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 2010

Reduce • Reuse • Recycle

Contents

Corporate Information

Board of Directors

Executive Directors

Mr. Ngok Yan Yu *(Chairman)*
Mr. Marcello Appella
Mr. Chan Tak Yan
Mr. Ng Cheuk Fan, Keith
(Appointed on 16 August 2010)
Ms. Yu Sau Lai
(Appointed on 16 August 2010)

Non-executive Director

Mr. Lim Jui Kian
(Appointed on 14 April 2010)

Alternate Non-executive Director

Mr. Cai Qiao Herman
(Appointed as alternate Director to Mr. Lim Jui Kian on 20 September 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. Wong Bing Ni

Authorized Representatives

Mr. Ngok Yan Yu
Ms. Wong Bing Ni

Registered Office

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

Corporate Information (continued)

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

The Hongkong and Shanghai Banking Corporation Limited
Fubon 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.neeh.com.hk

Stock Code

03989

Management Discussion and Analysis

Management Discussion and Analysis

Overview

The Group's revenue reached approximately HK$713.7 million (including trading of apparel and accessories and waste treatment and waste-to-energy business which are classified as "Continuing Operations" and manufacture of apparel and accessories which is classified as "Discontinued Operations"), representing decrease of approximately 13.2% over last year. The net loss attributable to the Company's equity holders amounted to approximately HK$742.3 million for the year under review.

Supply Chain Services

During the year under review, the Group's revenue for its supply chain services (including trading of apparel and accessories (classified as "Continuing Operations") and manufacture of apparel and accessories (classified as "Discontinued Operations") reached approximately HK$662.1 million, representing decrease of approximately 9.2%, as compared to last year, which accounted for approximately 92.8% of the Group's revenue in the financial year 2010.

For the year under review, the Group attained a gross profit of approximately 13.9%, as compared to approximately 3.0% for last year. The increase is mainly attributable to the decrease in stock provisions.

Waste to Energy Business

During the year under review, the Group's revenue for its waste treatment and waste-to-energy business reached approximately HK$51.6 million, representing increase of approximately 352.9%, as compared to last year, which accounted for approximately 7.2% of the Group's revenue in the financial year 2010. For clarity, the acquisition of waste treatment and waste-to-energy business was completed on 11 December 2009. As such, the Group only derived revenue attributing from its waste treatment and waste-to-energy less than 1 month last year.

For the year under review, its gross loss is approximately 195.3%.

Operating Expenses

In 2010, the Group's distribution and selling costs, including continuing and discontinued operations, decreased significantly by 47.4% to HK$41.6 million, as compared to last year, the decrease is mainly attributable to the disposal of the distribution and retailing of apparels and footwear business, which was completed on 30 October 2009.

The Group's administrative expenses, including continuing and discontinued operations, increased by 28.9% from HK$122.8 million to HK$158.2 million, this increase is mainly attributable to the acquisition of waste treatment and wastes-to-energy business, which was completed on 11 December 2009.

Finance Costs

Finance costs, including continuing and discontinued operations, increased by 101.1% to HK$93.8 million, as compared to last year. This substantial increase is mainly attributable to the effective interest expense on the convertible notes and promissory notes, which issuance was made in December 2009.

Liquidity, Financial Resources and Capital Structure

As at 31 December 2010, the Group had cash and bank balances of HK$37.8 million, primarily denominated in RMB and HK dollars (31 December 2009: HK$228.5 million), and total borrowings of HK$67.7 million (31 December 2009: HK$308.3 million), all of which are short-term borrowings. The Group's borrowings were primarily denominated in RMB and HK dollars. As at 31 December 2010, 26.1% and 73.9% of the Group's total borrowings were denominated in RMB and HK dollars, respectively, with 73.9% of the total borrowing subject to fixed interest rates and 26.1% subject to floating interest rates.

The net gearing ratio, which is calculated on the basis of total borrowings (net of cash and bank balances) over the Group's total shareholders' equity, increased from 0.17 as at 31 December 2009 to 0.44 as at 31 December 2010. The current ratio, which is calculated on the basis of current assets over current liabilities, remained at 1.25 for both years ended 31 December 2009 and 31 December 2010.

Foreign Exchange Exposure

The majority of the Group's sales, purchase and operating expenses were denominated in RMB, HK dollars and US dollars. Although the Group has been and will continue to be exposed to foreign currency exchange risks, the Board does not expect future currency fluctuations to materially impact the Group's operations. 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 2010, the Group's bank deposits of HK$3.5 million, and property, plant and equipment with an aggregate net book value of HK$25.5 million were pledged to secure general banking facilities and bank borrowing granted to the Group.

Capital Commitment

As at 31 December 2010, the Group had capital commitment of HK$451.0 million in respect of the construction infrastructure under service concession arrangement, which were contracted but not provided for in the consolidated financial statements.

Contingent liabilities

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

Employment Information

As at 31 December 2010, the Group had about 160 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 individual contributions to the Group.

Board of Directors and Senior Management

Executive Directors

Mr. Ngok Yan Yu, aged 38, is the chairman of the Company and founder of the Group and its waste-to-energy business. Mr. Ngok has over 14 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 56, 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 30 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 Textile Engineering from the National College of Textile Industries of Mulhouse, France in July 1980 and a Master degree in Strategy and Finance from an International Business school EML Lyon in France in 2011.

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 Best Miracle International Limited since 7 September 2007, which is a company listed on the Stock Exchange.

Mr. Ng Cheuk Fan, Keith, aged 49, was appointed as an executive director of the Company in August 2010. Mr. Ng is a Certified Public Accountant in Australia and a member of the Hong Kong Institute of Certified Public Accountants. He graduated from the University of Alberta, Canada, with a Bachelor's degree in Commerce, majoring in Accounting. He also obtained a Master of Commerce degree in Professional Accounting from the University of New South Wales, Australia, and has over 20 years of management and accounting experience.

Mr. Ng has been appointed as an executive director and company secretary of U-RIGHT International Holdings Limited since 7 January 2011, an independent non-executive director of The Hong Kong Building and Loan Agency Limited since 15 January 2010, an executive director of Hao Tian Resources Group Limited and China Fortune Group Limited ("China Fortune") since 1 September 2009 and 4 April 2007 respectively, all are companies listed on the Stock Exchange. He has been further appointed as the managing director of China Fortune since 4 December 2007.

Ms. Yu Sau Lai, aged 48, was appointed as an executive director of the Company in August 2010. Ms. Yu has 26 years of experience in the administration of various companies in different fields and also has extensive exposure in information technology and business management in trading, wholesale and retail businesses. Ms. Yu has been appointed as an executive director of Asia Energy Logistics Group Limited, a company listed on the Stock Exchange, since 31 March 2009. She was also an executive director of China Bio-Med Regeneration Technology Limited and Heng Xin China Holdings Limited, both of which are listed on the Growth Enterprise Market of the Stock Exchange, until 4 December 2009 and 1 April 2009 respectively.

Non-executive Directors

Mr. Lim Jui Kian, aged 39, 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.

Alternate Non-executive Directors

Mr. Cai Qiao Herman, age 42, was appointed as an alternate director to Mr. Lim Jui Kian, an non-executive director of the Company in September 2010. Mr. Cai is a Managing Director of FourWinds Capital Management since January 2009. FourWinds Capital Management is the investment manager of the Waste Resources Fund L.P.. Mr. Cai has 16 years of experience in the water sector in Asia. He began his career with Joneson Chemicals and moved shortly thereafter to EcoWater Systems as Country Manager for South East Asia. During his time with Ecowater, he developed industrial water and wastewater treatment solutions for clients in the petrochemical and power sectors. In 2000, Mr. Cai joined Veolia Water as Project Director for China where he focused on developing, executing and managing Veolia's full service water concessions and, industrial and municipal water/wastewater treatment projects. He successfully concluded investments in key projects such as the Zhuhai Wastewater BOT Project, the Zunyi Water Treatment TOT/BOT Project and the Kunming and Changle full service water concession contracts. Mr. Cai earned his Bachelor of Arts in Business Administration from University of South Australia and post-graduate diploma in Marketing from Chinese University of Hong Kong.

Independent Non-executive Directors

Mr. Lo Ming Chi, Charles, aged 61, 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 China Sonangol Resources Enterprise Limited (formerly known as 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 Beijing Yu Sheng Tang Pharmaceutical Group Limited (formerly known as Poly Development Holdings 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 and Tak Sing Alliance Holdings Limited, the executive director of New Island Printing Holdings Limited and the chief executive officer of China Tycoon Beverage Holdings Limited (formerly known as Sewco International Holdings Limited), all of which are listed on the Stock Exchange.

Mr. Pao Ping Wing, JP, aged 63, 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 60, was appointed as an independent non-executive director of the Company in June 2006. 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. He is currently an independent non-executive director of Tianjin Port Development Holdings Limited, which is a company listed on the Stock Exchange.

Mr. Cheng Kai Tai, Allen, aged 47, 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 47, 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 16-year experiences in solid waste treatment sector in China.

Mr. Teng Ruo Ping, aged 61, 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 Environment Holdings Limited (a subsidiary of the Company) as its deputy chief technical officer, since November 2005.

Mr. Tang Zhi Bin, aged 47, 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.

Mr. Lam Wai Fung, aged 37, 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.

Ms. Wong Bing Ni, was appointed as company secretary and authorized representative of the Company in June 2010. Ms. Wong is a fellow member of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants, an associate member of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators. She holds a master degree in Professional Accounting and she has over ten years of experience in company secretarial matters, internal control and financial management which acquired from listed companies in Hong Kong.

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") during the year under review, except that the Company was deviated from Code Provision A.1.8 in respect of a very substantial disposal and connected transaction of the Company, in which Mr. Ngok Yan Yu, the chairman and an executive Director of the Company, had material interest. The transaction was considered and approved by the Board on 1 June 2010 by way of written resolutions rather than holding a Board meeting. The Company decided to circulate the relevant documents to all Directors for their consideration and approval by reason of the materiality of the proposed transaction and the fact given that certain Directors of the Company should not be available at the time proposed for a meeting.

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 preparation and presentation 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 five executive directors, one non-executive director, one alternate non-executive director 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
Mr. Ng Cheuk Fan, Keith *(appointed on 16 August 2010)*
Ms. Yu Sau Lai *(appointed on 16 August 2010)*

Non-executive Director

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

Alternate Non-executive Director

Mr. Cai Qiao Herman *(alternate director to Mr. Lim Jui Kian, appointed on 20 September 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)*

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.

To comply with Rule 3.10 of the Listing Rules, the Company has appointed four independent non-executive Directors whom the Company considers having 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 always 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 meetings.

The proceedings of the Board at its meeting are conducted by the Chairman of the Company or the person be elected as the chairman of the meetings 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 thirteen board meetings, at which all of the Directors are entitled to be present. The attendance of the Directors was as follows:

	Meeting attendance/held
Mr. Ngok Yan Yu	11/13
Mr. Marcello Appella	6/13
Mr. Chan Tak Yan	13/13
Mr. Ng Cheuk Fan, Keith *(appointed on 16 August 2010)**	5/6
Ms. Yu Sau Lai *(appointed on 16 August 2010)**	6/6
Mr. Ho Gilbert Chi Hang** *(appointed on 6 January 2010 and resigned on 24 September 2010)*	9/12
Mr. Mok Chung Kwan, Stephen** *(appointed on 6 January 2010 and resigned on 21 October 2010)*	9/12
Mr. Lim Jui Kian *(appointed on 14 April 2010)****	6/10
Mr. Lo Ming Chi, Charles	9/13
Mr. Pao Ping Wing	12/13
Mr. Kwan Hung Sang, Francis	11/13
Mr. Cheng Kai Tai, Allen *(appointed on 6 January 2010)*	11/13

* *Mr. Ng Cheuk Fan, Keith and Ms. Yu Sau Lai were respectively appointed as an executive Director of the Company on 16 August 2010, and six Board meetings were held after their respective appointment.*

** *Mr. Ho Gilbert Chi Hang and Mr. Mok Chung Kwan, Stephen were respectively appointed as a non-executive Directors of the Company on 6 January 2010 and were resigned on 24 September 2010 and 21 October 2010, respectively, and twelve Board meetings were held during the period of their respective appointment.*

*** *Mr. Lim Jui Kian was appointed as non-executive Director of the Company on 14 April 2010, and ten Board meetings were held after his appointment.*

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.

Non-executive Directors

During the year under review, each of the non-executive Directors and independent non-executive Directors has entered into letter of appointment with the Company for a term of three years commencing from the date of his respective appointment 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 terms of reference. 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, an executive Director and 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 respective 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 two meetings with the presence of all committee members and passed two written resolutions by 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 reference. 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, an executive Director and 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 nomination of new Directors and 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 in the annual general meeting pursuant to the memorandum and articles of association of the Company. In considering the new appointment or re-election 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 and by way of written resolutions to pass the resolutions for nomination of (i) 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, who were retiring at the annual general meeting held on 1 June 2010, as Directors and their re-election in the same annual general meeting, and (ii) nomination of Directors to the Board.

Auditors' Remuneration

For the year ended 31 December 2010, the auditors' remuneration paid or payable in respect of the audit services and other non-audit services provided by the auditors to the Group were as follows:

	HK$'000
Audit service	3,480
Non-audit related service	777
	4,257

Audit Committee

The Company established an audit committee on 15 June 2006 with written terms of reference 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 except that Mr. Lim Jui Kian was absent from one of the two meetings. The works 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 2010;

— To review the annual report and annual results announcement for the year ended 31 December 2009;

— 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.

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 2010, 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 the 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 will be 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 2010.

Principal Activities

The Company acts as an investment holding company. The Group is principally engaged in trading of apparel and accessories, provision of waste treatment technologies and services which specializes in technology development, design, system integration, project investment, consultancy, operation and maintenance of waste treatment facilities, especially waste-to-energy projects. 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 2010 are set out in the consolidated statement of comprehensive income on pages 35 to 36 of this annual report.

Reserves

The Company did not have distributable reserves as at 31 December 2010.

Movements in reserves of the Group during the year are set out in the consolidated statement of changes in equity on pages 39 to 40 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 160 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.

Share Capital

Details of the movements in the share capital of the Company during the year are set out in note 45 to the consolidated financial statements.

Convertible Bonds, Convertible Notes and Promissory Notes

A summary of the principal terms of the convertible bonds, convertible notes and the promissory notes are respectively set out in note 43, note 40 and note 41 to the consolidated financial statements.

Placing of New Shares and Convertible Bonds

One 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.

On 26 August 2010, Simple Success Investment Limited and Best View Enterprises Limited, the shareholders and connected persons of the Company entered into a subscription agreement with the Company in respect of the subscription of 72,000,000 and 76,400,000 new shares of the Company at the price of HK$0.537 per share respectively, upon the completion of placing of their shares in aggregate of 148,400,000 shares via the placing agent, Fortune (HK) Securities Limited, to independent parties, at a price of HK$0.537 per share. The placing and subscription was completed on 27 August 2010 and 8 September 2010 respectively.

On 1 December 2010, 24 February 2011 and 29 March 2011, the Company and the placing agent, Fortune (HK) Securities Limited entered into a placing agreement, a supplemental placing agreement and a second supplemental placing agreement in respect of the placement of a maximum number of 202,022,000 new shares of the Company at the price of HK$0.40 per share on a best-effort basis. On 29 March 2011, the Company and a subscriber, Beijing Capital (Hong Kong) Limited entered into a subscription agreement for subscription of 202,022,000 new shares of the Company at the price of HK$0.40 per share. The number of the subscription shares is based on the number of the placing shares. The placement and the subscription have not yet completed as at date of this annual report.

Other Discloseable Transaction

On 9 July 2010, the Group entered into an agreement to increase its stake through capital injection of up to RMB78.90 million (subject to necessary governmental approvals) in an associated company, namely 上海百瑪士綠色能源有限公司, which is the owner and the prospective operator of the Shanghai Putuo plant, which will be a waste treatment and electricity generation plant. Upon completion of the capital injection, the equity interest held by the Group in 上海百瑪士綠色能源有限公司 will be increased from 33.80% to the range between 50.12% to 63.00%. The capital injection has not yet completed as at date of this annual report.

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. Marcello Appella
Mr. Chan Tak Yan
Mr. Ng Cheuk Fan, Keith *(appointed on 16 August 2010)*
Ms. Yu Sau Lai *(appointed on 16 August 2010)*

Non-executive Directors

Mr. Ho Gilbert Chi Hang *(appointed on 6 January 2010 and resigned on 24 September 2010)*
Mr. Mok Chung Kwan, Stephen *(appointed on 6 January 2010 and resigned on 21 October 2010)*
Mr. Lim Jui Kian *(appointed on 14 April 2010)*

Alternate Non-executive Director

Mr. Cai Qiao Herman *(alternate Director to Mr. Lim Jui Kian, appointed on 20 September 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)*

In accordance with articles 86 and 87 of the Articles of Association of the Company, Mr. Ngok Yan Yu, Mr. Ng Cheuk Fan, Keith, Ms. Yu Sau Lai, Mr. Lo Ming Chi, Charles and Mr. Kwan Hung Sang, Francis 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.

Biographical Details of Directors and Senior Management

The biographical details of the Directors and senior management are set out on pages 8 to 11 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.

The alternative non-executive Director has been appointed by one of the non-executive Director, Mr. Lim Jui Kian and will continue thereafter until terminated by Mr. Lim Jui Kian or upon the termination of Mr. Lim Jui Kian's appointment with the Company.

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. for the sourcing of "Sergio Tacchini" products. Sergio Tacchini International S.p.A. is a company indirectly jointly owned by Mr. Ngok Yan Yu, a Director and the Chairman of the Company, and his associate(s) and hence a connected person of the Company under Chapter 14A of the Listing Rules.

On 8 June 2010, the Group entered into an agreement with the purchaser, Bloom Origin Limited which is beneficially and wholly owned by Mr. Ngok Yan Yu, a Director and the Chairman of the Company in relation to the disposal of the entire issued share capital of Full Charm Holdings Limited, a wholly owned subsidiary of the Company at an aggregate consideration of HK$450 million. The transaction constitutes a very substantial disposal and connected transaction of the Company and was disclosed in the Company's announcement and circular dated respectively 16 July 2010 and 24 September 2010. This transaction was completed on 30 November 2010.

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 2010, 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 2010, 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 *(Note 1)*	76,344,205 (L)	7.55%
Mr. Marcello Appella	Interest of a controlled corporation *(Note 2)*	3,588,030 (L)	0.36%

(L) denotes a long position

Notes:

1. *These Shares represent 76,344,205 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. As such, Mr. Ngok Yan Yu was deemed or taken to be interested in the Shares held by Charm Hero 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.*

Share options of the Company

The interests of the Directors in the share options of the Company as at 31 December 2010 and the movements of the outstanding share options during the year are set out as follows:

	Number of share options								
	Balance as at 1 January 2010	Reclassified during the year	Granted during the year	Exercised during the year	Lapsed during the year	Balance as at 31 December 2010	Exercisable period	Exercise price	Approximate Percentage of issued share capital of the Company
Name of Directors									
Mr. Ngok Yan Yu	302,298 *(Note 1)*	–	–	–	(302,298)	–	09/10/2007–08/10/2010	HK$4.8727	
	503,829 *(Note 4)*	–	–	–	–	503,829	18/08/2008–17/08/2018	HK$1.5581	
	806,127	–	–	–	–	503,829			0.05%
Mr. Marcello Appella	251,915 *(Note 1)*	–	–	–	(251,915)	–	09/10/2007–08/10/2010	HK$4.8727	
	201,532 *(Note 4)*	–	–	–	–	201,532	18/08/2008–17/08/2018	HK$1.5581	
	453,447	–	–	–	–	201,532			0.02%
Ms. Tang Chui Yi, Janny (resigned as director on 28 December 2009, and remains as an employee)	403,063 *(Note 1)*	(403,063)	–	–	–	–	09/10/2007–08/10/2010	HK$4.8727	
	253,829 *(Note 4)*	(253,829)	–	–	–	–	18/08/2008–17/08/2018	HK$1.5581	
	656,892	(656,892)	–	–	–	–	–		–
Mr. Lam Hon Keung, Keith (resigned on 28 December 2009)	201,532 *(Note 1)*	–	–	–	(201,532)	–	09/10/2007–08/10/2010	HK$4.8727	
	100,766 *(Note 4)*	–	–	(50,000)	(50,766)	–	18/08/2008–17/08/2018	HK$1.5581	
	302,298	–	–	(50,000)	(252,298)	–	–		–
Mr. Wong Ming Yeung (resigned as director on 28 December 2009, and remains as an employee)	302,298 *(Note 1)*	(302,298)	–	–	–	–	09/10/2007–08/10/2010	HK$4.8727	
	50,766 *(Note 4)*	(50,766)	–	–	–	–	18/08/2008–17/08/2018	HK$1.5581	
	353,064	(353,064)	–	–	–	–	–		–
Employees In aggregate	705,360 *(Note 2)*	–	–	–	(705,360)	–	07/05/2007–06/05/2010	HK$2.878	
	– *(Note 1)*	705,361	–	–	(705,361)	–	09/10/2007–08/10/2010	HK$4.8727	
	453,448 *(Note 3)*	–	–	–	(453,448)	–	09/10/2007–08/10/2010	HK$4.8727	
	– *(Note 4)*	304,595	–	–	–	304,595	18/08/2008–17/08/2018	HK$1.5581	
	2,386,186 *(Note 5)*	–	–	(2,256,039)	(121,298)	8,849	11/11/2008–10/11/2018	HK$0.3592	
	– *(Note 6)*	–	14,300,000	(250,000)	–	14,050,000	06/09/2010–05/09/2015	HK$0.501	
	3,544,994	1,009,956	14,300,000	(2,506,039)	(1,985,467)	14,363,444			1.42%

Directors' Report (continued)

Notes:

1. *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.*

2. *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.*

3. *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.*

4. *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.*

5. *These 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 have vested on 11 November 2010 and be exercisable from 11 November 2010 to 10 November 2018.*

6. *These share options were granted on 6 September 2010 and have vested on 6 September 2010 and be exercisable from 6 September 2010 to 6 September 2015.*

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

Save as disclosed above, as at 31 December 2010, 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.

Interests and Short Positions of Substantial Shareholders in Shares and Underlying Shares of the Company

As at 31 December 2010, 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/ underlying shares held	Approximate percentage of shareholdings
Charm Hero	Beneficial owner	76,344,205 (L)	7.55%
Mensun	Interest of a controlled corporation *(Note 1)*	76,344,205 (L)	7.55%
Simple Success Investments Limited	Beneficial owner *(Note 2)*	412,338,983 (L)	40.80%
New World Strategic Investment Limited	Interest of a controlled corporation *(Note 2)*	412,338,983 (L)	40.80%
New World Development Company Limited	Interest of a controlled corporation *(Note 2)*	412,338,983 (L)	40.80%
Chow Tai Fook Enterprises Limited	Interest of a controlled corporation *(Note 2)*	412,338,983 (L)	40.80%
Centennial Success Limited	Interest of a controlled corporation *(Note 2)*	412,338,983 (L)	40.80%
Cheng Yu Tung Family (Holdings) Limited	Interest of a controlled corporation *(Note 2)*	412,338,983 (L)	40.80%
Best View Enterprises Limited	Beneficial owner and person having security interest *(Note 3)*	152,744,205 (L)	15.12%
Chow Tai Fook Nominee Limited	Interest of a controlled corporation *(Note 3)*	152,744,205 (L)	15.12%
Mr. Cheng Yu Tung	Interest of a controlled corporation *(Note 3)*	152,744,205 (L)	15.12%
Waste Resources Fund L.P.	Beneficial owner *(Note 4)*	71,741,000 (L)	7.10%
Zesiger Capital Group LLC	Investment manager	150,140,000 (L)	14.86%

(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 72,000,000 Shares held by Simple Success Investments Limited and 340,338,983 Shares which may be issuable upon conversion of all the outstanding amount of the 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. Cheng Yu Tung Family (Holdings) Limited has 51% interest in Centennial Success Limited which has 100% interest in Chow Tai Fook Enterprises Limited, which in turn has more than one-third of the issued shares of New World Development Company Limited. As such, Cheng Yu Tung Family (Holdings) Limited, Centennial Success Limited, Chow Tai Fook Enterprises Limited, New World Development Company Limited, New World Strategic Investment Limited were deemed to have interest in the said Shares and underlying Shares held by Simple Success Investments Limited for the purposes of the SFO.*

3. *These Shares represent 76,400,000 Shares held by Best View Enterprises Limited and 76,344,205 Shares in which Best View Enterprises Limited has security interest. Best View Enterprises Limited is wholly owned by Chow Tai Fook Nominee Limited, which is in turn controlled by Mr. Cheng Yu Tung. As such, Chow Tai Fook Nominee Limited and Mr. Cheng Yu Tung were deemed to have interest in the said Shares and underlying Shares held by Best View Enterprises Limited for the purpose of the SFO.*

4. *The Shares represent 9,341,000 Shares held by Waste Resources Fund L.P. and 62,400,000 Shares which may be issuable upon conversion of all the outstanding convertible bonds held by Waste Resources Fund L.P..*

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 2010 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.

Sourcing Agreement

On 14 November 2008, Hembly Garment Manufacturing Limited, a wholly owned subsidiary of the Company entered into sourcing agreement (the "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 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.

As at 31 December 2010, 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 a Director and 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 2010, 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$79,627,000.

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 associates) had approved the 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 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.

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 32.6% of the Group's total sales for the year and sales to the Group's largest customer included therein accounted for 11.2%.

Sergio Tacchini International S.p.A. was one of the Group's five largest customers of which Mr. Ngok Yan Yu, a Director and 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 6.0% 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.

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 12 to 19 of this annual report.

Auditors

The consolidated financial statements for the year ended 31 December 2010 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, 31 March 2011

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
(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 35 to 159, which comprise the consolidated statement of financial position as at 31 December 2010, 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 information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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 about whether the consolidated financial statements are free from material misstatement.

Independent Auditor's Report (continued)

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 of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2010, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

31 March 2011

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2010

	NOTES	2010 HK$'000	2009 HK$'000 (restated)
Continuing operations			
Revenue	7	**195,233**	117,598
Cost of sales		**(283,080)**	(54,027)
Gross (loss) profit		**(87,847)**	63,571
Other income, gains and losses	9	**(86,015)**	(25,934)
Gain on fair value change of embedded derivatives	43	**23,896**	—
Administrative expenses		**(139,041)**	(17,931)
Distribution and selling costs		**(2,808)**	(8,175)
Gain (loss) on disposal of subsidiaries	47	**38,627**	(30,884)
Impairment loss on goodwill	21	**(415,913)**	(645,060)
Impairment loss on property, plant and equipment	18	**—**	(1,903)
Share of results of an associate	28	**1,675**	—
Finance costs	10	**(81,165)**	(17,915)
Loss before tax	11	**(748,591)**	(684,231)
Income tax credit (expense)	12	**11,601**	(934)
Loss for the year from continuing operations		**(736,990)**	(685,165)
Discontinued operations			
Loss for the year from discontinued operations	13	**(44,006)**	(293,021)
Loss for the year		**(780,996)**	(978,186)
Other comprehensive income (expense)			
Exchange differences on translation			
Exchange difference arising during the year		**69,113**	(10,641)
Exchange difference arising from an associate during the year		**2,079**	—
Reclassification adjustment upon disposal of a jointly controlled entity		**—**	(647)
Reclassification adjustment upon disposal of subsidiaries		**(52,138)**	(15,685)
Available-for-sale investments			
Fair value gain on available-for-sale investments		**—**	72
Reclassification adjustment on disposal of available-for-sale investments		**—**	(367)
Other comprehensive income (expense) for the year (net of tax)		**19,054**	(27,268)
Total comprehensive expense for the year		**(761,942)**	(1,005,454)

Consolidated Statement of Comprehensive Income (continued)
For the year ended 31 December 2010

	NOTE	2010 HK$'000	2009 HK$'000 (restated)
(Loss) profit for the year attributable to:			
Owners of the Company		**(742,303)**	(978,257)
Non-controlling interests		**(38,693)**	71
		(780,996)	(978,186)
Total comprehensive (expense) income attributable to:			
Owners of the Company		**(724,667)**	(1,005,655)
Non-controlling interests		**(37,275)**	201
		(761,942)	(1,005,454)
Loss per share	*17*		
From continuing and discontinued operations			
Basic		**HK(85.51) cents**	HK(225.98) cents
Diluted		**HK(85.51) cents**	HK(225.98) cents
From continuing operations			
Basic		**HK(80.44) cents**	HK(158.29) cents
Diluted		**HK(80.44) cents**	HK(158.29) cents

Consolidated Statement of Financial Position

At 31 December 2010

	NOTES	2010 HK$'000	2009 HK$'000
Non-current assets			
Property, plant and equipment	18	**32,610**	196,148
Intangible assets	19	**5,254**	6,722
Goodwill	20	**—**	423,280
Prepaid lease payments	22	**2,262**	65,898
Amounts due from grantors for contract work	24	**155,404**	137,134
Amount due from a related company	32	**60,238**	—
Available-for-sale investments	25	**44,152**	34,700
Financial assets at fair value through profit or loss	26	**—**	6,404
Advance payment for acquisition of an associate	27	**—**	74,254
Interest in an associate	28	**78,775**	—
Deposits paid for construction of infrastructure in service concession arrangements	29	**152,890**	107,068
		531,585	1,051,608
Current assets			
Inventories	30	**27,225**	206,670
Trade receivables	31(a)	**105,188**	171,693
Deposits, prepayments and other receivables	31(b)	**76,319**	118,795
Deferred consideration receivable		**—**	58,264
Prepaid lease payments	22	**50**	1,528
Amounts due from related companies	32	**58,466**	87,898
Amounts due from jointly controlled entities	33	**—**	11,634
Amount due from a former jointly controlled entity	33	**—**	405
Amount due from an associate	34	**2,948**	—
Tax recoverable		**—**	682
Available-for-sale investments	25	**—**	511
Pledged bank deposits	36	**3,538**	6,666
Bank deposits with original maturity of more than three months	36	**—**	96,536
Bank balances and cash	36	**34,280**	125,303
		308,014	886,585
Current liabilities			
Trade payables	37(a)	**30,297**	85,011
Other payables and accruals	37(b)	**129,720**	151,740
Amounts due to related companies	35	**—**	265,569
Amounts due to joint venturers of jointly controlled entities	33	**—**	10,582
Amounts due to jointly controlled entities	33	**—**	27,084
Taxation payable		**17,560**	41,578
Obligations under finance leases — due within one year	38	**593**	777
Borrowings — due within one year	39	**67,689**	124,343
Bank overdrafts	39	**2**	2,425
		245,861	709,109
Net current assets		**62,153**	177,476
Total assets less current liabilities		**593,738**	1,229,084

Consolidated Statement of Financial Position (continued)
At 31 December 2010

	NOTES	2010 HK$'000	2009 HK$'000
Non-current liabilities			
Obligations under finance leases — due after one year	38	**61**	576
Borrowings — due after one year	39	**—**	181,554
Convertible notes	40	**251,730**	294,796
Convertible bonds	43	**133,867**	—
Embedded derivatives	43	**11,701**	—
Promissory notes	41	**96,757**	191,533
Deferred consideration payable	42	**461**	461
Deferred tax liabilities	44	**27,682**	53,667
		522,259	722,587
		71,479	506,497
Capital and reserves			
Share capital	45	**101,053**	65,830
Reserves		**(32,906)**	399,962
Equity attributable to owners of the Company		**68,147**	465,792
Non-controlling interests		**3,332**	40,705
		71,479	506,497

The consolidated financial statements on pages 35 to 159 were approved and authorised for issue by the board of directors on 31 March 2011 and are signed on its behalf by:

DIRECTOR *DIRECTOR*

Consolidated Statement of Changes in Equity

For the year ended 31 December 2010

	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$'000	Non-controlling interests HK$'000 *(Note d)*	Total HK$'000
At 1 January 2009	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	–	–	–	–	–	–	–	–	–	–	–	–	–	37,867	37,867
Disposal of subsidiaries	–	–	–	–	–	–	–	–	–	(1,118)	–	1,118	–	11,513	11,513
Issue of shares	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	(752,201)	465,792	40,705	506,497
Loss for the year	–	–	–	–	–	–	–	–	–	–	–	(742,303)	(742,303)	(38,693)	(780,996)
Exchange differences arising on translation of foreign operations	–	–	–	–	67,695	–	–	–	–	–	–	–	67,695	1,418	69,113
Exchange differences arising from an associate on translation of foreign operations	–	–	–	–	2,079	–	–	–	–	–	–	–	2,079	–	2,079
Released on disposal of subsidiaries	–	–	–	–	(52,138)	–	–	–	–	–	–	–	(52,138)	–	(52,138)
Total comprehensive expense for the year	–	–	–	–	17,636	–	–	–	–	–	–	(742,303)	(724,667)	(37,275)	(761,942)
Exercise of share options	256	758	–	–	–	–	–	–	–	–	–	–	1,014	–	1,014
Transfer to share premium upon exercise of share options	–	367	–	–	–	(367)	–	–	–	–	–	–	–	–	–
Recognition of equity-settled share based payments	–	–	–	–	–	2,321	–	–	–	–	–	–	2,321	–	2,321
Disposal of subsidiaries	–	–	(2,015)	(18,843)	–	(457)	(375)	–	–	–	–	21,690	–	(98)	(98)
Issue of shares *(Note 45(f))*	23,414	226,204	–	–	–	–	–	–	–	–	–	–	249,618	–	249,618
Share issuance expenses	–	(11,460)	–	–	–	–	–	–	–	–	–	–	(11,460)	–	(11,460)
Issue of shares upon conversion of convertible notes	11,553	203,445	–	–	–	–	–	–	–	–	(139,924)	–	75,074	–	75,074
Deferred tax transferred upon conversion of convertible notes	–	–	–	–	–	–	–	–	–	–	10,455	–	10,455	–	10,455
Lapse of share options	–	–	–	–	–	(3,058)	–	–	–	–	–	3,058	–	–	–
At 31 December 2010	101,053	953,917	–	–	61,747	2,083	29,677	–	–	–	389,426	(1,469,756)	68,147	3,332	71,479

Consolidated Statement of Changes in Equity (continued)
For the year ended 31 December 2010

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 non-controlling 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 last year. At the date of disposal, accumulated losses applicable to the non-controlling shareholder in excess of its share capital amounted to HK$11,895,000.*

Consolidated Statement of Cash Flows

For the year ended 31 December 2010

	NOTES	2010 HK$'000	2009 HK$'000
OPERATING ACTIVITIES			
Loss for the year		**(780,996)**	(978,186)
Adjustments for:			
Income tax (credit) expense		**(8,776)**	371
Depreciation of property, plant and equipment		**16,926**	21,492
Amortisation of prepaid lease payments		**1,417**	1,588
Loss (profit) on construction under service concession arrangement		**34,355**	(2,631)
Share-based payment expense		**2,321**	4,726
Finance costs		**93,814**	46,647
Interest income		**(10,406)**	(3,664)
Loss on disposal of a jointly controlled entity	*48*	**—**	2,242
(Gain) loss on disposal of subsidiaries	*47*	**(38,627)**	33,664
Gain on disposal of a business	*47*	**—**	(7,787)
(Reversal of) impairment loss recognised in respect of trade receivables		**(5,251)**	24,491
Impairment loss recognised in respect of other receivables		**85,404**	9,174
(Reversal of) allowance for inventories		**(35,037)**	46,089
Share of results of an associate		**(1,675)**	—
Gain on disposal of available-for-sale investments		**—**	(367)
Change in fair value of financial assets at fair value through profit and loss		**165**	(436)
Change in fair value of embedded derivatives		**(23,896)**	—
Loss on disposal of property, plant and equipment		**947**	2,324
Amortisation of intangible assets		**1,468**	1,030
Impairment loss on goodwill		**415,913**	645,060
Impairment loss on property, plant and equipment		**38,562**	85,628
Reversal of profit recognised in prior years in relation to service concession arrangements		**29,528**	—
Provision for penalty charges in relation to construction of waste-to-energy plant		**36,610**	20,681
Gain on bargain purchase of a subsidiary	*46*	**(2,020)**	—
Gain on change in fair value of conversion option derivative liability		**—**	(1,452)
Net unrealised exchange loss		**39,981**	—
Operating cash flows before movements in working capital		**(109,273)**	(49,316)
Decrease (increase) in inventories		**199,124**	(79,179)
(Increase) decrease in trade receivables		**(372,904)**	215,552
Increase in deposits, prepayments and other receivables		**(152,307)**	(116,395)
Decrease in amounts due from jointly controlled entities		**11,634**	2,374
Decrease in amount due from a former jointly controlled entity		**405**	—
Increase in amounts due from related companies		**(57,705)**	(50,209)
Decrease in trade payables		**(44,361)**	(64,586)
Increase in other payables and accruals		**125,539**	19,184
(Decrease) increase in amounts due to related companies		**(14,880)**	9,518
Decrease in amounts due to joint venturers of jointly controlled entities		**(10,582)**	—
(Decrease) increase in amount due to a jointly controlled entity		**(27,084)**	7,056
Cash used in operations		**(452,394)**	(106,001)
Hong Kong Profits Tax refund (paid)		**411**	(28)
Tax paid for other jurisdictions		**(1,907)**	(4,898)
NET CASH USED IN OPERATING ACTIVITIES		**(453,890)**	(110,927)

Consolidated Statement of Cash Flows (continued)
For the year ended 31 December 2010

	NOTES	2010 HK$'000	2009 HK$'000
INVESTING ACTIVITIES			
Payments to contractors for construction of infrastructure in service concession arrangement		**(96,765)**	(40,498)
Purchase of property, plant and equipment		**(48,349)**	(4,762)
Increase in amount due from a related company	32	**(36,333)**	—
Disposal of subsidiaries	47	**(15,775)**	16,744
Increase in amount due from an associate		**(2,948)**	—
Decrease in bank deposits with original maturity of more than three months		**96,536**	121,855
Decrease in deferred consideration receivable		**58,264**	—
Proceeds on disposal of financial assets at fair value through profit or loss		**6,239**	—
Acquisition of subsidiaries	46	**5,928**	4,425
Interest received		**4,442**	2,018
Decrease in pledged bank deposits		**3,128**	38,462
Proceeds on disposal of property, plant and equipment		**547**	49
Advance payment for acquisition of an associate		**—**	(62,890)
Disposal of jointly controlled entities	48	**—**	(3,483)
Purchase of available-for-sale investments		**—**	(511)
Proceeds on disposal of available-for-sale investments		**—**	3,668
Earnest money received from a related company	35	**—**	250,000
NET CASH (USED IN) FROM INVESTING ACTIVITIES		**(25,086)**	325,077
FINANCING ACTIVITIES			
Repayment of borrowings		**(545,231)**	(973,604)
Interest paid		**(23,864)**	(30,982)
Share issuance expenses		**(11,460)**	(4,818)
Repayment of obligations under finance leases		**(782)**	(729)
New borrowings raised		**561,148**	716,306
Proceeds from issue of ordinary shares		**250,632**	175,840
Issue of convertible bonds		**156,000**	—
Proceeds from issue of warrants		**—**	1,650
Warrant issuance expenses		**—**	(831)
NET CASH FROM (USED IN) FINANCING ACTIVITIES		**386,443**	(117,168)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(92,533)**	96,982
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**3,933**	(483)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**122,878**	26,379
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**34,278**	122,878
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Bank balances and cash		**34,280**	125,303
Bank overdrafts		**(2)**	(2,425)
		34,278	122,878

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

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 trading of apparel and accessories, waste treatment and waste-to-energy business. The Group was also engaged in the manufacture of apparel and accessories which was discontinued in current year (see Note 13).

The Group has commenced its waste treatment and waste-to-energy business in the PRC after the acquisition of a subsidiary on 11 December 2009. As a result of these changes, the directors of the Company considered that the Company's primary economic environment is the PRC. With effect from January 2010, the directors of the Company have determined that the functional currency of the Company has been changed from Hong Kong dollar to Renminbi.

In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity and going concern of the Group in light of the fact that the Group's loss of approximately HK$780,996,000 for the year ended 31 December 2010. The directors of the Company are satisfied that the Group will have sufficient financial resources to meet its financial obligations as they fall due for the foreseeable future, after taking into consideration the placing arrangement for approximately to HK$80,800,000 (see Note 58). In addition, the Group entered into a supplemental agreement with the lender in March, 2011 for the extension of the fixed-rate borrowing of HK$50,000,000 that is originally due in June, 2011 for at least nine months. Accordingly, the consolidated financial statements for the year ended 31 December 2010 have been prepared on a going concern basis.

For users' convenience of the consolidated financial statements, because the Company is a listed company in Hong Kong, the results and financial position of the Group are presented in Hong Kong dollar, i.e. the presentation currency for the consolidated financial statements.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs")

New and revised Standards and Interpretations applied in the current year

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

HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (as revised in 2008)	Business Combinations
HKAS 27 (as revised in 2008)	Consolidated and Separate Financial Statements
HKAS 39 (Amendments)	Eligible Hedged Items
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009, except for the amendments to paragraph 58 of HKFRS 5 and paragraph 80 of HKAS 39
HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners
HK-Int 5	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The application of the new and revised Standards and Interpretations in the current year has had no material effect on the consolidated financial statements of the Group.

New and revised Standards and Interpretations issued but not yet effective

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

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010[1]
HKFRS 7 (Amendments)	Disclosures — Transfers of Financial Assets[3]
HKFRS 9	Financial Instruments[4]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[5]
HKAS 24 (Revised)	Related Party Disclosures[6]
HKAS 32 (Amendments)	Classification of Rights Issues[7]
HK (IFRIC)-Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement[6]
HK (IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments[2]

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") *(Continued)*

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

[1] Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate.

[2] Effective for annual periods beginning on or after 1 July 2010.

[3] Effective for annual periods beginning on or after 1 July 2011.

[4] Effective for annual periods beginning on or after 1 January 2013.

[5] Effective for annual periods beginning on or after 1 January 2012.

[6] Effective for annual periods beginning on or after 1 January 2011.

[7] Effective for annual periods beginning on or after 1 February 2010.

HKFRS 9 *Financial Instruments* (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 *Financial Instruments* (as revised in November 2010) adds requirements for financial liabilities and for derecognition. Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

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

The directors anticipated that HKFRS 9 will be adopted in Group's consolidated financial statements for financial year ending 31 December 2013 and that the application of HKFRS 9 may have a significant impact on the Group's financial assets, in particular, available-for-sale investments.

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 in accordance with Hong Kong Financial Reporting Standards 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 of Hong Kong Limited and by the Hong Kong Companies Ordinance.

3. Significant Accounting Policies *(Continued)*

The consolidated financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

The principal accounting policies are set out below.

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 and 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.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Prior to 1 January 2010, losses applicable to the non-controlling interests in excess of the non-controlling interests in the subsidiary's equity were allocated against the interests of the Group except to the extent that the non-controlling interests had a binding obligation and were able to make an additional investment to cover the losses.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries on or after 1 January 2010

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

3. Significant Accounting Policies *(Continued)*

Basis of consolidation *(Continued)*

Changes in the Group's ownership interests in existing subsidiaries (Continued)

Changes in the Group's ownership interests in existing subsidiaries on or after 1 January 2010 *(Continued)*

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill) and liabilities of the subsidiary and any non-controlling interests. Where certain assets of the subsidiary are measured at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

Changes in the Group's ownership interests in existing subsidiaries prior to 1 January 2010

Increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised where appropriate. For decreases in interests in subsidiaries, regardless of whether the disposals would result in the Group losing control over the subsidiaries, the difference between the consideration received and the adjustment to the non-controlling interests was recognised in profit or loss.

Business combinations that took place on or after 1 January 2010

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

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

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

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

3. Significant Accounting Policies *(Continued)*

Basis of consolidation *(Continued)*

Changes in the Group's ownership interests in existing subsidiaries (Continued)

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

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

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

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

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

Business combinations that took place prior to 1 January 2010

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

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

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2010

3. Significant Accounting Policies *(Continued)*

Basis of consolidation *(Continued)*

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

Business combinations that took place prior to 1 January 2010 *(Continued)*

The non-controlling interest in the acquiree was initially measured at the non-controlling interest's proportionate share of the recognised amounts of the assets, liabilities and contingent liabilities of the acquiree.

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

Business combinations achieved in stages were accounted for as separate steps. Goodwill was determined at each step. Any additional acquisition did not affect the previously recognised goodwill.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less any accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently whenever there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

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

3. Significant Accounting Policies *(Continued)*

Investments in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

From 1 January 2010 onwards, upon disposal of an associate that results in the Group losing significant influence over that associate, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with HKAS 39. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses significant influence over that associate.

3. Significant Accounting Policies *(Continued)*

Investments in associates *(Continued)*

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group' consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

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. 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 its jointly controlled entity, profits or losses resulting from the transactions with the jointly controlled entity are recognised in the Group's consolidated financial statements only to the extent of the Group's interest in the jointly controlled entity that are not related to the Group.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services 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.

Sourcing income are recognised when services are rendered.

Consultancy fee income are recognised when services are rendered.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income from a financial asset 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 to that 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, if any, are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment other than properties under construction less their residual values, over their estimated useful lives, using the straight-line method, at the following rates per annum:

Leasehold land and buildings	Shorter of useful life of 50 years and 25 years, respectively or the lease terms
Leasehold improvement	Shorter of useful life of 5 years or the lease terms
Plant and machinery	9% to 20%
Furniture, fixtures and equipment	10% to 20%
Motor vehicles	10% to 20%

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy.

3. Significant Accounting Policies *(Continued)*

Property, plant and equipment *(Continued)*

Such properties are classified to the appropriate categories 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 retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

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 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 lease term.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

3. Significant Accounting Policies *(Continued)*

Leasing *(Continued)*

The Group as lessee (Continued)

Leasehold land and building *(Continued)*

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is released over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease.

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. Deferred tax assets are generally recognised for all temporary differences 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.

3. Significant Accounting Policies *(Continued)*

Taxation *(Continued)*

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, 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. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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 each individual group entity, 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. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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).

3. Significant Accounting Policies *(Continued)*

Foreign currencies *(Continued)*

From 1 January 2010 onwards, on the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss. In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For other partial disposals (i.e. partial disposals of associates that do not result in the Group losing significant influence), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

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.

Financial instruments

Financial assets and financial liabilities are recognised in 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").

3. Significant Accounting Policies *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

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.

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.

3. Significant Accounting Policies *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Effective interest method *(Continued)*

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 related companies, a former jointly controlled entity, jointly controlled entities and an associate, 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 impairment loss 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).

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).

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.

3. Significant Accounting Policies *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets *(Continued)*

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; or
- the disappearance for an active market for that financial asset because of financial difficulties.

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 related companies, jointly controlled entities, a former jointly controlled entity and an associate, 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 related companies, jointly controlled entities and a former jointly controlled entity and an associate, are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

3. Significant Accounting Policies *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets *(Continued)*

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.

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 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.

3. Significant Accounting Policies *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity (Continued)

Convertible bonds

Convertible bonds issued by the Company contain conversion option exercisable at the discretion of the holder and early redemption options. 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 treated as a conversion option derivative. Conversion option derivative and early redemption options are treated as embedded derivatives and are remeasured to fair value at each reporting date, with the resulting fair value gains or losses recognised in profit or loss.

At the date of issue, both the liability and embedded derivatives components are recognised at fair value using discounted cash flow and Binominal Option Pricing Model, respectively.

In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and embedded derivatives in proportion to their relative fair values at initial recognition. Transaction costs relating to the embedded derivatives are 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 bonds using the effective interest method.

Convertible notes

Convertible notes issued by the Company 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 assets 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).

3. Significant Accounting Policies *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity (Continued)

Convertible notes *(Continued)*

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.

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.

Other financial liabilities

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

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 in its entirety, 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.

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 recognised separately from goodwill are recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets with finite useful lives are carried at costs less subsequent 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, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

3. Significant Accounting Policies *(Continued)*

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.

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

Revenue recognition on construction service under service concession arrangements

The Group uses the stage of completion method to account for its revenue and costs relating to the construction service under service concession arrangements where the outcome of a construction contract can be estimated reliably. 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.

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 2010, the carrying amount of trade receivables is approximately HK$105,188,000 (2009: HK$171,693,000).

Estimated impairment of deposits, prepayments and other 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 2010, the carrying amount of deposits, prepayments and ther receivables is approximately HK$76,319,000 (2009: HK$118,795,000).

4. Critical Accounting Judgements and Key Source of Estimation Uncertainty *(Continued)*

Key sources of estimation uncertainty *(Continued)*

Estimated impairment of amounts due from related companies

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 2010, the carrying amount of amounts due from related companies is approximately HK$118,704,000 (2009: HK$87,898,000).

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 2010, goodwill is fully impaired (2009: HK$423,280,000). Impairment loss on goodwill of approximately HK$415,913,000 (2009: HK$645,060,000) was recognised in consolidated statement of comprehensive income during the year ended 31 December 2010. Details of the recoverable amount calculation are disclosed in Note 21.

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 2010, the carrying amount of property, plant and equipment is approximately HK$32,610,000 (2009: HK$196,148,000). Impairment loss on property, plant and equipment of approximately HK$38,562,000 (2009: HK$85,628,000) was recognised in consolidated statement of comprehensive income during the year ended 31 December 2010.

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, borrowings, convertible notes, promissory notes and convertible bonds disclosed in Notes 38, 39, 40, 41 and 43, 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

	2010 HK$'000	2009 HK$'000
Financial assets		
FVTPL	—	6,404
Loans and receivables		
(including cash and cash equivalents)	**425,862**	701,256
Available-for-sale investments	**44,152**	35,211
Financial liabilities		
Amortised cost	**641,124**	1,243,877
Embedded derivatives	**11,701**	—

6. Financial Instruments *(Continued)*

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, an associate and related companies, trade payables, other payables, promissory notes, convertible notes, deferred consideration payable, convertible bonds, embedded derivatives, obligations under finance leases, borrowings and bank overdrafts. 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.

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 Hong Kong Dollars ("HK$"), United States Dollars ("USD") and Euro ("EUR"), which expose the Group to foreign currency risk. Approximately 15% (2009: 49%) of the sales of the Group are denominated in currencies other than functional currencies of the group entity making the sale, whilst almost 14% (2009: 57%) costs are denominated in currencies other than the group entity's functional currencies.

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:

	2010	2009
	HK$'000	HK$'000
Assets		
HKD	**11,838**	189,231
EUR	**194**	30,596
USD	**58,632**	128,216
Liabilities		
HKD	**642,480**	196,473
EUR	**4,698**	10,824
USD	**9,789**	28,489

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 HK$, USD and EUR against RMB, which is the functional currency of respective group entities.

The following table details the Group's sensitivity to a 7% (2009: 7%) increase and decrease in HK$, USD and EUR against RMB. 7% (2009: 7%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 7% (2009: 7%) change in foreign currency rates. A positive number below indicates an increase in loss of the Group where HK$, USD and EUR strengthen 7% (2009: 7%) against RMB. For a 7% (2009: 7%) weakening of HK$, USD and EUR against RMB, there would be an equal and opposite impact on the loss or profit of the Group, and the balances below would be negative.

	HK$		USD		EUR	
	2010 HK$'000	2009 HK$'000	**2010 HK$'000**	2009 HK$'000	**2010 HK$'000**	2009 HK$'000
Increase (decrease) in loss *(i)*	**44,145**	507	**(3,419)**	(6,981)	**315**	(1,384)

(i) This is mainly attributable to the exposure to outstanding HK$, USD 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 borrowings, convertible notes, promissory notes and convertible bonds (see Notes 36, 39, 40, 41 and 43 for details of these borrowings). The Group currently does not enter into any hedging instruments for fair value interest rate risk.

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 RMB Benchmark Loan Rate (2009: Hong Kong Inter-Bank Offered Rate) arising from the Group's RMB, 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 arising from the Group's variable-rate borrowings at the end of the reporting period. For these variable-rate 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 2010, 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$88,000 (2009: HK$587,000).

Other price risk

The Group is exposed to equity price risk through its unlisted available-for-sale investment, as disclosed in Note 25. 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.

Credit risk

As at 31 December 2010, 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.

6. Financial Instruments *(Continued)*

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

Credit risk (Continued)

The Group has been largely dependent on a small number of customers for a substantial portion of its business. The largest 5 customers accounted for a total of 99.9% (2009: 78%) of the Group's trade receivables as at 31 December 2010. 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.

The Group's concentration of credit risk by geographical locations is mainly in Asia and Europe, which accounted for 99% and 1%, respectively, (2009: 82% and 18%, respectively) of the total trade receivables as at 31 December 2010.

The Group has concentration of credit risk in amounts due from grantors for contract work of approximately HK$155,404,000 (2009: HK$137,134,000) as at 31 December 2010 representing guaranteed waste treatment fee to be received from grantors in service concession arrangements of waste-to-energy plants. The Group considers the risk is satisfactory as the grantors are government authorities with high reputation.

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$118,704,000 as at 31 December 2010 (2009: HK$87,898,000). The Group considers the risk is satisfactory as there is continuing trade and settlement with the related companies.

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 borrowings and ensures compliance with loan covenant.

6. Financial Instruments *(Continued)*

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

Liquidity risk (Continued)

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 the 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
2010								
Trade and other payables	–	–	–	89,964	–	–	89,964	89,964
Convertible notes *(Note)*	13.699%	–	–	–	–	417,600	417,600	251,730
Promissory notes	13.222%	–	–	–	80,500	55,000	135,500	96,757
Convertible bonds *(Note)*	15.849%	–	–	–	–	156,000	156,000	145,568
Deferred consideration payable	13.699%	–	–	–	–	461	461	461
Obligations under finance leases	3.2%	–	191	419	61	–	671	654
Borrowings								
– Fixed rate	9%	–	–	52,232	–	–	52,232	50,000
– Variable rate	7.56%	–	17,802	–	–	–	17,802	17,689
Bank overdrafts	6%	–	2	–	–	–	2	2
		–	17,995	142,615	80,561	629,061	870,232	652,825

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
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	7.0%	10,582	–	–	–	–	10,582	10,582
Convertible notes *(Note)*	13.699%	–	–	–	–	556,040	556,040	294,796
Promissory notes	13.506%	–	–	–	–	335,500	335,500	191,533
Deferred consideration payable	13.699%	–	–	–	–	461	461	461
Obligations under finance leases	3.2%	–	210	631	599	–	1,440	1,353
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	6.0%	–	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 bonds and convertible notes based on the contractual terms on the assumption that there is no conversion prior to maturity date.

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.

6. Financial Instruments *(Continued)*

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 embedded derivatives is measured using the binominal model.

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.

	2010		2009	
	Carrying amount HK$'000	Fair value HK$'000	Carrying amount HK$'000	Fair value HK$'000
Financial liabilities				
Liability component of convertible bonds	**133,867**	**150,317**	—	—
Liability component of convertible notes	**251,730**	**268,973**	294,796	297,024
Promissory notes	**96,757**	**100,679**	191,533	198,725

The discount rate used for the fair value calculation of the convertible bonds, convertible notes and promissory notes are as follow:

	31 December 2010	31 December 2009
Convertible bonds	**12.73%**	N/A
Convertible notes	**11.79%**	12.73%
Promissory notes	**11.39%–11.79%**	11.93%–12.73%

6. Financial Instruments *(Continued)*

6c. Fair value *(Continued)*

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 liability, 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).

	2010			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Convertible bonds				
Embedded derivatives	**—**	**—**	**11,701**	**11,701**

	2009			
	Level 1	Level 2	Level 3	Total
	HK$'000	HK$'000	HK$'000	HK$'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 both years.

6. Financial Instruments *(Continued)*

6c. Fair value *(Continued)*

Reconciliation of Level 3 fair value measurements

	Embedded derivatives HK$'000
Issue of convertible bonds	35,597
Gain on fair value change recognised in profit or loss	(23,896)
At 31 December 2010	11,701

All of the fair value gain relates to embedded derivatives held at the end of the reporting period.

7. Revenue

An analysis of the Group's revenue for the year from continuing operations is as follows:

	2010 HK$'000	2009 HK$'000
Continuing operations		
Trading of apparel and accessories	143,601	106,198
Provision of construction service under service concession arrangements	34,507	11,400
Sales of waste-to-energy machines	17,125	—
	195,233	117,598

8. Segment Information

The Group's operations are organised based on two business activities: trading of apparel and accessories and waste treatment and waste-to-energy business. Similarly, the Group's operating and reportable segments reported to the chief operating decision maker (i.e. the Board of Directors of the Company) for the purposes of resource allocation and performance assessments are determined based on the two business activities. These two reportable and operating segments are described as follow:

(a) Trading 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 as well as sales of waste-to-energy machines.

The Group was involved in the manufacture of apparel and accessories, and distribution and retailing of apparel and footwear in prior years. Those operations were discontinued during the year ended 31 December 2010 and 31 December 2009 respectively. The segment information does not include any amounts for these discontinued operations, which are described in more detail in Note 13.

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2010

8. Segment Information *(Continued)*

Segment revenues and results

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

For the year ended 31 December 2010

Continuing operations

	Trading of apparel and accessories HK$'000	Waste treatment and waste-to-energy business HK$'000	Total HK$'000
SEGMENT REVENUE			
External sales	143,601	51,632	195,233
RESULT			
Segment loss	(46,313)	(627,996)	(674,309)
Unallocated income			1,604
Unallocated expense			(57,244)
Gain on disposal of subsidiaries			38,627
Gain on fair value change of embedded derivatives			23,896
Finance costs			(81,165)
Loss before tax (continuing operations)			(748,591)

8. Segment Information *(Continued)*

Segment revenues and results *(Continued)*

For the year ended 31 December 2009

Continuing operations

	Trading 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	106,198	11,400	—	117,598
Inter-segment sales *(note)*	108,768	—	(108,768)	—
Total	214,966	11,400	(108,768)	117,598
RESULT				
Segment profit (loss)	20,300	(648,092)		(627,792)
Unallocated income				1,744
Unallocated expense				(9,383)
Loss on disposal of subsidiaries				(30,884)
Finance costs				(17,916)
Loss before tax (continuing operations)				(684,231)

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 described in 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 subsidiaries, gain on change in fair value of embedded derivatives, 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:

As at 31 December 2010

Continuing operations

	Trading of apparel and accessories HK$'000	Waste treatment and waste-to-energy business HK$'000	Total HK$'000
ASSETS			
Segment assets	188,262	609,883	798,145
Pledged bank deposits			3,538
Bank balances and cash			34,280
Other unallocated assets			3,636
Consolidated assets			839,599
LIABILITIES			
Segment liabilities	14,738	135,276	150,014
Borrowings			67,689
Convertible notes			251,730
Promissory notes			96,757
Convertible bonds			133,867
Embedded derivatives			11,701
Deferred consideration payable			461
Obligations under finance leases			654
Taxation payable			17,560
Deferred tax liabilities			27,682
Other unallocated liabilities			10,005
Consolidated liabilities			768,120

8. Segment Information *(Continued)*

Segment assets and liabilities *(Continued)*

As at 31 December 2009

Continuing operations

	Trading of apparel and accessories HK$'000	Waste treatment and waste-to-energy business HK$'000	Total HK$'000
ASSETS			
Segment assets	185,648	877,644	1,063,292
Financial assets at FVTPL			6,404
Pledged bank deposits			6,666
Bank deposit with original maturity of more than three months			96,536
Bank balances and cash			125,303
Other unallocated assets			1,653
Consolidated assets			1,299,854
LIABILITIES			
Segment liabilities	22,814	171,193	194,007
Amounts due to related companies			250,000
Borrowings			305,897
Convertible notes			294,796
Promissory notes			191,533
Deferred consideration payable			461
Obligations under finance leases			1,353
Taxation payable			41,578
Deferred tax liabilities			53,667
Other unallocated liabilities			13,298
Consolidated liabilities			1,346,590

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2010

8. Segment Information *(Continued)*

Segment assets and liabilities *(Continued)*

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

- all assets are allocated to reportable segments other than available-for-sale investments in unlisted funds, financial assets at FVTPL, 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, borrowings, bank overdrafts, obligations under finance leases, convertible bonds, embedded derivatives, convertible notes, promissory notes, deferred consideration payable and liabilities for which reportable segments are jointly liable.

Other segment information

For the year ended 31 December 2010

Continuing operations

	Trading of apparel and accessories HK$'000	Waste treatment and waste-to-energy business HK$'000	Total HK$'000
Capital additions *(note)*	487	2,031	2,518
Amortisation of prepaid lease payments	—	49	49
Amortisation of intangible assets	—	1,468	1,468
Reversal of profit recognised in prior years in relation to service concession arrangements	—	29,528	29,528
Provision for expected losses in relation to service concession arrangements	—	34,355	34,355
Depreciation of property, plant and equipment	2,171	3,826	5,997
Impairment loss on goodwill	—	415,913	415,913
Loss on disposal of property, plant and equipment	—	620	620
Bad debt recovered	—	(8,765)	(8,765)
Impairment loss on trade receivables	347	1,033	1,380
Compensation for delay in performing a contract	—	11,494	11,494
Impairment loss on deposits, prepayments and other receivables	26,778	26,411	53,189

8. Segment Information *(Continued)*

Other segment information *(Continued)*

For the year ended 31 December 2009

Continuing operations

	Trading of apparel and accessories HK$'000	Waste treatment and waste-to-energy business HK$'000	Total HK$'000
Capital additions *(note)*	182	1,110,338	1,110,520
Amortisation of prepaid lease payments	—	3	3
Amortisation of intangible assets	—	126	126
Depreciation of property, plant and equipment	2,758	452	3,210
Impairment loss on property, plant and equipment	1,903	—	1,903
Impairment loss on trade receivables	9,146	—	9,146
Impairment loss on deposits, prepayments and other receivables	1,174	—	1,174
Impairment loss on goodwill	—	645,060	645,060
Loss on disposal of property, plant and equipment	196	3	199

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	
	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000
Continuing operations				
Europe				
Italy	57,084	39,864	—	—
Other European countries	6,375	44,018	—	—
The PRC (country of domicile)	131,774	12,695	269,143	645,915
Hong Kong	—	7,824	2,648	4,324
Others	—	13,197	—	—
	195,233	117,598	271,791	650,239

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 2010, revenue from a customer contributing over 10% of the total sales of the Group amounted to approximately HK$34,507,000 (2009: HK$45,022,000) and is attributable to the waste treatment and waste-to-energy business (2009: the sales of apparel and accessories segment).

9. Other Income, Gains and Losses

	2010 HK$'000	2009 HK$'000
Continuing operations		
Bank interest income	1,454	57
Interest income on amounts due from grantors for contract work	5,964	568
Total interest income	7,418	625
(Loss) gain on change in fair value of financial assets at FVTPL	(165)	436
Gain on disposal of available-for-sale investments	—	367
Management fee income from jointly controlled entities	—	720
Royalty fee income	—	41
Gain on sale of raw materials	—	2,156
Sundry income	640	722
Bad debt recovered	8,765	—
Impairment loss recognised in respect of trade receivables *(Note 31a)*	(1,380)	(9,146)
Compensation for delay in performing a contract *(Note 52)*	(11,494)	—
Provision for penalty charges in relation to construction of waste-to-energy plant *(Note 24)*	(36,610)	(20,681)
Impairment loss recognised in respect of deposits, prepayments and other receivables *(Note 31b)*	(53,189)	(1,174)
	(86,015)	(25,934)

10. Finance Costs

	2010 HK$'000	2009 HK$'000
Continuing operations		
Interest on:		
Borrowings and overdrafts wholly repayable within five years	11,166	12,531
Promissory notes	24,478	1,387
Convertible notes	32,008	2,570
Convertible bonds	13,464	—
Obligations under finance leases	49	—
Amounts due to joint venturers of jointly controlled entities	—	1,427
	81,165	17,915

11. Loss Before Tax

	2010 HK$'000	2009 HK$'000
Loss before tax has been arrived at after charging:		
Continuing operations		
Auditors' remuneration	**3,480**	1,444
Cost of inventories recognised as an expense	**130,589**	5,375
Contract cost recognised for waste treatment business	**69,938**	8,769
Amortisation of intangible assets	**1,468**	126
Depreciation of property, plant and equipment	**5,997**	3,210
Amortisation of prepaid lease payments	**49**	3
Impairment loss recognised in respect of trade receivables	**1,380**	9,146
Impairment loss on property, plant and equipment	**—**	1,903
Reversal of profit recognised in prior years in relation to service concession arrangements (included in cost of sales) *(Note 24)*	**29,528**	—
Loss on disposal of property, plant and equipment	**620**	199
Provision for expected losses in relation to service concession arrangements (included in cost of sales) *(Note 24)*	**34,355**	—
Net exchange loss	**42,257**	1,437
Staff costs		
— directors' remuneration *(Note 14)*	**4,685**	2,924
— other staff costs	**22,205**	15,825
— share-based payments excluding directors	**2,177**	3,864
— retirement benefit scheme contribution excluding directors	**3,533**	1,234
	32,600	23,847

12. Income Tax (Credit) Expense

	2010 HK$'000	2009 HK$'000
Continuing operations		
Current tax:		
Hong Kong	–	–
Other jurisdictions	2,599	–
	2,599	–
Underprovision in prior years:		
Hong Kong	–	1
Other jurisdictions	–	–
	–	1
Deferred tax:		
Current year	(14,200)	933
	(11,601)	934

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, 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.

12. Income Tax (Credit) Expense *(Continued)*

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

	2010 HK$'000	2009 HK$'000
Loss before tax (from continuing operations)	**(748,591)**	(684,231)
Tax at the domestic income tax rate of 25%	**(187,148)**	(171,058)
Tax effect of expenses not deductible for tax purpose	**168,369**	169,162
Tax effect of income not taxable for tax purpose	**(20,885)**	(2,767)
Tax effect of tax losses not recognised	**27,805**	10,085
Tax effect of other deductible temporary differences not recognised	**258**	763
Utilisation of tax losses previously not recognised	**—**	(5,252)
Underprovision in prior years	**—**	1
Tax (credit) expense for the year (from continuing operations)	**(11,601)**	934

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 Operations

Pursuant to a memorandum of understanding (the "Memorandum") signed on 24 December 2009, the Company has granted Bloom Origin Limited ("Bloom Origin"), a company wholly owned by Mr. Ngok Yan Yu, a director and a substantial shareholder of the Company, 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 million.

13. Discontinued Operations *(Continued)*

On 8 June 2010, the Company entered into a formal sale and purchase agreement ("the Agreement") with Full Prosper and Bloom Origin with reference to the Memorandum, pursuant to which Bloom Origin has conditionally agreed to acquire and Full Prosper has conditionally agreed to sell, the entire issued share capital of Full Charm Holdings Limited ("Full Charm"), a wholly-owned subsidiary of Full Prosper, for the consideration of HK$450 million. The consideration will be satisfied by HK$250 million earnest money received by the Company during the year ended 31 December 2009 (see Note 35) and the cancellation of the HK$200 million promissory note payable to Bright King Investments Limited ("Bright King") as detailed in Note 41. Bright King is beneficially owned by Mr. Ngok Yan Yu, a director and substantial shareholder of the Company.

Full Charm was incorporated in the British Virgin Islands with limited liability on 12 April 2010. As detailed in the Company's announcement dated 16 July 2010, the Group has undertaken a group reorganisation ("the Reorganisation") to transfer most of the subsidiaries held by Full Prosper to Full Charm so that upon completion of the Reorganisation, Full Charm and its subsidiaries are principally engaged in investment holdings and manufacturing of apparel and accessories.

The transaction constituted a very substantial disposal of the Company under the Rules Governing the Listing Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules") and was approved by the independent shareholders at an extraordinary general meeting by way of poll. The Reorganisation and disposal were completed on 23 November 2010 and 30 November 2010, respectively, as detailed in Note 47, and subsequently, the Group remained to carry on the trading of apparel and accessories business. The manufacture of apparels and accessories operation is treated as a 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 47).

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2010

13. Discontinued Operations *(Continued)*

The loss for the year from the discontinued operations described above are analysed as follows:

	2010 HK$'000	2009 HK$'000
Revenue	**518,496**	705,095
Cost of sales	**(439,622)**	(696,865)
Gross profit	**78,874**	8,230
Other income, gains and losses	**(12,920)**	(17,819)
Gain from bargain purchase of a subsidiary *(Note 46)*	**2,020**	—
Gain on fair value of conversion option derivative liability	**—**	1,452
Loss on disposal of a jointly controlled entity	**—**	(2,242)
Distribution and selling expenses	**(38,814)**	(70,927)
Administrative expenses	**(19,130)**	(104,828)
Impairment loss on property, plant and equipment	**(38,562)**	(83,725)
Finance costs	**(12,649)**	(28,732)
Loss before tax	**(41,181)**	(298,591)
Income tax (expense) credit	**(2,825)**	563
	(44,006)	(298,028)
Loss on disposal of a subsidiary	**—**	(2,780)
Gain on disposal of a business	**—**	7,787
Loss for the year from discontinued operations	**(44,006)**	(293,021)

13. Discontinued Operations *(Continued)*

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

	2010 HK$'000	2009 HK$'000
Interest on borrowings and overdrafts	**12,219**	18,358
Effective interest expense on convertible redeemable preference shares	**—**	10,281
Obligations under finance leases	**—**	93
Interest on loans from joint venturers of jointly controlled entities	**430**	—
Total interest expense	**12,649**	28,732
Bank interest income	**(2,988)**	(1,961)
Interest income from a jointly controlled entity	**—**	(1,078)
Total interest income	**(2,988)**	(3,039)
Staff costs		
—directors' remuneration *(Note 14)*	**—**	6,429
—other staff costs	**17,894**	41,965
—retirement benefit scheme contribution excluding directors	**1,665**	6,859
	19,559	55,253
Auditor's remuneration		
—current year	**17**	307
—overprovision in prior year	**(74)**	—
Cost of inventories recognised as an expense	**439,622**	696,865
Depreciation of property, plant and equipment	**10,929**	18,282
Amortisation of intangible assets	**—**	904
Amortisation of prepaid lease payments	**1,368**	1,585
(Reversal of) allowance for inventories	**(35,037)**	46,089
(Reversal of) impairment loss recognised on trade receivables	**(6,631)**	15,345
Impairment loss recognised on other receivables	**20,721**	8,000
Impairment loss recognised on property, plant and equipment	**38,562**	83,725
Loss on disposal of property, plant and equipment	**327**	2,125
Net exchange loss	**4,267**	954

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2010

13. Discontinued Operations *(Continued)*

Cash flows from discontinued operations

	2010 HK$'000	2009 HK$'000
Net cash (outflows) inflows from operating activities	(144,805)	41,158
Net cash inflows from investing activities	27,011	145,153
Net cash inflows (outflows) from financing activities	41,968	(137,504)
Effect of foreign exchange rate changes	4,460	(325)
Net cash (outflows) inflows	(71,366)	48,482

Segment revenues and results

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

For the year ended 31 December 2010

	Manufacture of apparel and accessories HK$'000	Elimination HK$'000	Total HK$'000
SEGMENT REVENUE			
External sales	518,496	—	518,496
Inter-segment sales *(note)*	255	(255)	—
Total	518,751	(255)	518,496
RESULT			
Segment loss	(33,604)		(33,604)

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

13. Discontinued Operations *(Continued)*

Segment revenues and results *(Continued)*

For the year ended 31 December 2009

	Manufacture of apparel and accessories HK$'000	Distribution and retailing of apparel and footwear HK$'000	Elimination HK$'000	Total HK$'000
SEGMENT REVENUE				
External sales	622,620	82,475	—	705,095
Inter-segment sales *(note)*	18,544	—	(18,544)	—
Total	641,164	82,475	(18,544)	705,095
RESULT				
Segment loss	(222,816)	(47,390)		(270,206)

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

Segment assets and liabilities

The following is an analysis of segment assets and liabilities of the manufacture of apparel and accessories segment and distribution and retailing of apparel and footwear segment as at 31 December 2009:

	2009 HK$'000
Segment assets	638,339
Segment liabilities	85,106

13. Discontinued Operations *(Continued)*

Other segment information

The following amounts are included in the measure of segment loss or segment assets of manufacture of apparel and accessories segments:

For the year ended 31 December 2010

	Total HK$'000
Capital additions *(note)*	**49,188**
Amortisation of prepaid lease payments	**1,368**
Reversal of allowance for inventories	**(35,037)**
Depreciation of property, plant and equipment	**10,929**
Loss on disposal of property, plant and equipment	**327**
Reversal of impairment loss on trade receivables	**(6,631)**
Impairment loss on other receivables	**20,721**
Impairment loss on property, plant and equipment	**38,562**

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

For the year ended 31 December 2009

Discontinued operations

	Manufacture of apparel and accessories HK$'000	Distribution and retailing of apparel and footwear HK$'000	Total HK$'000
Capital additions *(note)*	1,284	3,277	4,561
Amortisation of prepaid lease payments	1,416	169	1,585
Amortisation of intangible assets	—	904	904
Depreciation of property, plant and equipment	11,850	6,432	18,282
Loss on disposal of property, plant and equipment	337	1,788	2,125
Allowance for inventories	46,089	—	46,089
Impairment loss on trade receivables	15,345	—	15,345
Impairment loss on other receivables	8,000	—	8,000
Impairment loss on property, plant and equipment	77,826	5,899	83,725

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

13. Discontinued Operations *(Continued)*

Geographical information

The Group's operations of manufacture of apparel and accessories and 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
	2010	2009	2009
	HK$'000	HK$'000	HK$'000
Europe	**137,413**	336,900	—
The PRC	**381,083**	353,573	222,949
Hong Kong	**—**	4,367	134
Others	**—**	10,255	48
	518,496	705,095	223,131

14. Directors' Emoluments

	Ngok Yan Yu HK$'000	Tang Chui Yi, Janny HK$'000 *(note a)*	Wong Ming Yeung HK$'000 *(note a)*	Tang Wai Ha HK$'000 *(note b)*	Marcello Appella HK$'000	Antonio Piva HK$'000 *(note c)*	Chan Tak Yan HK$'000 *(note d)*	Lam Hon Keung, Keith HK$'000 *(note a)*	Je Kin Ming HK$'000 *(note e)*	Lo Ming Chi, Charles HK$'000	Pao Ping Wing HK$'000	Kwan Hung Sang, Francis HK$'000	Mok Chung Kwan, Stephen HK$'000 *(note f)*	Ho Chi Hang, Gilbert HK$'000 *(note g)*	Cheng Kai Tai, Allen HK$'000 *(note h)*	Lim Jui Kian HK$'000 *(note i)*	Ng Cheuk Fan, Keith HK$'000 *(note j)*	Yiu Sau Lai HK$'000 *(note j)*	Total 2010 HK$'000
2010																			
Fee	–	–	–	–	406	–	480	–	–	216	216	216	119	108	148	106	136	136	2,287
Other emoluments																			
Salaries and other benefits	2,220	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	2,220
Contribution to retirement benefit schemes	12	–	–	–	–	–	12	–	–	–	–	–	–	–	–	–	5	5	34
Share-based compensation	40	40	8	16	16	8	–	8	8	–	–	–	–	–	–	–	–	–	144
Total emoluments	2,272	40	8	16	422	8	492	8	8	216	216	216	119	108	148	106	141	141	4,685

	Ngok Yan Yu HK$'000	Tang Chui Yi, Janny HK$'000 *(note a)*	Wong Ming Yeung HK$'000 *(note a)*	Tang Wai Ha HK$'000 *(note b)*	Marcello Appella HK$'000	Antonio Piva HK$'000 *(note c)*	Chan Tak Yan HK$'000 *(note d)*	Lam Hon Keung, Keith HK$'000 *(note a)*	Je Kin Ming HK$'000 *(note e)*	Lo Ming Chi, Charles HK$'000	Pao Ping Wing HK$'000	Kwan Hung Sang, Francis HK$'000	Mok Chung Kwan, Stephen HK$'000	Ho Chi Hang, Gilbert HK$'000	Cheng Kai Tai, Allen HK$'000	Lim Jui Kian HK$'000	Ng Cheuk Fan, Keith HK$'000	Yiu Sau Lai HK$'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

14. Directors' Emoluments *(Continued)*

Notes:

(a) Resigned on 28 December 2009.

(b) Resigned on 18 February 2009.

(c) Resigned on 10 July 2009.

(d) Appointed on 15 July 2009.

(e) Retired on 16 June 2009.

(f) Appointed on 6 January 2010 and resigned on 21 October 2010.

(g) Appointed on 6 January 2010 and resigned on 24 September 2010.

(h) Appointed on 6 January 2010.

(i) Appointed on 14 April 2010.

(j) Appointed on 16 August 2010.

No director waived or agreed to waive any emoluments for the years ended 31 December 2010 and 2009. 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 2010, no 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, one (2009: three) was directors of the Company whose emoluments are included in Note 14. The emoluments of the remaining four individuals for the year ended 31 December 2010 (2009: two) are as follows:

	2010 HK$'000	2009 HK$'000
Salaries and other benefits	3,031	1,759
Retirement benefits scheme contributions	43	24
Share-based compensation	—	302
	3,074	2,085

Their emoluments are within the following bands:

	2010 Number of employees	2009 Number of employees
Nil to HK$1,000,000	3	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 2010 and 2009. 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

No dividend was paid or proposed during 2010, nor has any dividend been proposed since the end of the reporting period (2009: Nil).

17. Loss Per Share

For continuing and discontinued operations

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

Loss

	2010 HK$'000	2009 HK$'000
Loss for the year attributable to owners of the Company for the purposes of basic and diluted loss per share	**(742,303)**	(978,257)

Number of shares

	2010 '000 *(Note)*	2009 '000 *(Note)*
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**868,052**	432,892

Note:

The computation of diluted loss per share for the year ended 31 December 2010 does not assume the exercise of outstanding share options of the Company and the conversion of the outstanding convertible bonds and convertible notes of the Company since their assumed exercise would result in a decrease in loss per share.

The computation of diluted loss per share for the year ended 31 December 2009 did not assume the exercise of outstanding share options of the Company and 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.

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2010

17. Loss Per Share *(Continued)*

From continuing operations

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

Earnings figures are calculated as follows:

	2010 HK$'000	2009 HK$'000
Loss for the year attributable to owners of the Company	**(742,303)**	(978,257)
Add: Loss for the year from discontinued operations	**44,006**	293,021
Loss for the purposes of basic and diluted loss per share from continuing operations	**(698,297)**	(685,236)

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

From discontinued operations

Basic and diluted loss per share for the discontinued operations is HK5.07 cents per share (2009: HK67.69 cents per share), based on the loss for the year from the discontinued operations of approximately HK$44,006,000 (2009: HK$293,021,000) and the denominators detailed above for both basic and diluted loss per share.

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 2009	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
Exchange realignment	4,995	—	161	1,160	787	267	7,370
Additions	—	45,871	1,196	7	522	836	48,432
Acquired on acquisition of a subsidiary	—	—	—	2,668	577	29	3,274
Disposals	—	—	(190)	—	(167)	(2,548)	(2,905)
Disposal of subsidiaries	(173,724)	(106,892)	—	(26,908)	(23,792)	(6,146)	(337,462)
At 31 December 2010	26,736	—	7,792	1,467	9,907	5,714	51,616
DEPRECIATION AND IMPAIRMENT							
At 1 January 2009	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
Exchange realignment	990	—	79	109	284	381	1,843
Provided for the year	6,094	—	1,699	2,179	4,476	2,478	16,926
Eliminated on disposals	—	—	(72)	—	(65)	(1,274)	(1,411)
Eliminated on disposal of subsidiaries	(42,176)	(99,583)	—	(11,719)	(15,363)	(4,832)	(173,673)
Impairment loss recognised	—	38,562	—	—	—	—	38,562
At 31 December 2010	1,287	—	4,483	1,467	7,829	3,940	19,006
CARRYING VALUES							
At 31 December 2010	25,449	—	3,309	—	2,078	1,774	32,610
At 31 December 2009	159,086	—	3,848	13,642	13,483	6,089	196,148

18. Property, Plant and Equipment *(Continued)*

During the year ended 31 December 2010, the Company entered into the Agreement with Full Prosper and Bloom Origin to dispose of the entire issued share capital of Full Charm, which is engaged in its manufacture of apparel and accessories business as described in Note 13. The management of the Group considered that the entering into an agreement to dispose of the operation is an indicator of the impairment of the related property, plant and equipment of the Group. As a result, an impairment loss of HK$38,562,000 from discontinued operation is recognised on property, plant and equipment of the manufacture of apparel and accessories segment as the recoverable amount, measured at the fair value less costs to sell, was less than its carrying amount.

During the year ended 31 December 2009, management of the Group implemented business restructurings and closed down the production plant of a subsidiary in the PRC on the basis that the recoverable amount, measured at the higher of value in use and fair value less costs to sell, was below its carrying value by approximately HK$85,628,000. As a result, impairment losses from continuing operations and discontinued operation of HK$1,903,000 and HK$83,725,000 were recognised on property, plant and equipment, respectively.

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$745,000 (2009: HK$1,436,000) in respect of assets held under finance leases. Also, the carrying values of furniture, fixtures and equipment include an amount of approximately HK$76,000 (2009: HK$12,000) in respect of assets held under finance leases.

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19. Intangible Assets

	Franchise HK$'000	Trademarks HK$'000	Technology know-how HK$'000	Total HK$'000
COST				
At 1 January 2009	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 and 31 December 2010	—	—	6,848	6,848
AMORTISATION AND IMPAIRMENT				
At 1 January 2009	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
Provided for the year	—	—	1,468	1,468
At 31 December 2010	—	—	1,594	1,594
CARRYING AMOUNT				
At 31 December 2010	—	—	5,254	5,254
At 31 December 2009	—	—	6,722	6,722

19. 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

During the year ended 31 December 2009, the Group acquired technology know-how on acquisition of a subsidiary as detailed in Note 46 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.

20. Goodwill

	2010 HK$'000	2009 HK$'000
COST		
At 1 January	**1,068,340**	36,862
Arising on acquisition of a subsidiary	**—**	1,068,340
Exchange realignment	**11,523**	—
Disposal of a subsidiary	**(11,853)**	(36,862)
At 31 December	**1,068,010**	1,068,340
IMPAIRMENT		
At 1 January	**645,060**	36,862
Impairment loss recognised during the year	**415,913**	645,060
Exchange realignment	**7,037**	—
Eliminated on disposal of a subsidiary	**—**	(36,862)
At 31 December	**1,068,010**	645,060
CARRYING AMOUNTS		
At 31 December	**—**	423,280

Impairment loss of HK$415,913,000 (2009: HK$645,060,000) recognised during the year ended 31 December 2010 is detailed in Note 21.

21. Impairment Test on Goodwill

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 (as revised in 2008) *Business Combinations*, the basis of computing the fair value of purchase consideration of Smartview 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 the acquisition agreement by the contracting parties, which is subject to shareholders' approval at an extraordinary general meeting of the Company. 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.

In 2010, an additional impairment loss of HK$415,913,000 (2009: HK$223,640,000) comprising HK$229,947,000 (2009: HK$67,006,000) on incineration technology and HK$185,966,000 (2009: HK$156,634,000) on anaerobic digestion technology was recognised based on the value in use calculation as detailed below. Total impairment loss on goodwill of HK$415,913,000 (2009: HK$645,060,000) was recognised during the year ended 31 December 2010.

For the purposes of impairment testing, the remaining amount of goodwill 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 as follows:

	2010 HK$'000	2009 HK$'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 15.22% (2009: 14.48%) per annum. Cash flows arising from operation of waste treatment and waste-to-energy plants are budgeted over the respective concession period granted by the service concession agreements. Cash flows arising from provision of engineering and procurement of equipment services are budgeted over a 3-year period (2009: 2-year period), and cash flows beyond the 3-year period (2009: 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.

22. Prepaid Lease Payments

	2010 HK$'000	2009 HK$'000
The Group's prepaid lease payments comprise:		
Medium-term leasehold land in the PRC	**2,312**	67,426
Analysed for reporting purposes as:		
Current asset	**50**	1,528
Non-current asset	**2,262**	65,898
	2,312	67,426

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.

23. Interests in Jointly Controlled Entities

As at 31 December 2010 and 2009, the Group had interests in the following 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
			2010	2009	
M.T.T. Limited ("MTT") *(note 2)*	Hong Kong	Ordinary shares	–	50%	Investment holding
M.T.T. Yangzhou Garment Co. Limited *(note 1, 2)*	PRC	Registered capital	–	50%	Sourcing, and distribution of apparel and footwear

23. Interests in Jointly Controlled Entities *(Continued)*

Note 1: The entity is a wholly-owned subsidiary of MTT

Note 2: In April 2010, the Group acquired additional 50% shareholding of MTT and MTT became a wholly-owned subsidiary of the Company (Note 46). In November 2010, the Group disposed of its entire 100% shareholdings of MTT along with the disposal of Full Charm (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:

	2010 HK$'000	2009 HK$'000
Current assets	–	56,605
Non-current assets	–	3,423
Current liabilities	–	43,514
Non-current liabilities	–	15,967
Income	12,511	46,301
Expenses	(10,938)	(47,550)
Other comprehensive expense	–	(187)

24. 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 less foreseeable losses. Revenues and costs relating to the construction phase of the contract are accounted for in accordance with HKAS 11.

Several subsidiaries of the Group entered into service concession arrangements with certain government authorities in the PRC ("Grantors") in 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.

24. Amounts due from Grantors for Contract Work *(Continued)*

As at 31 December 2010 and 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	Practical processing per day: 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

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.

The Group recognised revenue from construction services of approximately HK$34,507,000 (2009: HK$11,400,000) by reference to the stage of completion of the construction work. Such construction revenue is recognised as construction services rendered by the Group. Due to delay of completion date of the construction of BJ Yiqing Biomax, no revenue from construction service of BJ Yiqing Biomax was recognised for the year ended 31 December 2010. An adjustment of HK$29,528,000 (2009: Nil) was recognised to take account of the effects of change in estimated future cash flow on the amount of attributable profits recognised in prior years. Provision for future loss and penalty charges of approximately HK$34,355,000 (2009: Nil) and HK$36,610,000 (2009: HK$20,681,000) were recognised for the year ended 31 December 2010 respectively.

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 specified level of serviceability at the end of the respective service concession periods. As at 31 December 2010, 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.

25. Available-for-sale Investments

	2010 HK$'000	2009 HK$'000
Unlisted securities		
—Funds in the PRC *(note a)*	—	511
—Equity securities in the PRC *(note b)*	34,700	34,700
—Deemed capital contribution for equity securities in the PRC *(Note 32(b))*	9,452	—
	44,152	35,211
Analysed for reporting purpose as:		
Non-current asset	44,152	34,700
Current asset	—	511
	44,152	35,211

Notes:

(a) As at 31 December 2009, the Funds represented an equity investment in an unlisted open-ended fund established in the PRC, which are measured at fair value at the end of the reporting period. The Funds have been disposed of during the year ended 31 December 2010 along with the disposal of Full Charm.

(b) 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 2010 and 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 acquired on acquisition of Smartview in prior year. 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 the right to appoint 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 2010 and 2009, the directors of the Company estimated that the present value of the future cash flows of SH Biomax GEP discounted at current market rate of return exceeds the carrying amount, hence no impairment loss is recognised for both periods.

26. Financial Assets at Fair Value Through Profit or Loss

	2010 HK$'000	2009 HK$'000
Reported under non-current assets:		
Equity linked note *(note a)*	–	2,828
Foreign currencies yield differential accrual perpetual index notes *(note b)*	–	3,576
	–	6,404

Notes:

(a) The notional amount of the investment is HK$3,042,000 (equivalent to USD390,000) 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$69,000 (2009: HK$97,000) arising from changes in fair value was recognised in the consolidated statement of comprehensive income. The investment was disposed of during the year ended 31 December 2010.

(b) The notional amount of the investments is HK$3,120,000 (equivalent to USD400,000) 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 loss of HK$234,000 (2009: gain of HK$339,000) arising from changes in fair value was recognised in the consolidated statement of comprehensive income. The investment was disposed of during the year ended 31 December 2010.

27. Advance Payment for Acquisition of an Associate

A subsidiary of Smartview had entered into a conditional sale and purchase agreement prior to the acquisition of Smartview 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 for 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 year ended 31 December 2009.

The acquisition was completed in April 2010 as the relevant registration procedures of shareholding was completed and SZ Yueneng becomes an associate of the Group as disclosed in Note 28.

28. Interest in an Associate

	2010 HK$'000	2009 HK$'000
Cost of investment in an associate — Unlisted	**75,021**	—
Share of post-acquisition profits	**1,675**	—
Share of other comprehensive income	**2,079**	—
	78,775	—

On 8 April 2010, the Group completed the acquisition of 46% equity interest in SZ Yueneng, a company established in the PRC, for a cash consideration of approximately RMB65,000,000 (equivalent to HK$75,021,000). SZ Yueneng operates a waste treatment and waste-to-energy plant in Shenzhen, the PRC on a BOT basis. The consideration was fully paid in prior years and presented as advance payment for acquisition of an associate as at 31 December 2009 as disclosed in Note 27 and reclassified to the cost of investment in an associate upon completion of the acquisition.

The summarised financial information in respect of the Group's unlisted associate is set out below:

	HK$'000
Total assets	423,615
Total liabilities	(252,365)
Net assets	171,250
The Group's share of net assets of associate	78,775
Revenue	67,931
Profit for the period	3,641
The Group's share of profit of associate for the period	1,675

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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 have not yet been delivered to the Group at the end of the reporting period, for the construction of waste treatment and waste-to-energy plants in the PRC by NC Biomax GE under service concession arrangements as detailed in Note 24.

30. Inventories

	2010 HK$'000	2009 HK$'000
Raw materials	**27,225**	102,667
Work in progress	**—**	5,914
Finished goods	**—**	98,089
	27,225	206,670

31. Trade Receivables and Deposits, Prepayments and Other Receivables

(a) Trade receivables

	2010 HK$'000	2009 HK$'000
Trade receivables	**110,546**	199,122
Less: allowance for doubtful debts	**(5,358)**	(27,429)
	105,188	171,693

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

31. Trade Receivables and Deposits, Prepayments and Other Receivables *(Continued)*

(a) Trade receivables *(Continued)*

The aged analysis of trade receivables (net of impairment) presented based on the invoice date at the end of reporting period is as follows:

	2010 HK$'000	2009 HK$'000
0–90 days	**105,188**	52,756
91–180 days	**—**	82,945
181–360 days	**—**	24,758
Over 360 days	**—**	11,234
	105,188	171,693

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$2,220,000 (2009: HK$118,908,000) 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

	2010 HK$'000	2009 HK$'000
Overdue by:		
1–90 days	**2,220**	81,814
91–180 days	**—**	25,860
181–360 days	**—**	—
Over 360 days	**—**	11,234
Total	**2,220**	118,908

31. Trade Receivables and Deposits, Prepayments and Other Receivables *(Continued)*

(a) Trade receivables *(Continued)*

Movement in the allowance for doubtful debts

	2010 HK$'000	2009 HK$'000
Balance at beginning of the year	**27,429**	4,585
Exchange realignment	**—**	(688)
Impairment losses recognised on receivables	**1,380**	24,491
Impairment losses reversed	**(6,631)**	—
Eliminated on disposal of a subsidiary	**(16,820)**	(959)
Balance at end of the year	**5,358**	27,429

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of approximately HK$5,358,000 (2009: HK$27,429,000) 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 waste treatment and waste-to-energy business and trading of apparels and accessories of approximately HK$64,578,000 (2009: HK$63,443,000), and value-added taxes receivable of approximately HK$2,485,000 (2009: HK$25,727,000). During the year ended 31 December 2010, full impairment loss on prepayments and other receivables of HK$53,189,000 was recognised in profit or loss due to aging of these receivables over 360 days (2009: HK$9,174,000).

32. Amounts due from Related Companies

	2010 HK$'000	2009 HK$'000
Trade receivables		
Sergio Tacchini International S.P.A. *(note a)*	**58,466**	54,553
SH Biomax GEP *(note b)*	**21,853**	25,270
	80,319	79,823
Other receivable		
SH Biomax GEP *(note b)*	**38,385**	8,075
Total	**118,704**	87,898
Analysed as		
Current	**58,466**	87,898
Non-current	**60,238**	—
	118,704	87,898

Notes:

(a) Mr. Ngok Yan Yu, a director and substantial shareholder of the Company, has controlling interests in this company.

(b) Mr. Ngok Yan Yu, a director and substantial shareholder of the Company, is a beneficial owner in this company. The trade receivable of SH Biomax GEP are past due over 1 year (2009: 1 year) but not impaired. Other receivable due from SH Biomax GEP is unsecured, interest free. In the opinion of the Directors, the receivables will not be repayable in the next 24 months from the end of the reporting period until the waste treatment plant of SH Biomax GEP commences its operation. These receivables are measured at amortised cost of HK$60,238,000. The imputed interest is recognised as deemed investment cost for the available-for-sale investments (see Note 25). During the year, Mr. Ngok Yan Yu disposed of this entire interest in SH Biomax GEP.

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.

32. Amounts due from Related Companies *(Continued)*

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

	2010 HK$'000	2009 HK$'000
0–90 days	**12,982**	51,403
91–180 days	**35,285**	3,150
181–360 days	**10,136**	—
Over 360 days	**21,916**	25,270
Total	**80,319**	79,823

Included in the Group's amounts due from related companies is aggregate carrying amount of approximately HK$64,083,000 (2009: HK$54,622,000) which is past due at 31 December 2010 for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and the amount is still considered recoverable. The Group does not hold any collateral over the balance.

Amounts due from related companies which is past due but not impaired

	2010 HK$'000	2009 HK$'000
Overdue by:		
1–90 days	**31,217**	27,798
91–180 days	**4,844**	1,554
181–360 days	**6,130**	—
Over 360 days	**21,892**	25,270
Total	**64,083**	54,622

33. Amounts due from (to) Jointly Controlled Entities/Amounts due to Joint Venturers of Jointly Controlled Entities/Amount due from a Former Jointly Controlled Entity

The amounts as at 31 December 2009 were 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 carried 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 ended 31 December 2009 was 7%.

34. Amount due from an Associate

The amount as at 31 December 2010 is unsecured, interest free and repayable on demand.

35. Amounts due to Related Companies

	2010 HK$'000	2009 HK$'000
Trade payables		
恒寶利(南京)科技實業有限公司 *(note a)*	–	15,569
Other payables		
Bloom Origin Limited *(note b)*	–	250,000
	–	265,569

Notes:

(a) 恒寶利(南京)科技實業有限公司 ("恒寶利(南京)") was a related company of the Company as at 31 December 2009 as Mr. Ngok Yan Yu, a director and shareholder of the Company, had controlling interest in 恒寶利(南京). During the year, Mr. Ngok Yan Yu disposed of its entire interest in 恒寶利(南京), which is no longer a related company of the Company as at 31 December 2010.

(b) Bloom Origin is a related company of the Company in which Mr. Ngok Yan Yu, a director and substantial shareholder of the Company, has controlling interest in Bloom Origin.

35. Amounts due to Related Companies *(Continued)*

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:

	2010 HK$'000	2009 HK$'000
0–90 days	–	6,328
Over 360 days	–	9,241
	–	15,569

The trade payables due to a related company as at 31 December 2009 was unsecured, interest-free with an average credit period of 90 days.

Other payables due to a related company as at 31 December 2009 represented earnest money received by the Company in relation to the disposal of Full Charm as detailed in Note 13.

The earnest money received is unsecured, interest-free and has been used for settlement of the consideration upon completion of the disposal of Full Charm on 30 November 2010 (Note 47).

36. 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% (2009: 1.98%) per annum for the year ended 31 December 2010. As at 31 December 2009, bank deposits with original maturity of more than three months but not exceeding twelve months carried interest at market rates which ranged from 0.02% to 1.98% per annum. The bank balances carried interest at market rates which ranged from 0.001% to 0.36% (2009: 0.001% to 0.01%) per annum.

The Group has bank balances and deposits of approximately HK$20,344,000 (2009: HK$208,538,000) where the remittance of these funds out of the PRC is subject to exchange restrictions imposed by the Government of the PRC.

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:

	2010 HK$'000	2009 HK$'000
0–90 days	**12,001**	32,452
91–180 days	**8,878**	17,697
181–360 days	**—**	22,939
Over 360 days	**9,418**	11,923
	30,297	85,011

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$2,239,000 (2009: HK$28,391,000), value-added taxes payable of approximately HK$Nil (2009: HK$36,637,000), accrued subcontracting fees of approximately HK$Nil (2009: HK$3,278,000), consideration payable for the acquisition of additional interest in a subsidiary of HK$Nil (2009: HK$4,500,000), provision for expected losses relating to service concession arrangement of approximately HK$34,355,000 (see Note 24) (2009: Nil) and provision for penalty charges of approximately HK$57,291,000 (see Note 24) (2009: HK$20,681,000) to the grantor arising from the delay of commencement of operation of a waste treatment and waste-to-energy plant pursuant to 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	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts payable under finance leases:				
Within one year	**616**	841	**593**	777
More than one year, but not exceeding two years	**61**	599	**61**	576
	677	1,440	**654**	1,353
Less: Future finance charges	**(23)**	(87)	**—**	—
Present value of lease obligations	**654**	1,353	**654**	1,353
Less: Amounts due for settlement within one year shown under current liabilities			**(593)**	(777)
Amounts due for settlement after one year			**61**	576

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 2010, the average effective borrowing rates were 3.2% (2009: 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. Borrowings

During the year, the Group obtained new bank loans of approximately HK$561,148,000 (2009: HK$716,306,000) which carry interest at rates ranging from 6.5% to 9% per annum (2009: 3% to 10% per annum) and are payable within one year from draw down date. The Group repaid approximately HK$545,231,000 (2009: HK$973,604,000) during the year. The proceeds were used to finance the operation of the Group.

	2010 HK$'000	2009 HK$'000
Borrowings	67,689	305,897
Bank overdrafts	2	2,425
	67,691	308,322
Analysed as:		
Secured	17,689	249,899
Unsecured	50,002	58,423
	67,691	308,322
Borrowings are repayable:		
Within one year	67,689	124,343
More than one year, but not exceeding two years	—	181,554
	67,689	305,897
Less: Amounts due within one year shown under current liabilities	(67,689)	(124,343)
Amounts due after one year shown under non-current liabilities	—	181,554

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39. Borrowings *(Continued)*

The Group's variable-rate borrowings amounted to approximately HK$17,689,000 (2009: HK$118,389,000) and the contractual maturity dates are as follows:

	2010 HK$'000	2009 HK$'000
Variable-rate borrowings		
Within one year	**17,689**	101,343
More than one year, but not exceeding two years	**—**	17,046
	17,689	118,389

The Group's variable-rate borrowings carry interest at 120% of 3-year RMB Benchmark Loan Rate (2009: Hong Kong Interbank Offered Rate).

The Group's fixed-rate borrowings amounted to approximately HK$50,000,000 (2009: HK$187,508,000) and the contractual maturity dates are as follows:

	2010 HK$'000	2009 HK$'000
Fixed-rate borrowings		
Within one year	**50,000**	23,000
More than one year, but not exceeding two years	**—**	164,508
	50,000	187,508

The Group's variable-rate borrowings of HK$ 17,689,000 are secured by the assets of the Group as disclosed in Note 50.

39. Borrowings *(Continued)*

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

	2010	2009
Effective interest rate		
Fixed-rate borrowings	**9%**	4.9% to 9.0%
Variable-rate borrowings	**6.5% to 7.6%**	3.0% to 7.6%

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

	2010 HK$'000	2009 HK$'000
HK$	**50,000**	—
USD	**—**	8,510
EUR	**—**	123

40. 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 in prior year. Simple Success is a substantial shareholder of the Company and Bright Good is an independent third party of the Group.

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 Notes, 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.

40. Convertible Notes *(Continued)*

The Convertible Notes bear zero interest and will 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.

The holders 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.

During the year ended 31 December 2010, the outstanding Bright Good Convertible Notes was transferred to Winner Performance Limited ("Winner Performance"), an independent third party.

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.

The conversion price for the Convertible Notes was adjusted successively to HK$1.19 per share on 13 April 2010 and HK$1.18 per share on 14 April 2010, upon completion of the placing of shares as detailed in Note 45.

During the year ended 31 December 2010, Convertible Notes with principal amounts of HK$126,440,000 and HK$12,000,000 were converted into 105,366,000 and 10,168,000 ordinary shares of the Company at the conversion price of HK$1.20 and HK$1.18 per share, respectively.

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.

40. 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. 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
Effective interest charged to profit or loss *(Note 10)*	32,008
Transfer to equity upon conversion	(75,074)
At 31 December 2010	251,730
Equity component	
At date of issue	683,286
Transfer to equity on 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
Transfer to equity on conversion	(139,924)
Deferred tax transferred upon conversion of convertible notes	10,455
At 31 December 2010	389,426

At 31 December 2010, Convertible Notes with principal amounts of HK$401,600,000 and HK$16,000,000 remained outstanding with Simple Success and Winner Performance, respectively (2009: HK$410,000,000 and HK$146,040,000 remained outstanding with Simple Success and Bright Good, respectively).

41. 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 46:

(a) a promissory note issued by the Company with a 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 ("Bright King Promissory Note"). 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.

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.

As detailed in Note 47, Bright King Subsidiary Promissory Note has been discharged upon the completion of disposal of Full Charm on 30 November 2010. 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
Effective interest charged to profit or loss *(Note 10)*	24,478
Discharged upon disposal of a subsidiary *(Note 47)*	(119,254)
At 31 December 2010	96,757

41. Promissory Notes *(Continued)*

The effective interest rate and the carrying amounts of the promissory notes as at 31 December 2010 and 2009 are as follows:

	Maturity date	Effective interest rate per annum	Carrying amount 2010 HK$'000	Carrying amount 2009 HK$'000
Bright Good Promissory Note	10 December 2012	12.895%	**63,603**	56,338
Bright King Promissory Note	10 December 2014	13.699%	**33,154**	29,160
Bright King Subsidiary Promissory Note	10 December 2014	13.699%	**—**	106,035
			96,757	191,533

42. Deferred Consideration Payable

The deferred contingent consideration in relation to the acquisition of Smartview as disclosed in Note 46 represents a performance based promissory note to be issued by the Company with a 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, non-controlling interest and extraordinary items of Smartview Group for the year ended 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, non-controlling interest and extraordinary items for the year ended 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.

42. Deferred Consideration Payable *(Continued)*

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 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 24 are not yet ready for operation up to the date of these consolidated financial statements were authorised for issue.

No further adjustment was made for deferred consideration payable as Smartview contributed a net loss to the Group during the year ended 31 December 2010.

43. Convertible Bonds/Embedded Derivatives

On 13 April 2010, the Company issued convertible bonds with the principal amount of HK$156,000,000 to Waste Resources G.P. Limited ("Waste Resources"), an independent third party ("Convertible Bonds").

The Convertible Bonds can be converted into ordinary shares of the Company at HK$2.50 per share or ordinary shares of Smartview, a wholly-owned subsidiary of the Company, at HK$271,000 per share, subject to anti-dilutive adjustments. Waste Resources has the right, from 30 days after the issue date of the Convertible Bonds up to and including the seventh business day immediately before the maturity date, 13 April 2015, to convert the whole or part of the outstanding principal amount of the Convertible Bonds into ordinary shares of the Company or Smartview at the option of the holder.

The Convertible Bonds bear zero interest and will mature on 13 April 2015, the date on which the Convertible Bonds shall be redeemed at an amount that will provide an internal rate of return of 10% per annum on the outstanding principal amount ("Redemption Amount") on the maturity date. The Company is entitled to, by giving not less than 30 but not more than 60 days' notice, redeem all of the outstanding Convertible Bonds at the Redemption Amount if at least 90 percent in principal amount of the Convertible Bonds have already been converted or redeemed.

Pursuant to the terms of the Convertible Bonds, Waste Resources may request redemption of the Convertible Bonds at the Redemption Amount on or before, 12 June 2013, the 60th day after the third anniversary of the date of issue, if the volume weighted average market price per share of the Company in a period of 30 consecutive trading days immediately before the third anniversary of the date of issue of the Convertible Bonds is less than the conversion price of the Company.

The Convertible Bonds contain two components for accounting purposes: liability component and embedded derivatives being conversion options derivatives. The effective interest rate of the liability component is 15.849% per annum. The conversion option derivative is measured at fair value with changes in fair value recognised in the consolidated statement of comprehensive income.

43. Convertible Bonds/Embedded Derivatives *(Continued)*

The movement of the liability component and embedded derivatives of the Convertible Bonds for the year is set out as below:

	Liability component HK$'000	Embedded derivatives HK$'000
At date of issue	120,403	35,597
Effective interest charged to profit or loss *(Note 10)*	13,464	—
Gain on fair value change of embedded derivatives	—	(23,896)
At 31 December 2010	133,867	11,701

The fair value of the liability component at the date of issue is calculated using discounted cash flow methodology.

The fair values of the embedded derivatives at the date of issue and at 31 December 2010 were determined by reference to a valuation conducted by a firm of independent valuers using Binomial Option Pricing Model. The inputs and methodology used for the calculation of the fair values of the embedded derivatives were as follows:

	13 April 2010	31 December 2010
Share price	HK$1.968	HK$0.73
Risk-free rate	1.968%	1.472%
Time to maturity	5 years	4.45 years
Dividend yield	0%	0%
Volatility	45.12%	45.74%

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44. 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	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 2009	(447)	–	(2,566)	–	1,073	(3,926)	(5,866)
Exchange realignment	(13)	–	32	1	–	(26)	(6)
Acquisition of a subsidiary	–	–	–	(7,862)	–	–	(7,862)
Charge to equity	–	(52,843)	–	–	–	–	(52,843)
Released upon conversion of convertible notes	–	9,738	–	–	–	–	9,738
Credit (charge) to profit or loss	185	–	–	(933)	(798)	1,552	6
Disposal of subsidiaries	38	–	2,534	–	(38)	632	3,166
At 31 December 2009	(237)	(43,105)	–	(8,794)	237	(1,768)	(53,667)
Exchange realignment	–	–	–	(438)	–	–	(438)
Acquisition of a subsidiary *(Note 46)*	–	–	–	–	–	(351)	(351)
Released upon conversion of convertible notes	–	10,455	–	–	–	–	10,455
Credit (charge) to profit or loss	21	5,281	–	8,919	(21)	(484)	13,716
Disposal of a subsidiary *(Note 47)*	–	–	–	–	–	2,603	2,603
At 31 December 2010	(216)	(27,369)	–	(313)	216	–	(27,682)

44. Deferred Taxation *(Continued)*

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:

	2010 HK$'000	2009 HK$'000
Deferred tax assets	—	—
Deferred tax liabilities	(27,682)	(53,667)
	(27,682)	(53,667)

The Group has unused tax losses of approximately HK$186,687,000 (2009: HK$184,398,000) available for offset against future profits. A deferred tax asset has been recognised in respect of tax losses of approximately HK$1,305,000 (2009: HK$1,434,000). No deferred tax asset has been recognised in respect of the remaining tax losses of HK$185,383,000 (2009: HK$182,685,000) due to the unpredictability of future profit streams of the relevant subsidiaries. During the year, unused unrecognised tax losses of approximately HK$167,325,000 were released upon disposal of subsidiaries.

At the end of the reporting period, the Group has deductible temporary differences of approximately HK$1,380,000 (2009: 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:

	2010 HK$'000	2009 HK$'000
2011	—	2,074
2012	—	1,969
2013	—	12,355
2014	1,596	109,058
2015	55,835	—
	57,431	125,456

All remaining tax losses may be carried forward indefinitely.

45. Share Capital

	Number of share	Amount HK$'000
Ordinary shares of HK$0.1 each		
Authorised:		
At 31 December 2009 and 31 December 2010	2,000,000,000	200,000
Issued and fully paid:		
At 1 January 2009	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
Issue of shares under placement	234,141,000	23,414
Exercise of share options	2,556,039	256
Conversion of convertible notes	115,534,000	11,553
At 31 December 2010	1,010,535,039	101,053

The following changes in the share capital of the Company took place during the years ended 31 December 2010 and 2009:

(a) 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.

(b) 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 2010 and 17 December 2010 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.

45. Share Capital *(Continued)*

(c) 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.

(d) 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.

(e) 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.

(f) During the year ended 31 December 2010, 9,341,000, 76,400,000 and 148,400,000 ordinary shares of the Company were issued under placings at an issue price of HK$1.67, HK$2.02 and HK$0.537 per share, respectively.

(g) During the year ended 31 December 2010, a total of 2,556,039 shares of the Company were issued upon the exercise of 50,000, 2,256,000 and 250,000 share options at an exercise price of HK$1.5581, HK$0.359 and HK$0.501 per share, respectively.

(h) During the year ended 31 December 2010, 105,366,000 and 10,169,000 ordinary shares of the Company were issued upon conversion of Convertible Notes at the conversion price of HK$1.20 and HK$1.18 per share, respectively.

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.

46. Acquisition of Subsidiaries

On 8 April 2010, the Group acquired additional 50% issued share capital of MTT, previously a jointly controlled entity of the Group which became a wholly owned subsidiary of the Group for a cash consideration of approximately HK$390,000. Before the further acquisition, the Group recognised its 50% equity interest in MTT as jointly controlled entity using proportionate consolidation. This acquisition of additional 50% equity interest has been accounted for using the acquisition method. The amount of gain from bargain purchase was approximately HK$2,020,000.

The net assets acquired in the transaction, and the gain from bargain purchase arising from acquisition of MTT, are as follows:

	Amount recognised at the date of acquisition HK$'000
Net assets acquired:	
Property, plant and equipment	6,548
Inventories	10,269
Trade receivables	14,779
Deposits, prepayments and other receivables	410
Bank balances and cash	12,636
Trade payables	(12,892)
Other payables and accruals	(3,295)
Tax payable	(214)
Amounts due to related companies	10,370
Borrowings	(33,088)
Deferred tax liabilities	(702)
	4,821
Gain from a bargain purchase	(2,020)
	2,801
Satisfied by:	
Cash	390
Fair value of previously held equity interest in acquiree	2,411
	2,801
Net cash inflow arising on acquisition:	
Cash consideration paid	(390)
Bank balances and cash acquired	6,318
	5,928

46. Acquisition of Subsidiaries *(Continued)*

MTT contributed HK$6,839,000 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 2010, total group revenue for the year would have been HK$738,691,000, and loss for the year ended 31 December 2010 would have been HK$777,689,000. 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 2010, nor is it intended to be a projection of future results.

On 1 November 2010, the Company entered into a formal sale and purchase agreement with STF (China) Limited ("STF"). Pursuant to the sale and purchase agreement, the Company acquire the entire equity interest in Henghua (Nanjing) Garment Co., Ltd. ("Henghua") for a total consideration of HK$25,000 (equivalent to approximately RMB21,000).

The net assets acquired in the transaction are as follows:

	Amount recognised at the date of acquisition HK$'000
Net assets acquired:	
Bank balances and cash	25
Net assets	25
Total consideration satisfied by cash	25
Net cash inflow arising on acquisition:	
Cash consideration paid	(25)
Bank balances and cash acquired	25
	–

Henghua contributed HK$9,683,000 to the Group's loss for the period between the date of acquisition and the end of the reporting period.

46. Acquisition of Subsidiaries *(Continued)*

If the acquisition had been completed on 1 January 2010, total group revenue for the year would have been HK$713,729,000, and loss for the year ended 31 December 2010 would have been HK780,996,000. 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 2010, nor is it intended to be a projection of future results.

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 for a total consideration of HK$1,155,540,000 (subject to adjustment) involving the issuance of convertible notes (Note 40), promissory notes (Note 41) and a performance-based promissory note being a deferred contingent consideration as described in Note 42. 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.

46. Acquisition of Subsidiaries *(Continued)*

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

	Amount recognised at the date of acquisition HK$'000
Net assets acquired:	
Intangible assets	6,848
Property, plant and equipment	32,852
Prepaid lease payments	2,279
Amounts due from grantors for contract work	125,166
Available-for-sale investment	34,700
Advance payment for acquisition of an associate	11,364
Deposits paid for construction of infrastructure in service concession arrangement	75,442
Trade receivables	7,973
Deposits, prepayments and other receivables	18,314
Amount due from a related company	28,023
Amount due from a director	10,293
Pledged bank deposits	3,409
Bank balances and cash	5,305
Trade payables	(18,741)
Other payables and accruals	(63,275)
Amounts due to related companies	(23,154)
Tax payable	(14,608)
Borrowings	(34,091)
Obligations under finance leases	(158)
Deferred tax liabilities	(7,862)
	200,079
Non-controlling interest	(37,867)
Goodwill	1,068,340
	1,230,552

46. Acquisition of Subsidiaries *(Continued)*

	Amount recognised at the date of acquisition HK$'000
Satisfied by:	
Convertible notes *(Note 40)*	1,039,065
Promissory notes *(Note 41)*	190,146
Deferred contingent consideration *(Note 42)*	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

Smartview contributed HK$4,279,000 to the Group's loss for the period between the date of acquisition and 31 December 2009.

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 potential waste treatment and waste-to-energy projects in the form of service concession arrangements under the negotiation with the relevant government authorities.

47. Disposal of Subsidiaries/Business

On 23 April 2010, the Group entered into a sale and purchase agreement to dispose of the Group's wholly-owned subsidiary, Shanghai Jinshan Biomax Green Energy Company Limited ("SH Jinshan"), which is principally engaged in the waste treatment and waste-to-energy business, to an independent third party, for a cash consideration of approximately HK$52,155,000 (equivalent to approximately RMB45,427,000). The transaction was completed on 1 June 2010.

On 2 June 2010, the Group entered into a sale and purchase agreement to dispose of the Company's non-wholly-owned subsidiary, Pro-Brilliance International Development Limited ("Pro-Brilliance"), which is principally engaged in the license management business of apparel and accessories, to an independent third party, for a cash consideration of HK$100. The transaction was completed on 2 June 2010.

On 8 June 2010, the Company and Full Prosper entered into a formal sale and purchase agreement with Bloom Origin to dispose of the entire issued share capital of Full Charm, a wholly-owned subsidiary of Full Prosper, for the consideration of HK$450 million. The consideration was satisfied by HK$250 million earnest money received by the Company and the cancellation of the HK$200 million promissory note payable to Bright King as detailed in Note 41(c). Bright King is beneficially owned by Mr. Ngok Yan Yu, a director and substantial shareholder of the Company. The transaction was approved by independent shareholders at an extraordinary general meeting and completed on 30 November 2010.

47. Disposal of Subsidiaries/Business *(Continued)*

The net assets of Full Charm, Pro-Brilliance and SH Jinshan at the date of disposal were as follows:

	Full Charm HK$'000	Pro-Brilliance HK$'000	SH Jinshan HK$'000	Total HK$'000
NET ASSETS DISPOSED OF				
Property, plant and equipment	163,231	—	558	163,789
Prepaid lease payment	65,385	—	—	65,385
Inventories	28,411	—	—	28,411
Available-for-sale investment	559	—	—	559
Trade and other receivables	596,254	—	1,229	597,483
Tax recoverable	—	21	—	21
Bank balances and cash	14,516	4	184	14,704
Pledged bank deposits	30,264	—	—	30,264
Trade and other payables	(219,423)	(10)	(261)	(219,694)
Borrowings	(276,370)	—	—	(276,370)
Tax payable	(27,550)	—	—	(27,550)
Deferred tax liabilities	(2,603)	—	—	(2,603)
Net amount due from group companies	—	175	—	175
Amount due from (to) a related company	49,280	—	(689)	48,591
	421,954	190	1,021	423,165
Release of translation reserve	(52,700)	—	562	(52,138)
Goodwill	—	—	11,853	11,853
Non-controlling interest	—	(98)	—	(98)
(Loss) gain on disposal of a subsidiary	—	(92)	38,719	38,627
	369,254	—	52,155	421,409
Satisfied by:				
Cash	—	—	29,193	29,193
Promissory note	119,254	—	—	119,254
Amount due to a related company	250,000	—	—	250,000
Receipt in advance *(Note)*	—	—	22,962	22,962
	369,254	—	52,155	421,409
Net cash (outflow) inflow arising on disposal:				
Cash consideration	—	—	29,193	29,193
Bank balances and cash disposed of	(44,780)	(4)	(184)	(44,968)
	(44,780)	(4)	29,009	(15,775)

Note: Part of the consideration amounting to approximately HK$22,962,000 in relation to the disposal of SH Jinshan was received by the Group in prior year.

47. Disposal of Subsidiaries/Business *(Continued)*

The subsidiaries disposed of during the year contributed to the Group's revenue and losses of approximately HK$518,496,000 and HK$36,042,000 respectively.

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

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 for 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") for 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") for 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") for a consideration of HK$50,000,000. The transaction was completed on 30 November 2009.

47. 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	Sisley	Complete Expert	YZ Garment Distribution	Total
	HK$'000	HK$'000	HK$'000	HK$'000	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)
Non-controlling 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

47. Disposal of Subsidiaries/Business *(Continued)*

	Well Metro	Sisley	Complete Expert	YZ Garment Distribution	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
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 has been settled in cash during the year ended 31 December 2010.

The subsidiaries disposed of during the prior 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.

48. Disposal of a Jointly Controlled Entity

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 at 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	
Inventories	2,858
Trade and other receivables	9,755
Bank balances and cash	9,284
Trade and other payables	3,483
Amount due to a joint venturer	(2,648)
Net amount due from group companies	(19,843)
	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 prior year.

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

49. Major Non-Cash Transactions

During the year ended 31 December 2010, construction revenue of approximately HK$34,507,000 (2009: HK11,040,000) was recognised in return for amounts due from grantors for contract work.

During the year ended 31 December 2010, the Group entered into finance lease arrangements in respect of the acquisition of property, plant and equipment with a total capital at the inception of the lease of HK$83,000 (2009: Nil).

50. Pledge of Assets

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

	2010 HK$'000	2009 HK$'000
Bank deposits	3,538	6,666
Financial assets at FVTPL	—	6,404
Prepaid lease payments	—	31,520
Property, plant and equipment	25,457	165,657
	28,995	210,247

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

51. Operating Lease Commitment

The Group as lessee

	2010 HK$'000	2009 HK$'000
The Group made rental payment for properties under operating lease as follows:		
Minimum lease payments	2,750	5,585
Contingent rental payments	—	24,603
	2,750	30,188

51. Operating Lease Commitment *(Continued)*

The Group as lessee *(Continued)*

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:

	2010 HK$'000	2009 HK$'000
Within one year	**1,355**	7,903
In the second to fifth years	**51**	140
	1,406	8,043

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.

52. Commitments

	2010 HK$'000	2009 HK$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of – construction work under service concession arrangement	**451,033**	58,169

Commitment to acquire additional interest in SH Biomax GEP

On 9 July 2010, the Group entered into a framework agreement (the "Framework Agreement") with 上海振環實業總公司 ("SH Zhenhuan"), an independent third party which holds 37% equity interest in SH Biomax GEP. SH Biomax GEP is an available-for-sale investment of the Group. Pursuant to the Framework Agreement, the Group will inject registered capital of up to RMB78.9 million (equivalent to approximately HK$89.95 million) to SH Biomax GEP to increase the Group's equity interest in SH Biomax GEP up to approximately 63%, subject to the approval by governmental authorities.

52. Commitments *(Continued)*

Commitment to acquire additional interest in SH Biomax GEP *(Continued)*

In addition, the Group will advance a loan of RMB91.2 million (equivalent to approximately HK$103.97 million) for the purpose of repayment of an existing bank loan of SH Biomax GEP or guarantee provided by SH Zhenhuan in respect of such loan.

Pursuant to the Framework Agreement, upon the end of the construction period of the waste treatment and waste-to-energy project to be operated and owned by SH Biomax GEP, the Group will gradually acquire the equity interest of SH Biomax GEP from SH Zhenhuan so as to reduce the equity interest held by SH Zhenhuan to 9% or below. Subject to the requirements under all applicable laws and regulations and, where applicable, with the consents of the other shareholders of SH Biomax GEP and governmental authorities, the Group will further acquire the remaining equity interest held by SH Zhenhuan.

For the year ended 31 December 2010, the Group paid SH Zhenhuan HK$11,494,000 (equivalent to RMB10,000,000) as compensation since it failed to cause the release of the guarantee provided by SH Zhenhuan to SH Biomax GEP in accordance with the terms of the Framework Agreement.

The above transactions have not been completed by the date the consolidated financial statements are authorised for issue. Details of these transactions are set out in the Company's announcement dated 9 July 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.

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 2010, the pension scheme contributions made by the Group were approximately HK$7,602,000 (2009: HK$8,136,000).

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 2010, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 15,068,805 (2009: 6,116,822), representing 1.49% (2009: 0.9%) 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 of 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	1,299,830	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$4.9	HK$4.8727
	435,000	438,331	9.10.2007 to 8.10.2008	9.10.2008 to 8.10.2010	HK$4.9	HK$4.8727
	725,000	730,552	9.10.2007 to 8.10.2009	9.10.2008 to 8.10.2010	HK$4.9	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
6.9.2010	14,300,000	N/A	Nil	6.9.2010 to 5.9.2015	HK$0.501	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.

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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 1.1.2010	Granted during the year	Exercised during the year	Lapsed during the year *(Note)*	Outstanding at 31.12.2010
7.5.2007	705,360	—	—	(705,360)	—
9.10.2007	1,914,554	—	—	(1,914,554)	—
18.8.2008	1,110,722	—	(50,000)	(50,766)	1,009,956
11.11.2008	2,386,186	—	(2,256,039)	(121,298)	8,849
6.9.2010	—	14,300,000	(250,000)	—	14,050,000
	6,116,822	14,300,000	(2,556,039)	(2,791,978)	15,068,805
Exercisable at the end of the year	3,033,385				15,068,805
Weighted average exercise price	HK$2.28	HK$0.501	HK$0.40	HK$4.11	HK$0.57

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 1.1.2009	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 terms of Scheme, share options 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)*

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$0.79 (2009: HK$1.96) and HK$0.78 (2009: HK$1.96), respectively.

During the year ended 31 December 2010, options were granted on 6 September 2010 where the share price of the Company's share at the date immediately before the date of grant was HK$0.501. The estimated fair value of the options granted during the year is approximately HK$2,033,000.

During the year ended 31 December 2009, options were granted on 19 May 2009 where the share prices of the Company's share at the date immediately before the date of grant were HK$0.51. The estimated fair values of the options granted on those dates are approximately HK$3,483,000.

These fair values were calculated using the Black-Scholes option pricing model (19.5.2009: the binominal model). The inputs into the model were as follows:

	Share options grant date	
	6.9.2010	19.5.2009
Share price at date of grant	**HK$0.49**	HK$0.51
Exercise price	**HK$0.501**	HK$0.51
Expected volatility	**48.45%**	85.17%
Expected life	**5 years**	10 years
Risk-free rate	**0.51%**	2.271%
Expected dividend yield	**0%**	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 Black-Scholes option pricing model (19.5.2009: binomial 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$2,321,000 for the year ended 31 December 2010 (2009: HK$4,726,000) in relation to share options granted by the Company.

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55. Related Party Transactions

During the year, in addition to the transactions and balances disclosed in Note 32, the Group entered into the following significant transactions with related parties:

Name of related party	Nature of transactions	2010 HK$'000	2009 HK$'000
Long Wise (Holdings) Limited *(note 1)*	Service fee paid	–	61
Sergio Tacchini International S.P.A. *(note 2)*	Sales of apparel	79,627	99,045
	Sourcing income received	–	5,810
M.T.T. Yangzhou Garment Co. Limited *(note 3)*	Sale of apparel and accessories	–	1,977
	Purchases of apparel and accessories	–	2,145
	Subcontracting fee paid	–	1,092
	Subcontracting fee received	–	956
Mountain Experience Betiligungs *(note 4)*	Interest expense	430	1,427
MTT *(note 3)*	Interest income received	–	1,078
	Management fee income received	240	720

Notes:

1. *This company is a non-controlling shareholder of Pro-Brilliance. The Group disposed of its entire interest in Pro-Brilliance in June 2010.*

2. *A director and substantial shareholder of the Company has beneficial interest in this company.*

3. *The Group acquired additional 50% equity interest of these companies in April 2010 and disposed of its entire interest along with the disposal of Full Charm.*

4. *This company is a joint venturer of MTT before the further acquisition of the additional 50% equity interest by the Group on 8 April 2010.*

At 31 December 2010, Mr. Ngok Yan Yu acted as a guarantor and provided a personal guarantee of RMB5,000,000 (2009: RMB5,000,000) for a performance guarantee of RMB8,000,000 (2009: 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.

56. Compensation of Key Management Personnel

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

	2010 HK$'000	2009 HK$'000
Short-term benefits	2,287	8,448
Post-employment benefits	34	43
Share-based payments	143	862
	2,464	9,353

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 2010 and 2009 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
			2010	2009	
Hembly Garment Manufacturing Limited	Hong Kong	Ordinary shares HK$3,000,000	**100%**	100%	Investment holding and trading of garments
Henghua (Nanjing) Garment Co., Ltd 恒華(南京)服裝有限公司 *(note a)*	PRC	Registered capital RMB2,500,000	**100%**	–	Trading of garments
Hembly (Nanjing) Garment Co., Ltd. 恒寶利(南京)服裝有限公司 *(note b)*	PRC	Registered capital US$3,000,000	**–**	100%	Garment manufacturing
Hembly (Nanjing) Garment Manufacturing Co., Ltd. 亨百利(南京)制衣有限公司 *(note b)*	PRC	Registered capital US$2,100,000	**–**	100%	Property holding and sale of garments
Hembly Garment Manufacturing Macao Commercial Offshore Limited 恒寶利製衣澳門離岸商業服務有限公司*(note b)*	Macau	Quota capital MOP100,000	**–**	100%	Sale of garments
Scienward (Nanjing) Garment Co., Ltd. 欣隆(南京)服裝有限公司 *(note b)*	PRC	Registered capital US$1,000,000	**–**	100%	Garment manufacturing and sourcing of garment
Hembly (Yangzhou) Garment Manufacturing Co., Ltd. 恒寶利(揚州)制衣有限公司 *(note b)*	PRC	Registered capital US$10,000,000	**–**	100%	Garment manufacturing and trading

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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
			2010	2009	
MBT (Beijing) Recycling Company, Limited *(note c)*	PRC	Registered capital US$1,000,000	–	100%	Provision of consulting service
Biomax Environmental Technology Limited	Hong Kong	Ordinary shares HK$100	**100%**	100%	Investment holding and provision of engineering service
Biomax Environment Technology Germany GmbH *(note c)*	Germany	Registered capital EUR25,000	**100%**	100%	Provision of procurement and consulting services
Win Concept Enterprises Limited	Hong Kong	Ordinary shares HK$100	**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 *(note c)*	PRC	Registered capital RMB60,000,000	**100%**	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 *(note c)*	PRC	Registered capital US$15,000,000	**100%**	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 *(note d)*	PRC	Registered capital RMB73,800,000	–	100%	Trading of chemical raw material and product, provision of technical service

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 2010	2009	Principal activities
Shanghai Environmental Biomax Investment Limited 上海環境百瑪士投資有限公司 *(note c)*	PRC	Registered capital RMB100,000,000	**100%**	100%	Provision of technical services
Biomax Environmental Technology (Shanghai) Company Limited 百瑪士環保科技(上海)有限公司 *(note c)*	PRC	Registered capital US$5,400,000	**100%**	100%	Provision of consulting services
Beijing Yiqing Biomax Green Energy Park Company Limited 北京一清百瑪士綠色能源有限公司	PRC	Registered capital RMB80,845,000	**60%**	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 *(note c)*	PRC	Registered capital US$400,000	**100%**	100%	Provision of engineering procurement, commissioning and consulting services

Notes:

(a) The Company was acquired by the Group on 1 November 2010.

(b) These companies are held by Full Charm and were disposed of by the Group on 30 November 2010. Details of the disposal are disclosed in Note 47.

(c) These companies are wholly foreign owned enterprises.

(d) The Company was disposed of by the Group on 23 April 2010. Details of the disposal are disclosed in Note 47.

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. Event After the Reporting Period

On 1 December 2010, the Company entered into a placing agreement with Fortune (HK) Securities Limited ("Fortune (HK)"), a placing agent and an independent third party of the Group, upon which the placing agent has agreed to, on a full underwritten basis, place to not less than six places in an aggregate of 202,022,000 ordinary shares of the Company at HK$0.50 per share.

On 24 February 2011, the Company and Fortune (HK) entered into the Supplemental Placing Agreement pursuant to which the Placing Agent agreed to place, on a best-effort basis, up to a maximum of 202,022,000 Placing Shares at the Revised Placing Price of HK$0.40 per Placing Share. The Placing Period is also extended from 28 February 2011 to 30 June 2011.

On 23 March 2011, the Group entered into a supplemental agreement with the lender for the extension of the fixed-rate borrowing of HK$50,000,000 that is originally due on June, 2011 for at least nine months.

59. Summary Financial Information of the Company

	2010 HK$'000	2009 HK$'000
NON-CURRENT ASSETS		
Property, plant and equipment	**284**	—
Amounts due from subsidiaries	**252,160**	632,453
Investments in subsidiaries	**5,896**	5,896
	258,340	638,349
CURRENT ASSETS		
Deposit, prepayment and other receivables	**2,802**	11
Bank balances and cash	**13,581**	340
	16,383	351
CURRENT LIABILITIES		
Other payables and accruals	**6,524**	2,484
Amounts due to subsidiaries	**10,614**	—
Borrowings — due within one year	**50,000**	—
	67,138	2,484

59. Summary Financial Information of the Company *(Continued)*

	NOTES	2010 HK$'000	2009 HK$'000
NET CURRENT LIABILITIES		**(50,755)**	(2,133)
TOTAL ASSETS LESS CURRENT LIABILITIES		**207,585**	636,216
NON-CURRENT LIABILITIES			
Convertible notes *(Note)*	*40*	**—**	294,796
Promissory notes *(Note)*	*41*	**—**	85,497
Convertible bonds	*43*	**133,867**	—
Embedded derivatives	*43*	**11,701**	—
Deferred consideration payable *(Note)*	*42*	**—**	461
Deferred tax liabilities		**—**	43,105
		145,568	423,859
NET ASSETS		**62,017**	212,357
CAPITAL AND RESERVES			
Share capital	*45*	**101,053**	65,830
Reserves		**(39,036)**	146,527
TOTAL EQUITY		**62,017**	212,357

Note: During the year ended 31 December 2010, the convertible notes, promissory notes and deferred consideration payable are transferred to a wholly-owned subsidiary of the Company.

Financial Summary

For the year ended 31 December 2010

	For the year ended 31 December				
	2006 HK$'000	2007 HK$'000	2008 HK$'000	2009 HK$'000	**2010** **HK$'000**
RESULTS					
Revenue (continuing and discontinued operation)	611,689	1,036,956	1,356,445	822,693	**713,729**
Profit (loss) attributable to owners of the Company	78,128	107,747	7,798	(978,257)	**(742,303)**
ASSETS AND LIABILITIES					
Total assets	854,807	1,654,227	1,644,243	1,938,193	**839,599**
Total liabilities	(509,596)	(1,071,667)	(1,061,973)	(1,431,696)	**(768,120)**
	345,211	582,560	582,270	506,497	**71,479**
Equity attributable to owners of the Company	345,190	574,907	591,146	465,792	**68,147**
Non-controlling interests	21	7,653	(8,876)	40,705	**3,332**
	345,211	582,560	582,270	506,497	**71,479**

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 year ended 31 December 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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