188,231
	210,247	336,135

The pledged assets will be released upon full repayment of the respective bank borrowings.

50. OPERATING LEASE COMMITMENT

The Group as lessee

	2009 HK$'000	2008 HK$'000
The Group made rental payment for properties under operating lease as follows:		
Minimum lease payments	**5,585**	31,056
Contingent rental payments	**24,603**	9,719
	30,188	40,775

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating lease in respect of rental premises which fall due as follows:

	2009 HK$'000	2008 HK$'000
Within one year	**7,903**	30,842
In the second to fifth years	**140**	22,195
	8,043	53,037

Operating lease payments represent rentals payable by the Group for certain of its rented premises. Leases are negotiated for terms ranged from one to three years. Before the disposal of Well Metro, the Group paid rental expenses in respect of certain retail shops which are dependent on the level of revenue achieved by such retail shops.

50. OPERATING LEASE COMMITMENT *(continued)*

The Group as lessor

Included in loss for the year from discontinued operation was property rental income earned during the year of HK$1,340,000 (2008: HK$572,000). As detailed in Note 46, the Group disposed of its investment property during the year.

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	2009 HK$'000	2008 HK$'000
Within one year	**—**	878
In the second to fifth years inclusive	**—**	146
	—	1,024

51. COMMITMENTS

	2009 HK$'000	2008 HK$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of		
— acquisition of property, plant and equipment	**—**	8,896
— construction work under service concession arrangement	**58,169**	—
	58,169	8,896

51. COMMITMENTS *(continued)*

Commitment of Well Metro in respect of opening retail shops in the PRC

Pursuant to a franchise agreement between the Group and an independent third party in year 2007, the Group was granted with franchise and distribution right in relation to footwear and apparel, under the brand name of Moschino, in the PRC for a period of ten years up to May 2017. The Group was committed to open 30 retail shops in the PRC within five years. At 31 December 2008, the Group opened 18 retail shops and had committed to open 12 retail shops within four years.

During the year ended 31 December 2008, the Group entered into a franchise agreement with an independent third party for the grant of license and manufacture and distribution of the footwear and apparel, under the brand name of Stonefly, for a period of ten years from 1 January 2008 to December 2018. Pursuant to the franchise agreement, the Group was committed to open 30 retail shops and 320 wholesale shops in the PRC within four years. At 31 December 2008, the Group opened 24 retail shops and 15 wholesale shops and had committed to open 6 retail shops and 305 wholesale shops within three years.

As at 31 December 2009, the Group has no commitment in respect of the above franchise agreements as a result of the disposal of Well Metro as detailed in Note 46.

52. CONTINGENT LIABILITY

As at 31 December 2009, the Group acted as a guarantor and had provided a guarantee of HK$12,300,000 in favour of Benetton Asia Pacific Limited, a joint venturer of a former jointly controlled entity of the Group, in respect of the satisfactory performance of the supply of apparels by the subsidiaries of the Company to Benetton Asia Pacific Limited. This guarantee was expired on 9 March 2010.

53. RETIREMENT BENEFITS SCHEME

The Group operates a Mandatory Provident Fund Scheme ("MPF Scheme") for all qualifying employees in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of trustees. The Group monthly contributes at the lower of HK$1,000 or 5% of the relevant payroll costs to the MPF Scheme.

The employees of the subsidiaries in the PRC are members of state-managed retirement benefits schemes operated by the PRC government. The relevant subsidiaries are required to make contributions to the state-managed retirement benefits schemes in the PRC based on certain percentage of the monthly salaries of their current employees to fund the benefits. The employees are entitled to retirement pension calculated with reference to their basic salaries on retirement and their length of service in accordance with the relevant government regulations. The PRC government is responsible for the pension liability to these retired staff. The only obligation of the Group costs respect to the retirement benefit schemes is to make the specified contributions.

53. RETIREMENT BENEFITS SCHEME *(continued)*

The Group also operates various defined contribution retirement benefits schemes for those employees other than in Hong Kong and the PRC. Contributions are made based on the percentage of the employees' basic salaries and are charged to the consolidated statement of comprehensive income as they become payable in accordance with the rules of these schemes. The assets of these schemes are held separately from those of the Group in various independently administered funds. The Group's employer contributions vest fully with the employees when contributed into the Schemes.

During the year ended 31 December 2009, the pension scheme contributions made by the Group were approximately HK$8,136,000 (2008: HK$7,504,000).

54. SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme"), was adopted pursuant to a resolution of the shareholders of the Company and will expire on 14 June 2016. The purpose of the Scheme is to recognise the significant contributions of the eligible persons to the growth of the Group by rewarding them with opportunities to obtain the ownership interest in the Company and to further motivate and give incentives to those persons to continue to contribute to the Group's long term success and prosperity. Under the Scheme, the directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company. The Scheme became effective on 13 July 2006 (being the date of listing of the shares of the Company on the Stock Exchange).

At 31 December 2009, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 6,116,822 (2008: 14,850,000), representing 0.9% (2008: 5.2%) of the shares of the Company in issue at that date. The maximum number of shares which may be issued upon exercise of all outstanding share options must not exceed 30% of the issued share capital from time to time. In addition, the total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue as at 13 July 2006, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK$5,000,000 must be approved in advance by the Company's shareholders.

Options granted must be taken up within 28 days after the date of grant, upon payment of HK$1.0 per option. Options may be exercised at any time during the period as determined by the directors of the Company but may not be exercised after the expiry of the Scheme. The exercise price is determined by the directors of the Company, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

54. SHARE OPTION SCHEME *(continued)*

Details of specific categories of options are as follows:

Date of grant	Number of options	Adjusted number of options (note)	Vesting period	Exercise period	Exercise price	Adjusted exercise price (note)
14.9.2006	860,000	866,586	Nil	14.9.2006 to 13.9.2009	HK$2.60	HK$2.5802
	1,290,000	1,299,880	14.9.2006 to 13.9.2007	14.9.2007 to 13.9.2009	HK$2.60	HK$2.5802
	2,150,000	2,166,466	14.9.2006 to 13.9.2008	14.9.2008 to 13.9.2009	HK$2.60	HK$2.5802
7.5.2007	6,000,000	6,045,954	Nil	7.5.2007 to 7.5.2010	HK$2.90	HK$2.8780
9.10.2007	840,000	846,433	Nil	9.10.2007 to 8.10.2010	HK$4.90	HK$4.8727
	435,000	438,331	9.10.2007 to 8.10.2008	9.10.2008 to 8.10.2010	HK$4.90	HK$4.8727
	725,000	730,552	9.10.2007 to 8.10.2009	9.10.2009 to 8.10.2010	HK$4.90	HK$4.8727
18.8.2008	360,000	362,757	Nil	18.8.2008 to 17.8.2018	HK$1.57	HK$1.5581
	540,000	544,136	18.8.2008 to 17.8.2009	18.8.2009 to 17.8.2018	HK$1.57	HK$1.5581
	900,000	906,892	18.8.2008 to 17.8.2010	18.8.2010 to 17.8.2018	HK$1.57	HK$1.5581
11.11.2008	1,830,000	1,844,015	Nil	11.11.2008 to 10.11.2018	HK$0.36	HK$0.3592
	1,830,000	1,844,015	11.11.2008 to 10.11.2009	11.11.2009 to 10.11.2018	HK$0.36	HK$0.3592
	2,440,000	2,458,688	11.11.2008 to 10.11.2010	11.11.2010 to 10.11.2018	HK$0.36	HK$0.3592
19.5.2009	20,000,000	N/A	Nil	19.5.2009 to 18.5.2019	HK$0.51	N/A

Note: The number of share options and exercise price have been adjusted upon the completion of the rights issue of shares of the Company with effect from 26 February 2009.

54. SHARE OPTION SCHEME *(continued)*

The following table discloses movements of the Company's share options held by employees and directors during the year:

Share options grant date	Outstanding at 1.1.2009	Adjusted during the year	Granted during the year	Exercised during the year	Lapsed during the year (Note)	Outstanding at 31.12.2009
14.9.2006	3,950,000	30,249	—	—	(3,980,249)	—
7.5.2007	1,000,000	7,659	—	—	(302,299)	705,360
9.10.2007	2,000,000	15,320	—	—	(100,766)	1,914,554
18.8.2008	1,800,000	13,785	—	(300,000)	(403,063)	1,110,722
11.11.2008	6,100,000	46,718	—	(3,559,000)	(201,532)	2,386,186
19.5.2009	—	—	20,000,000	(20,000,000)	—	—
	14,850,000	113,731	20,000,000	(23,859,000)	(4,987,909)	6,116,822
Exercisable at the end of the year	8,415,000					3,033,385
Weighted average exercise price	HK$1.89	N/A	HK$0.51	HK$0.50	HK$2.47	HK$2.28

Note: Pursuant to the term of Scheme, share option are lapsed after three months following the resignation of the employees and directors as well as upon the expiry of the respective exercise periods.

54. SHARE OPTION SCHEME *(continued)*

The following table discloses movements of the Company's share options held by employees and directors in the prior year:

Share options grant date	Outstanding at 1.1.2008	Granted during the year	Exercised during the year	Outstanding at 31.12.2008
14.9.2006	3,950,000	—	—	3,950,000
7.5.2007	1,200,000	—	(200,000)	1,000,000
9.10.2007	2,000,000	—	—	2,000,000
18.8.2008	—	1,800,000	—	1,800,000
11.11.2008	—	6,100,000	—	6,100,000
	7,150,000	7,900,000	(200,000)	14,850,000
Exercisable at the end of the year	3,840,000			8,415,000
Weighted average exercise price	HK$3.28	HK$0.64	HK$2.90	HK$1.89

In respect of the share options exercised during the year, the weighted average share price at the dates of exercise and the date immediately before the date of exercise is HK$1.96 (2008: HK$4.45) and HK$1.96 (2008: HK$4.55), respectively.

During the year ended 31 December 2009, options were granted on 19 May 2009 where the share price of the Company's share at the date immediately before the date of grant was HK$0.51. The estimated fair value of the options granted during the year is approximately HK$3,483,000.

During the year ended 31 December 2008, options were granted on 18 August 2008 and 11 November 2008 where the share prices of the Company's share at the date immediately before the date of grant were HK$1.39 and HK$0.34, respectively. The estimated fair values of the options granted on those dates are approximately HK$902,000 and HK$827,000 respectively.

54. SHARE OPTION SCHEME *(continued)*

These fair values were calculated using the binominal model (18.8.2008 and 11.11.2008: the Black-Scholes option pricing model). The inputs into the model were as follows:

	Share options grant date		
	18.8.2008	11.11.2008	**19.5.2009**
Share price at date of grant	HK$1.39	HK$0.34	**HK$0.51**
Exercise price	HK$1.57	HK$0.36	**HK$0.51**
Expected volatility	61.4%	68.3%	**85.17%**
Expected life	5 to 6 years	5 to 6 years	**10 years**
Risk-free rate	2.9% to 3.0%	1.7% to 1.8%	**2.271%**
Expected dividend yield	5%	5%	**0%**

Expected volatility was determined by using the historical volatility of the Company's share price over the previous years. 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.

The binomial model (18.8.2008 and 11.11.2008: Black-Scholes option pricing model) has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

The Group recognised the total expense of approximately HK$4,726,000 for the year ended 31 December 2009 (2008: HK$2,789,000) in relation to share options granted by the Company.

55. RELATED PARTY TRANSACTIONS

During the year, the Group entered into the following significant transactions with related parties:

Name of related party	Nature of transactions	2009 HK$'000	2008 HK$'000
Long Wise (Holdings) Limited (note 1)	Service fee paid	**61**	247
STF (note 2)	Interest income received	**—**	124
	Management fee income received	**—**	230
Sergio Tacchini International S.P.A. (note 3)	Sales of apparel	**99,045**	202,037
	Sourcing income received	**5,810**	12,486
	Management fee income received	**—**	990
Shanghai Sisley (note 4)	Purchase of apparel	**—**	10,542
M.T.T. Yangzhou Garment Co. Limited	Sale of apparel and accessories	**1,977**	756
	Purchases of apparel and accessories	**2,145**	729
	Subcontracting fee paid	**1,092**	—
	Subcontracting fee received	**956**	—
Mountain Experience Betiligungs (note 5)	Sales commission paid	**—**	2,299
	Interest expense	**1,427**	—
Lotto (Nanjing) Garment Co. Ltd. (note 6)	Rental income received	**—**	840
Lotto (note 6)	Management fee income received	**—**	345
M.T.T.	Interest income received	**1,078**	—
	Management fee income received	**720**	840

Notes:

1. *This company is a minority shareholder of the Company's subsidiary.*

2. *The Group acquired additional 50% of the issued share capital of STF during the year ended 31 December 2008. Details of the acquisition are disclosed in Note 45. STF became a wholly owned subsidiary of Well Metro after the acquisition. The Group disposed of STF during the year ended 31 December 2009 along with the disposal of Well Metro as detailed in Note 46.*

55. RELATED PARTY TRANSACTIONS *(continued)*

Notes: (continued)

3. *A director of the Company has beneficial interest in this company. Details of the nature and terms of the transactions for the years ended 31 December 2009 and 2008 with Sergio Tacchini International S.P.A. are set out in the circulars issued by the Company on 5 December 2008 and 26 July 2007 respectively.*

4. *This company is a former jointly controlled entity of the Group. The Group disposed of its 50% shareholdings to a joint venturer during the year ended 31 December 2009. Details of the disposal are disclosed in Note 47.*

5. *This company is a joint venturer of a jointly controlled entity of the Group.*

6. *These companies were former jointly controlled entities of the Group. The Group disposed of its 50% shareholdings to a joint venturer of Lotto during the year ended 31 December 2008. Details of the disposal are disclosed in Note 47.*

Mr. Ngok Yan Yu, a director and controlling shareholder of the Company, acted as a guarantor and provided a personal guarantee of HK$50,000,000 in favour of a bank in respect of banking facilities granted to a subsidiary of the Company.

At 31 December 2009, Mr. Ngok Yan Yu acted as a guarantor and provided a personal guarantee of RMB5,000,000 for a performance guarantee of RMB8,000,000 granted by a bank in favour of local government authority in the PRC for the performance of the service concession agreement of BJ Yiqing Biomax.

Pursuant to certain master licence agreements, Morgan S.A., a former minority shareholder of the Company's subsidiary, granted to the Group an exclusive license, with the right to grant sub-license, to manufacture and sale certain Morgan S.A. licensed products, subject to payment of royalty fee, which is calculated based on the number of licensed products manufactured, for a period of five years starting from year 2004 with an option to renew further five years. No royalty fee has been paid by the Group in respect of these master license agreements during the years ended 31 December 2009 and 2008.

56. COMPENSATION OF KEY MANAGEMENT PERSONNEL

The remuneration of key management during the year was as follows:

	2009 HK$'000	2008 HK$'000
Short-term benefits	**8,448**	13,973
Post-employment benefits	**43**	48
Share-based payments	**862**	1,688
	9,353	15,709

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

57. PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries at 31 December 2009 and 2008 are as follows:

Name of subsidiaries	Place of incorporation/ registration	Issued and fully paid up share capital/ registered capital	Proportion of nominal value of issued share capital/ registered capital indirectly held by the Company		Principal activities
			2009	2008	
Hembly Garment Manufacturing Limited	Hong Kong	Ordinary shares HK$3,000,000	**100%**	100%	Investment holding and sale of garments
Hembly (Nanjing) Garment Co., Ltd. 恒寶利(南京)服裝有限公司 (note a)	PRC	Registered capital US$3,000,000	**100%**	100%	Garment manufacturing
Hembly (Nanjing) Garment Manufacturing Co., Ltd. 亨百利(南京)制衣有限公司 (note a)	PRC	Registered capital US$2,100,000	**100%**	100%	Property holding and sale of garments

57. PRINCIPAL SUBSIDIARIES *(continued)*

Name of subsidiaries	Place of incorporation/ registration	Issued and fully paid up share capital/ registered capital	Proportion of nominal value of issued share capital/ registered capital indirectly held by the Company		Principal activities
			2009	2008	
Hembly Garment Manufacturing Macao Commercial Offshore Limited 恆寶利製衣澳門離岸商業服務有限公司	Macau	Quota capital MOP100,000	**100%**	100%	Sale of garments
M.D.T. Sourcing (China) Limited (note c)	Hong Kong	Ordinary shares HK$780,000	**–**	51%	Sale of garments
M.D.T. (Nanjing) Garment Manufacturing Company Limited 摩根(南京)制衣有限公司 (notes a, c)	PRC	Registered capital US$500,000	**–**	51%	Garment manufacturing and trading
Scienward (Nanjing) Garment Co., Ltd. 欣隆(南京)服裝有限公司 (note a)	PRC	Registered capital US$1,000,000	**100%**	100%	Garment manufacturing and sourcing of garment
Scienward International Holdings Limited (note b)	Hong Kong	Ordinary shares HK$1,000,000	**–**	100%	Wholesale of garment
Hembly (Yangzhou) Garment Manufacturing Co., Ltd. 恒寶利(揚州)制衣有限公司 (note a)	PRC	Registered capital US$10,000,000	**100%**	100%	Garment manufacturing and trading
Hembly Italy S.R.L. (note b)	Italy	Registered capital EUR50,000	**–**	100%	Sale of garment
Yangzhou Sunrise Garment Manufacturing Co., Ltd. (notes a, b)	PRC	Registered capital US$10,000,000	**–**	100%	Property holding
MBT (Beijing) Recycling Company, Limited (notes a, d)	PRC	Registered capital US$1,000,000	**100%**	–	Provision of consulting service

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2009

57. PRINCIPAL SUBSIDIARIES *(continued)*

Name of subsidiaries	Place of incorporation/ registration	Issued and fully paid up share capital/ registered capital	Proportion of nominal value of issued share capital/ registered capital indirectly held by the Company 2009	2008	Principal activities
Biomax Environmental Technology Limited (note d)	Hong Kong	Ordinary shares HK$100	**100%**	—	Investment holding and provision of engineering service
Biomax Environment Technology Germany GmbH (note d)	Germany	Registered capital EUR25,000	**100%**	—	Provision of procurement and consulting services
Win Concept Enterprises Limited (note d)	Hong Kong	Ordinary shares HK$100	**100%**	—	Provision of technical services and trading of equipment
Nanchang Biomax Green Energy Park Company Limited 南昌百瑪士綠色能源有限公司 (notes a, d)	PRC	Registered capital RMB60,000,000	**100%**	—	Production and operating of factories for municipal solid waste treatment
Yangzhou Biomax Environmental Development Limited 揚州百瑪士環保產業發展有限公司 (notes a, d)	PRC	Registered capital US$15,000,000	**100%**	—	Provision of technical services and trading of equipment
Shanghai Jinshan Biomax Green Energy Company, Limited 上海金山百瑪士綠色能源有限公司 (notes a, d)	PRC	Registered capital RMB73,800,000	**100%**	—	Trading of chemical raw material and product, provision of technical service
Shanghai Environmental Biomax Investment Limited 上海環境百瑪士投資有限公司 (notes a, d)	PRC	Registered capital RMB100,000,000	**100%**	—	Provision of technical services
Biomax Green Energy Investment Management (Shanghai) Limited 百瑪士綠色能源投資管理(上海)有限公司 (notes a, d)	PRC	Registered capital US$5,400,000	**100%**	—	Provision of consulting services

57. PRINCIPAL SUBSIDIARIES *(continued)*

Name of subsidiaries	Place of incorporation/ registration	Issued and fully paid up share capital/ registered capital	Proportion of nominal value of issued share capital/ registered capital indirectly held by the Company		Principal activities
			2009	2008	
Beijing Yiqing Biomax Green Energy Park Company Limited 北京一清百瑪士綠色能源有限公司 (notes a, d)	PRC	Registered capital RMB80,845,000	**60%**	—	Municipal solid waste recycling treatment
Biomax Environment Technology (Beijing) Company Limited 百瑪士環保科技(北京)有限公司 (notes a, d)	PRC	Registered capital US$400,000	**100%**	—	Provision of engineering procurement, commissioning and consulting services

Notes:

(a) *These companies are wholly foreign owned enterprises.*

(b) *These companies are held by Well Metro and were disposed of by the Group on 30 October 2009. Details of the disposal are disclosed in Note 46.*

(c) *These companies were disposed of by the Group on 30 November 2009. Details of the disposal are disclosed in Note 46.*

(d) *These companies were acquired by the Group on 11 December 2009. Details of the acquisition are disclosed in Note 45.*

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, results in particulars of excessive length.

58. EVENTS AFTER THE REPORTING PERIOD

(a) On 29 January 2010, the Company and Waste Resources G.P. Limited ("Waste Resources"), an independent third party, entered into a subscription agreement pursuant to which the Company has conditionally agreed to issue, and Waste Resources has conditionally agreed to subscribe for, convertible bonds in the principal amount of HK$156,000,000 ("Convertible Bonds") and 9,341,000 ordinary shares of the Company at the price of HK$1.67 per share ("Placing Shares"). Details of the subscription agreement are set out in the Company's announcement dated 1 February 2010. The issue of the Convertible Bonds and the Placing Shares is conditional upon, among other things, the approval by shareholders at a general meeting of the Company. The issue of the Convertible Bonds and the Placing Shares has been approved by shareholders at an extraordinary general meeting of the Company on 3 March 2010 and completed on 13 April 2010.

(b) On 1 April 2010, the Company entered into a placing agreement with Best View Enterprise Limited ("Best View"), a substantial shareholder of the Company, and a placing agent, upon which the placing agent has agreed to, on a fully underwritten basis, place to not less than six placees an aggregate of 76,400,000 ordinary shares of the Company held by Best View to independent third parties at HK$2.02 per share.

In addition, the Company entered into a subscription agreement with Best View, upon which Best View conditionally agreed to subscribe for 76,400,000 new ordinary shares of the Company at HK$2.02 per share. The new ordinary shares will be allotted and issued pursuant to the general mandate granted to the directors at the extraordinary general meeting of the Company held on 7 October 2009.

Details of the placing agreement and the subscription agreement are set out in the Company's announcement dated 6 April 2010. Completion of the placing agreement and subscription agreement has taken place on 14 April 2010.

(c) Subsequent to the reporting period and up to the date these consolidated financial statements are authorised for issue, Convertible Notes with principal amount of HK$126,440,000 have been converted into 105,366,000 ordinary shares of the Company at the conversion price of HK$1.20 per share, representing 16.01% of the issued share capital outstanding as at 31 December 2009.

FINANCIAL SUMMARY

For the year ended 31 December 2009

	For the year ended 31 December				
	2005	2006	2007	2008	**2009**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
RESULTS					
Revenue (continuing and discontinued operation)	427,781	611,689	1,036,956	1,356,445	**822,693**
Profit (loss) attributable to owners of the Company	58,194	78,128	107,747	7,798	**(978,257)**
ASSETS AND LIABILITIES					
Total assets	485,432	854,807	1,654,227	1,644,243	**1,938,193**
Total liabilities	(336,478)	(509,596)	(1,071,667)	(1,061,973)	**(1,431,696)**
	148,954	345,211	582,560	582,270	**506,497**
Equity attributable to owners of the Company	148,298	345,190	574,907	591,146	**465,792**
Minority interests	656	21	7,653	(8,876)	**40,705**
	148,954	345,211	582,560	582,270	**506,497**

Notes:

(1) The Company was incorporated in the Cayman Islands on 27 May 2004 and becomes the holding company of the Group on 13 June 2006 as a result of group reorganisation (the "Group Reorganisation").

(2) The summary financial information for the years ended 31 December 2005 and 2006 have been prepared using the principles of merger accounting as if the group structure immediately after the Group Reorganisation had been in existence throughout the years concerned.

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