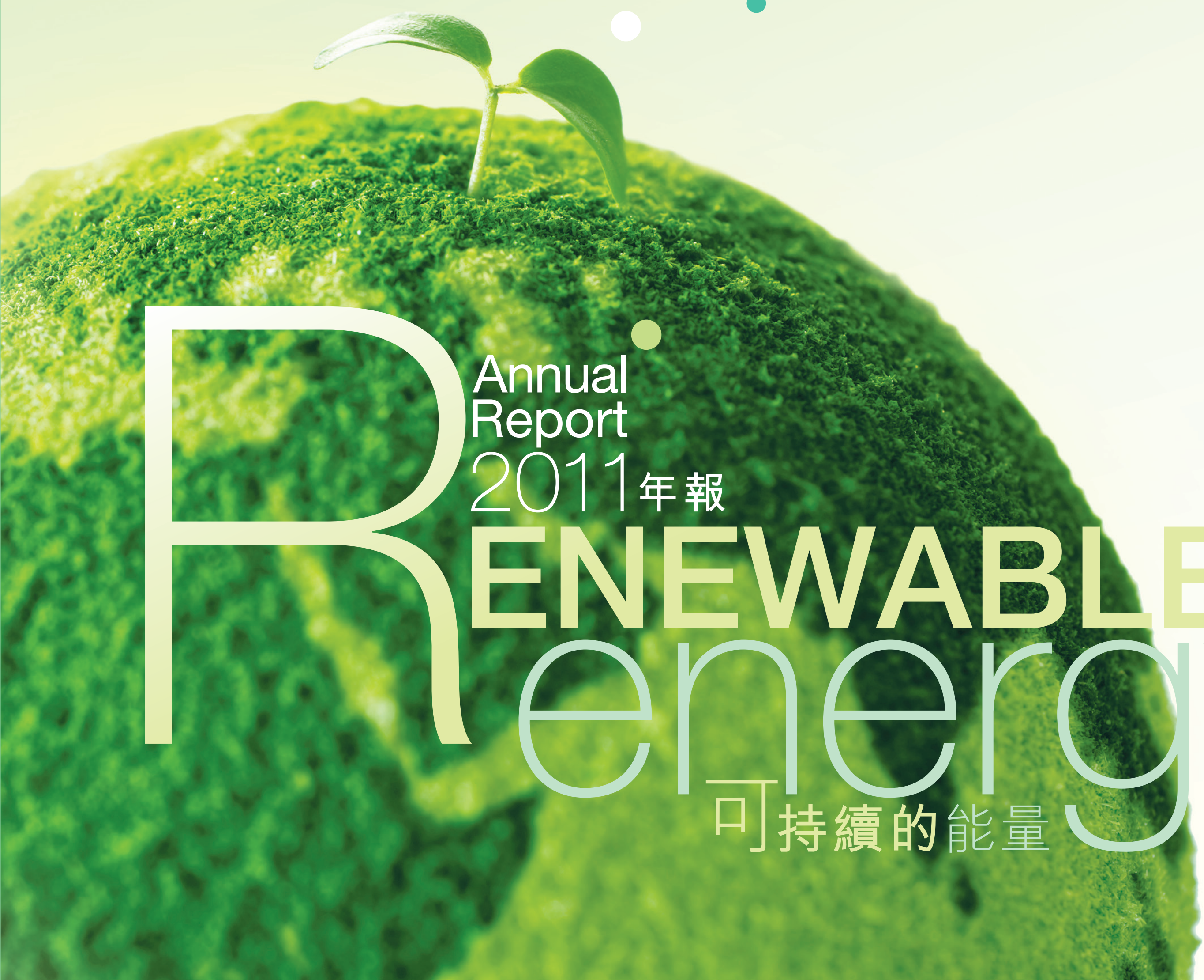
NEW ENVIRONMENTAL ENERGY HOLDINGS LIMITED
新環保能源控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(於開曼群島註冊成立之有限公司)
Stock Code 股票代號：03989



Annual Report 2011 年報

RENEWABLE energy
可持續的能量

CONTENTS


Reduce......

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Yu Chang Jian *(Chairman, appointed on 27 May 2011)*
Mr. Cao Guo Xian *(Chief Executive Officer, appointed on 4 July 2011)*
Mr. Liu Xiao Guang (Appointed on 27 May 2011)
Mr. Marcello Appella
Mr. Tang Zhi Bin (Appointed on 27 May 2011)

Non-executive Director

Mr. Lim Jui Kian

Alternate Non-executive Director

Mr. Cai Qiao Herman (Alternate Director to Mr. Lim Jui Kian)

Independent Non-executive Directors

Mr. Lo Ming Chi, Charles
Mr. Pao Ping Wing
Mr. Kwan Hung Sang, Francis
Mr. Cheng Kai Tai, Allen

COMMITTEES

Audit Committee

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

Nomination Committee

Mr. Yu Chang Jian *(Chairman, appointed on 27 May 2011)*
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. Yu Chang Jian (Appointed on 27 May 2011)

COMPANY SECRETARY

Ms. Wong Bing Ni

AUTHORIZED REPRESENTATIVES

Mr. Yu Chang Jian
Ms. Wong Bing Ni

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Unit 1613–1618,
16th Floor,
Bank of America Tower,
12 Harcourt Road, Central,
Hong Kong

AUDITORS

Deloitte Touche Tohmatsu

LEGAL ADVISER

Conyers Dill and Pearman
Jun He Law offices
King & Wood Mallesons

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation 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

CHAIRMAN'S STATEMENT

The year 2011 was a key milestone for the development of New Environmental Energy Holdings Limited (the "Group"). Through the placing of shares on 23 May 2011, the Group introduced Beijing Capital (Hong Kong) Limited ("Beijing Capital HK") as its strategic shareholder. Beijing Capital HK is directly owned by Beijing Capital Co., Ltd. ("Beijing Capital", SSE stock code: 600008), which is a listed company under Beijing Capital Group Co., Ltd. Beijing Capital Group Co., Ltd. is a state-owned enterprise owned by the People's Government of Beijing Municipality and directly under the supervision of the State-Owned Assets Supervision and Administration Commission of the Beijing Municipality.

Among all of the listed A-share companies in the PRC, Beijing Capital is the largest water service enterprise in the PRC. It has been awarded "10 Most Influential Water Service Enterprises in the PRC" (「中國水業十大影響力企業」) by the industry for 9 consecutive years. Its water treatment capacity amounted to about 13 million tonnes per day, which was ranked among the top 10 in the world. Currently, Beijing Capital has water service projects in 15 provinces and 35 municipalities including Beijing, Hunan, Shandong, Shanxi and Anhui, covering a population of 28 million.

The introduction of Beijing Capital as one of its substantial shareholders was a key strategic decision made by the Group. The Board of Directors expected that, through share acquisition, Beijing Capital would bring irreplaceable synergic effect for the business expansion of the Group and, at the same time, further improve the professional services in the environmental protection industry and governance of the Group.

On 27 May 2011, the Board of the Group announced that I and Mr. Liu Xiao Guang were appointed as executive directors and I was also appointed as the chairman. Subsequently, on 4 July 2011, Mr. Cao Guo Xian was appointed as an executive director and the chief executive officer by the Board. As a result, a management team with extensive experience in the environmental protection industry was formed. Each member of the Board, including Mr. Liu Xiao Guang, possesses profound experience and unique insights in the areas of international capital market, investment banking, project investment, operation management, urban infrastructure and environmental protection. We have a vision to diversify the business scope of the Group to elevate its services to a more specified and professional level. Meanwhile, in order to fully prepare and position the Group for future business mergers and acquisitions and expansion, the Group improves its standard of the existing professional departments including legal, financial, technical and engineering management departments as well as the project management department.

Over the last year, under the leadership of Mr. Cao Guo Xian, the new chief executive officer, the management strove hard to a clearer future development strategy for the Group. The Group was determined to increase its market share in the solid waste-to-energy treatment sector and become the leading player driving the industry forward. Driven by the 12th Five Year Plan, the value of output of the solid waste industry in the PRC will amount to approximately RMB336 billion. Refuse incineration plants will cover all directly-controlled municipalities, provincial capital cities and cities listed independently on the state plan. Over 80% of the domestic garbage for all cities in the PRC will be subject to harmless treatment. Leveraging on the close relationship established by Beijing Capital with the local governments in respect of water service business as well as the its networking resources, the Group will be able to benefit from the business opportunities arising from the state policies.

Globally, imminent crises like pollution, climate change and energy shortage as well as the nuclear power accident in Japan prompted the government of different countries to review their energy policies. Currently, land filling and incineration facilities in the PRC can no longer accommodate the ever-increasing garbage output, leading to an urging market demand on effective waste treatment. We have the bounded duty to provide local governments with one-stop garbage management solutions that perfectly meet the domestic needs. We aim to serve people of the nation by bringing about a better living environment.

Looking forward, the Group will further develop an integrated industry chain on waste treatment, devote its efforts in business investment and mergers and acquisitions which are value-adding to the environmental industry, with an aim to achieve sustainable development in the urban environmental industry.

Chairman
Mr. Yu Chang Jian


Reuse......

OVERVIEW

The Group's revenue, from its continuing operations, reached approximately HK$49.0 million, representing decrease of approximately 74.9% over last year. The net loss attributable to the owners of the Company amounted to approximately HK$325.5 million for the year under review.

TRADING OF APPAREL AND ACCESSORIES

During the year under review, the Group's revenue from its trading of apparel and accessories business reached approximately HK$28.9 million, representing decrease of approximately 79.9%, as compared to last year, which accounted for approximately 59.0% of the Group's revenue in the financial year 2011.

For the year under review, its gross loss is approximately 97.0%.

WASTE TREATMENT AND WASTE-TO-ENERGY BUSINESS

During the year under review, the Group's revenue from its waste treatment and waste-to-energy business reached approximately HK$20.1 million, representing decrease of approximately 61.0%, as compared to last year, which accounted for approximately 41.0% of the Group's revenue in the financial year 2011.

For the year under review, its gross loss is approximately 175.0%.

OPERATING EXPENSES

In 2011, the Group's distribution and selling expenses of the continuing operations, decreased significantly by 96.4% to HK$0.1 million, as compared to last year, the decrease is mainly attributable to the manufacturing of apparel and accessories business, which was disposed of and completed on 30 November 2010.

The Group's administrative expenses of the continuing operations decreased by 62.1% from HK$139.0 million to HK$52.7 million during the year under review, the decrease is mainly attributable to the manufacturing of apparel and accessories business, which was disposed of and completed on 30 November 2010.

FINANCE COSTS

Finance costs, for the Group's continuing operations, decreased by 25.9% to HK$60.2 million, as compared to last year. The decrease is mainly attributable to the decrease in the interests on promissory notes and borrowings.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2011, the Group had cash and bank balances of HK$54.9 million, primarily denominated in RMB and HK dollars (31 December 2010: HK$37.8 million), and total borrowings of HK$52.3 million (31 December 2010: HK$67.7 million), all of which are short-term borrowings. The Group's borrowings were denominated in RMB and HK dollars. As at 31 December 2011, all of the Group's borrowings were subject to fixed 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, was 0.44 as at 31 December 2010. Net gearing ratio has not been calculated as at 31 December 2011 as cash and cash equivalent exceeded borrowings as at 31 December 2011. The current ratio, which is calculated on the basis of current assets over current liabilities, decreased from 1.25 as at 31 December 2010 to 0.44 as at 31 December 2011.

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 2011, the Group has no asset pledged.

CAPITAL COMMITMENT

As at 31 December 2011, the Group had capital commitment of HK$449.8 million in respect of the acquisitions of property, plant and equipment and construction infrastructure in service concession arrangements, which were contracted but not provided for in the consolidated financial statements.

CONTINGENT LIABILITIES

As at 31 December 2011, the Group provide guarantees of RMB18.4 million to a bank in respect of banking facilities granted to an associate.

EMPLOYMENT INFORMATION

As at 31 December 2011, the Group had about 108 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 employee 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 contribution to the Group.

DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2011.

EXECUTIVE DIRECTORS

Mr. Yu Chang Jian, aged 56, a senior accountant, was appointed as an executive director and chairman of the Company in May 2011. Mr. Yu was the section chief of Beijing Chemical Equipment Plant's Finance Department, deputy chief accountant of Supply and Marketing Company of Beijing Chemical Industry Corporation, manager of Planning & Finance Department of Beijing Capital Group Co., Ltd., the chairman of Beijing Capital Securities Co., Ltd., the chairman of China Post & Capital Fund Management Co., Ltd. and chief financial officer of Beijing Capital Group Co., Ltd.. Mr. Yu is serving as a director and the general manager of Beijing Capital Co., Ltd..

Mr. Yu has years of experience in financial affairs and financial management, with profound understanding and unique insights of investment and financing for public infrastructure industries. Mr. Yu also has extensive theoretical knowledge and operating experience in economy and finance.

Mr. Cao Guo Xian, aged 48, is a postgraduate, he was appointed as an executive director and chief executive officer of the Company in July 2011. Mr. Cao served in the foreign language department of Henan Normal University and Bureau of International Cooperation under the Chinese Academy of Sciences. Mr. Cao worked as manager of oversea business department of Beijing Jingfang Economic Development Corporation, assistant to the chairmen of Capital Land Ltd. and deputy officer of the office of Beijing Capital Group Co., Ltd., and he is currently the deputy general manager of Beijing Capital Co., Ltd..

Mr. Cao has engaged in overseas investment and financing business for many years, with extensive experience in investment management and wide international perspective. He also has considerable knowledge and operating experience in international investment and financing and capital market.

Mr. Liu Xiao Guang, aged 57, was appointed as an executive director of the Company in May 2011. Mr. Liu is a senior economist, and guest professor and tutor for M.A and Ph.D students of Tsinghua University, Beijing Technology and Business University and Chinese Academic of Social Sciences. He was chief economist and deputy director of the Beijing Municipal Planning Committee. Mr. Liu serves as the vice-chairman and the general manager of Beijing Capital Group Co., Ltd., the chairman of the board of directors of Beijing Capital Co., Ltd., a standing director of China Enterprise Confederation and Chinese Enterprise Directors Association, and the vice-chairman of Beijing Enterprise Directors Association. Moreover, Mr. Liu has been appointed as an executive director and the chairman of Beijing Capital Land Limited since 5 December 2002 and an executive director and the chairman of New Capital International Investment Limited since 14 April 2004. These two companies are listed on the Stock Exchange.

Mr. Marcello Appella, aged 57, 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. Tang Zhi Bin, aged 47, was appointed as an executive director of the Company in May 2011. Mr. Tang 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.

NON-EXECUTIVE DIRECTORS

Mr. Lim Jui Kian, aged 40, 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 43, 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 62, 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 is a certified practising accountant in Australia and is a fellow member of the Financial Services Institute of Australasia. 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 64, 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 61, 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 48, 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 Amax Holdings Limited. Previously he also served as an independent non-executive director of Xinhua News Media Holdings Limited (formerly known as Lo's Enviro-Pro Holdings Limited) and Modern Beauty Salon Holdings Limited. All of these companies are listed on the Stock Exchange.

SENIOR MANAGEMENT

Mr. Liu Yanjun, was appointed as the Deputy General Manager of the Company in June 2011. He is responsible for corporate strategies, capital market and management of the Board of the Company. Mr. Liu obtained a Bachelor degree in Environmental Science from the Northeast Normal University and a Master degree in Business Administration from the University of Technology of Sydney, Australia. He was previously a Chief of Office in project management in Harbin Drainage Management, a Senior Investment Manager in PCCW (Beijing) Limited, a Deputy General Manager of the Strategy Department and a General Manager of the International Cooperation Department in Beijing Capital Co. Ltd., and a Deputy General Manager in Beijing Capital (Hong Kong) Limited.

Mr. Liu has over ten years of experience in both areas of environmental protection and capital market. He understands and is familiar with the industry development and the market practices. He participated in and was in charge of the investment in as well as the acquisition and restructuring of a number of environmental protection projects. He possesses extensive solid experience in the formulation of the development strategies for investment companies and the operation of capital market.

Mr. Xu Jinjun, was appointed as the Deputy General Manager of the Company in June 2011. He is responsible for investment, technology and engineering as well as project operational management. Mr. Xu obtained a Master degree from the Chinese Academy of Sciences. He has an educational background in both the management and environmental engineering. He was previously a Secretary to General Manager in Beijing Cement Plant of BBMG Group, a General Manager of the Department of Water Business Unit in Duoyuan Global Water Inc., a General Manager of the Market Management Department in Duoyuan Electricity and Gas, and a Deputy General Manager in Hunan Capital Investment Co., Ltd.

Mr. Xu has over ten years of experience in the environmental protection area. He has extensive knowledge in the financial forecast, laws and regulations, technological standards and relevant industry practices for franchising projects of public utilities. He has a well-developed network in the environmental protection industry and is good at team building and organizational management. He has relatively deep knowledge about and extensive practical experience in the investment, construction and operational management in public infrastructures.

Mr. Wang Wei, was appointed as the Financial Controller of the Company in June 2011. He is responsible for the financial management of the Group, and the financial management and financing for project companies. Mr. Wang obtained a Bachelor degree in Accounting and Economics from Capital University of Economics and Business and a Master degree in Professional Accounting from the Business School of Renmin University of China, and obtained the PRC Certified Public Accountant qualification in 2001. He was previously an Auditing Project Manager in Grant Thornton, a Senior Manager of the Audit Department in Tsinghua Tong Fang Co. Ltd., a Senior Investment Manager of the Investment Department and a Senior Investment Analyst of the Financial Department in Beijing Capital Co. Ltd., an expatriate Financial Controller in Shenzhen Capital Water Co. Ltd., an expatriate Financial Controller in Capital AIHUA (Tianjin) Municipal Environmental Engineering Co., Ltd., an expatriate Financial Controller in Haining Capital Water Co., Ltd. and an expatriate Financial Controller in Qingdao Capital Water Co., Ltd..

Mr. Wang has over ten years of experience in the environmental protection area and is familiar with the investment forecast of urban infrastructure projects. He has extensive experience particularly in the financial management and corporate finance of urban infrastructure companies.

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.

The Board believes that high standards of corporate governance are essential to the success of the Company and is committed to maintain a high level of corporate governance standards and practices. The Company has complied with all the code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") for the year ended 31 December 2011.

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 operations 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. Yu Chang Jian (Chairman, appointed on 27 May 2011)
Mr. Cao Guo Xian (Chief Executive Officer, appointed on 4 July 2011)
Mr. Liu Xiao Guang (appointed on 27 May 2011)
Mr. Marcello Appella
Mr. Tang Zhi Bin (appointed on 27 May 2011)

Non-executive director

Mr. Lim Jui Kian

Alternate non-executive director

Mr. Cai Qiao Herman (alternate director to Mr. Lim Jui Kian)

Independent non-executive directors

Mr. Lo Ming Chi, Charles
Mr. Pao Ping Wing
Mr. Kwan Hung Sang, Francis
Mr. Cheng Kai Tai, Allen

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 also given to the Directors before each regular 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 acting the role 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 twelve 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. Yu Chang Jian (appointed on 27 May 2011)*	3/8
Mr. Cao Guo Xian (appointed on 4 July 2011)**	4/6
Mr. Liu Xiao Guang (appointed on 27 May 2011)*	1/8
Mr. Marcello Appella	6/12
Mr. Tang Zhi Bin (appointed on 27 May 2011)*	4/8
Mr. Ngok Yan Yu (resigned on 27 May 2011)***	1/4
Mr. Ng Cheuk Fan, Keith (resigned on 27 May 2011)***	4/4
Ms. Yu Sau Lai (resigned on 27 May 2011)***	4/4
Mr. Chan Tak Yan (resigned on 30 June 2011)****	6/6
Mr. Lim Jui Kian	10/12
Mr. Lo Ming Chi, Charles	5/12
Mr. Pao Ping Wing	10/12
Mr. Kwan Hung Sang, Francis	10/12
Mr. Cheng Kai Tai, Allen	12/12

* On 27 May 2011, Mr. Yu Chang Jian was appointed as an executive Director and Chairman of the Company, and Mr. Liu Xiao Guang and Mr. Tang Zhi Bin were respectively appointed as an executive Director of the Company. Eight Board meetings were held after their respective appointment.

** Mr. Cao Guo Xian was appointed as an executive Director and Chief Executive Officer of the Company on 4 July 2011, and six Board meetings were held after his appointment.

*** On 27 May 2011, Mr. Ngok Yan Yu resigned as an executive Director and Chairman of the Company, and Mr. Ng Cheuk Fan, Keith and Ms. Yu Sau Lai resigned as an executive Director of the Company respectively. Four Board meetings were held during the period of their appointments.

**** Mr. Chan Tak Yan resigned as an executive Director of the Company on 30 June 2011 and six Board meetings were held during the period of his appointment.

MANAGEMENT FUNCTIONS

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

The Chief Executive Officer, Mr. Cao Guo Xian, is responsible for the day-to-day management of the Group and the implementation of the approved strategies.

NON-EXECUTIVE DIRECTORS

During the year under review, each of the non-executive Director and independent non-executive Directors has entered into letter of appointment with the Company for a term of three years 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 references. During the year under review, the remuneration committee comprises three members, a majority of whom are independent non-executive Directors. The chairman of the committee is Mr. Pao Ping Wing, an independent non-executive Director and other members are Mr. Kwan Hung Sang, Francis, an independent non-executive Director and Mr. Yu Chang Jian, 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 majority of committee members, to consider and approve the following matters:

— Recommendation of remuneration package to the newly appointed executive Directors; and

— Recommendation of remuneration package to the newly appointed senior management.

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. Yu Chang Jian, 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, its 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 one meeting and by way of written resolutions to pass the resolutions for the nomination of (i) Mr. Yu Chang Jian, Mr. Cao Guo Xian, Mr. Liu Xiao Guang and Mr. Tang Zhi Bin as Directors of the Company, and (ii) Mr. Liu Yan Jun and Mr. Xu Jin Jun as Vice General Manager of the Company and Mr. Wang Wei as Financial Controller of the Company.

AUDITORS' REMUNERATION

For the year ended 31 December 2011, the auditors' remuneration paid or payable in respect of the audit services and non-audit services provided by the auditors to the Group were as follows:

	HK$'000
Audit service	3,984
Non-audit related service	580
	4,564

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. 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 2011;

— To review the annual report and annual results announcement for the year ended 31 December 2010;

— 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 2011, 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 and annual report were dispatched to shareholders and they are encouraged to attend the annual general meeting and other general meetings. The procedure of general meeting was conducted in compliance with the Listing Rules and the articles of association of the Company, where sufficient time was given to shareholders for consideration of resolutions proposed and for question and answer, leading to satisfactory communications between the management and shareholders. Announcement of the resolutions passed at each general meeting was published on both the websites of the Stock Exchange and the Company in a timely manner.


Recycle......

The Directors present their report together with the audited consolidated financial statements for the year ended 31 December 2011.

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 55 to the consolidated financial statements.

RESULTS

The results of the Group for the year ended 31 December 2011 are set out in the consolidated statement of comprehensive income on pages 32 to 33 of this annual report.

RESERVES

The Company did not have distributable reserves as at 31 December 2011.

Movements in reserves of the Group during the year are set out in the consolidated statement of changes in equity on pages 36 to 37 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 124 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 42 to the consolidated financial statements.

CONVERTIBLE BONDS, CONVERTIBLE NOTES AND PROMISSORY NOTES

A summary of the principal terms of convertible bonds, convertible notes and promissory notes are set out in notes 40, 37 and 38 to the consolidated financial statements respectively.

PLACING OF NEW SHARES, REDEMPTION OF PROMISSORY NOTES AND CONVERSION OF CONVERTIBLE NOTES

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 ("Beijing Capital HK") 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. Both the placing and subscription were completed on 23 May 2011.

On 4 August 2011, Bright King Investments Limited ("Bright King"), a shareholder and connected person of the Company entered into a redemption and settlement deed with the Company and its wholly owned subsidiary, Rising Boom Enterprises Limited in respect of the redemption of the promissory note in the principal amount of HK$55 million issued by the Company to Bright King on 11 September 2009 and the promissory note (with an initial principal amount of HK$144 million) in the principal amount of HK$460,800 after adjustment issued by the Company to Bright King on 6 April 2011 at the price of HK$0.80 per share. The redemption and settlement was completed on 30 November 2011 and 69,326,000 shares were issued by the Company.

On 4 August 2011, the Company, its wholly owned subsidiary, Rising Boom Enterprises Limited and Best View Enterprises Limited ("Best View") entered into a redemption deed in respect of the redemption of the promissory note in the principal amount of HK$80.5 million issued by the Company to Bright Good Limited on 11 September 2009 and which was subsequently transferred to Best View on 23 March 2011. On 31 October 2011, the redemption was completed and the convertible note in the principal amount of HK$80.5 million at the initial conversion price of HK$1.13 per conversion share (subject to adjustment) was issued by the Company. On 30 November 2011, the convertible note in the principal amount of HK$80.5 million was converted into 71,238,000 shares at the conversion price of HK$1.13 per share.

On 6 December 2011, the Company entered into a subscription agreement with Beijing Capital HK, a shareholder and connected person of the Company, pursuant to which the Company has conditionally agreed to issue and Beijing Capital HK has conditionally agreed to subscribe for the convertible bond in the principal amount of HK$100 million at an initial conversion price of HK$0.40 per conversion share. The subscription has not yet completed as at date of this annual report.

OTHER DISCLOSEABLE TRANSACTION

On 6 December 2011, Yangzhou Biomax Environmental Development Limited (揚州百瑪士環保產業發展有限公司) ("the Purchaser"), an indirect wholly-owned subsidiary of the Company, entered into an acquisition agreement with Zhuzhou Beijing Capital Water Treatment Company Limited (株洲首創水務有限責任公司) ("the Vendor"), a connected person of the Company, pursuant to which the Purchaser conditionally agreed to acquire and the Vendor conditionally agreed to sell the entire equity interest in Lining Beijing Capital Waste Treatment Company Limited (醴陵首創垃圾綜合處理有限責任公司) at a consideration of RMB51 million. The acquisition has not yet completed as at date of this annual report.

BORROWINGS

Details of the Group's borrowings are set out in note 36 to the consolidated financial statements.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the share option scheme disclosures in note 52 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. Yu Chang Jian (Chairman, appointed on 27 May 2011)
Mr. Cao Guo Xian (Chief Executive Officer, appointed on 4 July 2011)
Mr. Liu Xiao Guang (appointed on 27 May 2011)
Mr. Marcello Appella
Mr. Tang Zhi Bin (appointed on 27 May 2011)
Mr. Ngok Yan Yu (Chairman, resigned on 27 May 2011)
Mr. Chan Tak Yan (resigned on 30 June 2011)
Mr. Ng Cheuk Fan, Keith (resigned on 27 May 2011)
Ms. Yu Sau Lai (resigned on 27 May 2011)

Non-executive Directors

Mr. Lim Jui Kian
Mr. Cai Qiao Herman (alternate Director to Mr. Lim Jui Kian)

Independent Non-executive Directors

Mr. Lo Ming Chi, Charles
Mr. Pao Ping Wing
Mr. Kwan Hung Sang, Francis
Mr. Cheng Kai Tai, Allen

In accordance with articles 86 and 87 of the Articles of Association of the Company, Mr. Cao Guo Xian, Mr. Marcello Appella, Mr. Lim Jui Kian and Mr. Pao Ping Wing 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 9 to 12 of this annual report.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors, Mr. Liu Xiao Guang, Mr. Cao Guo Xian and Mr. Tang Zhi Bin has not yet entered into any service contract with the Company, each of Mr. Yu Chang Jian and Mr. Marcello Appella 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 Director and independent non-executive Directors has entered into a letter of appointment with the Company and is appointed for a period of three years.

The alternative non-executive Director has been appointed by 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 terminable 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 controlled by Mr. Ngok Yan Yu, who resigned as a Director and the Chairman of the Company on 27 May 2011, and hence a connected person of the Company under Chapter 14A if the Listing Rules.

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 2011, 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 2011, 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. Marcello Appella	Interest of a controlled corporation (Note 1)	3,588,030 (L)	0.23%

(L) denotes a long position

Note:

1. 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 2011 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 2011	Granted during the year	Exercised during the year	Lapsed during the year	Reclassified during the year	Balance as at 31 December 2011	Exercisable period	Exercise price	Approximate Percentage of issued share capital of the Company
Name of Directors									
Mr. Ngok Yan Yu (resigned on 27 May 2011)	503,829 (Note 1)	—	—	—	(503,829)	—	18/08/2008–17/08/2018	HK$1.5581	—
Mr. Marcello Appella	201,532 (Note 1)	—	—	—	—	201,532	18/08/2008–17/08/2018	HK$1.5581	0.01%
Employees In aggregate	304,595 (Note 1)	—	—	—	503,829	808,424	18/08/2008–17/08/2018	HK$1.5581	
	8,849 (Note 2)	—	—	—	—	8,849	11/11/2008–10/11/2018	HK$0.3592	
	14,050,000 (Note 3)	—	—	—	—	14,050,000	06/09/2010–05/09/2015	HK$0.501	
	14,363,444	—	—	—	503,829	14,867,273			0.96%

Notes:

1. 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.

2. 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.

3. 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 2011, 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 2011, 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
Beijing Capital HK	Beneficial owner (Note 1)	455,659,168 (L)	29.36%
Beijing Capital Co., Ltd.	Interest of controlled corporations (Note 1)	466,807,168 (L)	30.08%
Simple Success Investments Limited	Beneficial owner (Note 2)	270,760,000 (L)	17.45%
New World Strategic Investment Limited	Interest of a controlled corporation (Note 2)	270,760,000 (L)	17.45%
New World Development Company Limited	Interest of a controlled corporation (Note 2)	270,760,000 (L)	17.45%
Chow Tai Fook Enterprises Limited	Interest of a controlled corporation (Note 2)	270,760,000 (L)	17.45%
Chow Tai Fook (Holdings) Limited	Interest of a controlled corporation (Note 2)	270,760,000 (L)	17.45%
Chow Tai Fook Capital Limited	Interest of a controlled corporation (Note 2)	270,760,000 (L)	17.45%
Cheng Yu Tung Family (Holdings) Limited	Interest of a controlled corporation (Note 2)	270,760,000 (L)	17.45%
Cheng Yu Tung Family (Holdings II) Limited	Interest of a controlled corporation (Note 2)	270,760,000 (L)	17.45%
Best View Enterprises Limited	Beneficial owner and Person having security interest (Note 3)	221,308,205 (L)	14.26%
Chow Tai Fook Nominee Limited	Interest of a controlled corporation (Note 3)	221,308,205 (L)	14.26%
Mr. Cheng Yu Tung	Interest of a controlled corporation (Note 3)	221,308,205 (L)	14.26%
Mr. Ngok Yan Yu	Interest of controlled corporations (Note 4)	146,174,034 (L)	9.42%
Zesiger Capital Group LLC	Investment manager	122,686,000 (L)	7.91%

(L) denotes a long position

Notes:

1. These Shares represent 299,022,000 Shares and 156,637,168 underlying Shares which may be issuable upon conversion of all the outstanding amount of the convertible notes held by Beijing Capital HK, which was a wholly-owned subsidiary of Beijing Capital Co., Ltd., and 11,148,000 Shares held by BC Water Investments Co., Ltd., an indirect wholly-owned subsidiary of Beijing Capital Co., Ltd.. As such, Beijing Capital Co., Ltd. was deemed to have interest in the said Shares and underlying Shares held by Beijing Capital HK and BC Water Investments Co., Ltd. for the purposes of the SFO.

2. These Shares represent 270,760,000 Shares 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 and Cheng Yu Tung Family (Holdings II) Limited hold 49% and 40.2% interests in Chow Tai Fook Capital Limited, respectively. Chow Tai Fook Capital Limited turn owns 74.1% interest in Chow Tai Fook (Holding) Limited which holds the entire 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 II) Limited, Cheng Yu Tung Family (Holdings) Limited, Chow Tai Fook Capital Limited, Chow Tai Fook (Holdings) 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 held by Simple Success Investments Limited for the purposes of the SFO.

3. These Shares represent 75,638,000 Shares held by Best View Enterprises Limited and 145,670,205 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. These Shares represent 76,344,205 Shares held by Charm Hero Investments Limited which was wholly owned by Mensun Limited, 69,326,000 Shares held by Bright King Investments Limited and 503,829 Shares which may be issuable upon exercise of the share options held by Mr. Ngok Yan Yu. Both Mensun Limited and Bright King Investments Limited are wholly-owned by Mr. Ngok Yan Yu. As such, Mr. Ngok Yan Yu was deemed to have interest in the said Shares held by Charm Hero Investments Limited and Bright King Investments Limited for the purposes of the SFO.

Save as aforesaid and as disclosed in the "Interests and Short Positions of the Directors in Shares, Underlying Shares and Debentures of the Company and its Associated Corporations" section of this annual report, the Company has not been notified by any person who had any interest or short position in the shares or underlying shares of the Company as at 31 December 2011 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 2011, Sergio Tacchini International S.p.A. is a company indirectly controlled by Mr. Ngok Yan Yu, who resigned as a Director and the Chairman of the Company on 27 May 2011, and hence a connected person of the Company under Chapter 14A of the Listing Rules.

For the year ended 31 December 2011, 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$14,029,000.

At an extraordinary general meeting of the Company held on 30 December 2008, independent shareholders of the Company (namely, shareholders of the Company other than Charm Hero Investments Limited and its associated) had approved the 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 all of the Group's total sales for the year and sales to the Group's largest customer included therein accounted for 41.5%.

Sergio Tacchini International S.p.A. was one of the Group's five largest customers, which was indirectly controlled by Mr. Ngok Yan Yu who resigned from his directorship of the Company on 27 May 2011 and was not key management personnel of the Group but still hold 9.39% of the Company's share capital as at 31 December 2011.

Purchase from the Group's five largest suppliers accounted for 85.0% of the Group's total purchases for the year and purchase from the Group's largest supplier included therein accounted for 30.5%.

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 13 to 19 of this annual report.

AUDITORS

The consolidated financial statements for the year ended 31 December 2011 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

Yu Chang Jian
Chairman

Hong Kong, 23 March 2012

For the year ended 31 December 2011

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 32 to 123, which comprise the consolidated statement of financial position as at 31 December 2011, and the consolidated statement of comprehensive income, 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.

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.

For the year ended 31 December 2011

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 2011, and of its 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
23 March 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	NOTES	2011 HK$'000	2010 HK$'000
Continuing operations			
Revenue	7	**49,001**	195,233
Cost of sales		**(112,246)**	(283,080)
Gross loss		**(63,245)**	(87,847)
Other income, gains and losses	9	**(189,500)**	(86,015)
Gain on fair value change of embedded derivatives	40	**3,241**	23,896
Administrative expenses		**(52,656)**	(139,041)
Distribution and selling costs		**(19)**	(2,808)
Gain on disposal of subsidiaries	44	**—**	38,627
Impairment loss on goodwill	21	**—**	(415,913)
Share of results of an associate	25	**11,358**	1,675
Finance costs	10	**(60,226)**	(81,165)
Loss before tax	11	**(351,047)**	(748,591)
Income tax credit	12	**3,914**	11,601
Loss for the year from continuing operations		**(347,133)**	(736,990)
Discontinued operations			
Loss for the year from discontinued operations	13	**—**	(44,006)
Loss for the year		**(347,133)**	(780,996)
Other comprehensive income			
Exchange differences on translation:			
Exchange difference arising during the year		**5,828**	69,113
Exchange difference arising from an associate during the year		**3,971**	2,079
Reclassification adjustment upon disposal of subsidiaries		**—**	(52,138)
Other comprehensive income for the year (net of tax)		**9,799**	19,054
Total comprehensive expense for the year		**(337,334)**	(761,942)

For the year ended 31 December 2011

	NOTE	**2011** **HK$'000**	2010 HK$'000
Loss for the year attributable to:			
Owners of the Company		**(325,504)**	(742,303)
Non-controlling interests		**(21,629)**	(38,693)
		(347,133)	(780,996)
Total comprehensive expense attributable to:			
Owners of the Company		**(315,294)**	(724,667)
Non-controlling interests		**(22,040)**	(37,275)
		(337,334)	(761,942)
Loss per share	17		
From continuing and discontinued operations			
Basic		**HK(25.92) cents**	HK(85.51) cents
Diluted		**HK(25.92) cents**	HK(85.51) cents
From continuing operations			
Basic		**HK(25.92) cents**	HK(80.44) cents
Diluted		**HK(25.92) cents**	HK(80.44) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2011

	NOTES	2011 HK$'000	2010 HK$'000
Non-current assets			
Property, plant and equipment	18	**13,522**	32,610
Intangible assets	19	**3,786**	5,254
Prepaid lease payments	22	**2,314**	2,262
Amounts due from grantors for contract work	23	**193,581**	155,404
Amount due from a related company	29	**—**	60,238
Amount due from an investee	30	**59,500**	—
Available-for-sale investment	24	**—**	44,152
Interest in an associate	25	**93,178**	78,775
Deposits paid for construction of infrastructure in service concession arrangements	26	**179,299**	152,890
		545,180	531,585
Current assets			
Inventories	27	**—**	27,225
Trade receivables	28(a)	**31,986**	105,188
Deposits, prepayments and other receivables	28(b)	**48,064**	76,319
Prepaid lease payments	22	**52**	50
Amount due from a related company	29	**—**	58,466
Amount due from an associate	31	**980**	2,948
Pledged bank deposits	32	**—**	3,538
Bank balances and cash	32	**54,859**	34,280
		135,941	308,014
Current liabilities			
Trade payables	33(a)	**31,958**	30,297
Other payables and accruals	33(b)	**206,908**	129,720
Amount due to a shareholder	34	**2,366**	—
Taxation payable		**18,069**	17,560
Obligations under finance leases — due within one year	35	**17**	593
Borrowings	36	**52,250**	67,689
Bank overdrafts	36	**—**	2
		311,568	245,861
Net current (liabilities) assets		**(175,627)**	62,153
Total assets less current liabilities		**369,553**	593,738

At 31 December 2011

	NOTES	2011 *HK$'000*	2010 *HK$'000*
Non-current liabilities			
Obligations under finance leases			
— due after one year	35	**44**	61
Convertible notes	37	**132,279**	251,730
Convertible bonds	40	**155,083**	133,867
Embedded derivatives	40	**8,460**	11,701
Promissory notes	38	**—**	96,757
Deferred consideration payable	39	**—**	461
Deferred tax liabilities	41	**10,957**	27,682
		306,823	522,259
		62,730	71,479
Capital and reserves			
Share capital	42	**155,188**	101,053
Reserves		**(73,750)**	(32,906)
Equity attributable to owners of the Company		**81,438**	68,147
Non-controlling interests		**(18,708)**	3,332
		62,730	71,479

The consolidated financial statements on pages 32 to 123 were approved and authorised for issue by the board of directors on 23 March 2012 and are signed on its behalf by:

DIRECTOR *DIRECTOR*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2011

	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$'000 (Note c)	Convertible notes equity reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2010	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 42(a))	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
Loss for the year	—	—	—	—	—	—	—	—	(325,504)	(325,504)	(21,629)	(347,133)
Exchange differences arising on translation of foreign operations	—	—	—	—	6,239	—	—	—	—	6,239	(411)	5,828
Exchange differences arising from an associate on translation of foreign operations	—	—	—	—	3,971	—	—	—	—	3,971	—	3,971
Total comprehensive expense for the year	—	—	—	—	10,210	—	—	—	(325,504)	(315,294)	(22,040)	(337,334)
Issue of shares (Note 42(d))	20,202	60,607	—	—	—	—	—	—	—	80,809	—	80,809
Issue of shares upon redemption of promissory notes (Note 42(e))	6,933	15,252	—	—	—	—	—	—	—	22,185	—	22,185
Share issuance expenses	—	(2,329)	—	—	—	—	—	—	—	(2,329)	—	(2,329)
Issue of shares upon conversion of convertible notes (Note 42(f))	27,000	416,190	—	—	—	—	—	(228,664)	—	214,526	—	214,526
Deferred tax transferred upon conversion of convertible notes	—	—	—	—	—	—	—	13,394	—	13,394	—	13,394
At 31 December 2011	155,188	1,443,637	—	—	71,957	2,083	29,677	174,156	(1,795,260)	81,438	(18,708)	62,730

For the year ended 31 December 2011

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.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2011

	NOTES	2011 HK$'000	2010 HK$'000
OPERATING ACTIVITIES			
Loss for the year		**(347,133)**	(780,996)
Adjustments for:			
Income tax credit		**(3,914)**	(8,776)
Depreciation of property, plant and equipment		**3,762**	16,926
Amortisation of prepaid lease payments		**52**	1,417
Provision for expected losses in relation to service concession arrangements		**35,287**	34,355
Share-based payment expense		**—**	2,321
Finance costs		**60,226**	93,814
Gain on redemption of promissory notes by issue of ordinary shares of the Company		**(15,564)**	—
Interest income		**(11,708)**	(10,406)
Effective interest income on amount due from an investee		**(4,726)**	—
Gain on disposal of subsidiaries	44	**—**	(38,627)
Impairment loss (reversal of impairment loss) recognised in respect of trade receivables		**94,046**	(5,251)
Impairment loss recognised in respect of deposits, prepayments and other receivables		**49,429**	85,404
Reversal of allowance for inventories		**—**	(35,037)
Share of results of an associate		**(11,358)**	(1,675)
Change in fair value of financial assets at fair value through profit and loss		**—**	165
Gain on fair value change of embedded derivatives		**(3,241)**	(23,896)
(Gain) loss on disposal of property, plant and equipment		**(6,220)**	947
Amortisation of intangible assets		**1,468**	1,468
Impairment loss on goodwill		**—**	415,913
Impairment loss on property, plant and equipment		**—**	38,562
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	33(b)	**27,410**	36,610
Gain on bargain purchase of a subsidiary	43	**—**	(2,020)
Net unrealised exchange (gain) loss		**(8,626)**	39,981
Impairment loss recognised in respect of available-for-sale investment		**56,844**	—

For the year ended 31 December 2011

	NOTES	2011 HK$'000	2010 HK$'000
Operating cash flows before movements in working capital		**(83,966)**	(109,273)
Decrease in inventories		**28,502**	199,124
Decrease (increase) in trade receivables		**38,050**	(372,904)
Increase in deposits, prepayments and other receivables		**(19,356)**	(152,307)
Decrease in amounts due from jointly controlled entities		**—**	11,634
Decrease in amount due from a former jointly controlled entity		**—**	405
Increase in amounts due from related companies/ an investee		**(4,402)**	(57,705)
Increase (decrease) in trade payables		**952**	(44,361)
Increase in other payables and accruals		**11,664**	125,539
Increase in amount due to a shareholder		**2,366**	—
Decrease in amounts due to related companies		**—**	(14,880)
Decrease in amounts due to joint venturers of jointly controlled entities		**—**	(10,582)
Decrease in amount due to a jointly controlled entity		**—**	(27,084)
Cash used in operations		**(26,190)**	(452,394)
Hong Kong Profits Tax paid		**—**	411
Tax paid for other jurisdictions		**(63)**	(1,907)
NET CASH USED IN OPERATING ACTIVITIES		**(26,253)**	(453,890)
INVESTING ACTIVITIES			
Deposits paid to contractors for construction of infrastructure in service concession arrangements		**(41,160)**	(96,765)
Purchase of property, plant and equipment		**(2,256)**	(48,349)
Proceeds on disposal of property, plant and equipment		**24,696**	547
Decrease (increase) in pledged bank deposits		**3,538**	(27,136)
Decrease (increase) in amount due from an associate		**2,106**	(2,948)
Dividend received from an associate		**926**	—
Interest received		**230**	4,442
Increase in amount due from a related company		**—**	(36,333)
Disposal of subsidiaries	44	**—**	14,489
Decrease in bank deposits with original maturity of more than three months		**—**	96,536
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	43	**—**	5,928
NET CASH USED IN INVESTING ACTIVITIES		**(11,920)**	(25,086)

CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

For the year ended 31 December 2011

	2011 HK$'000	2010 HK$'000
FINANCING ACTIVITIES		
Proceeds from issue of ordinary shares	**80,809**	250,632
Repayment of borrowings	**(17,689)**	(545,231)
Interest paid	**(3,404)**	(23,864)
Share issuance expenses	**(2,329)**	(11,460)
Repayment of obligations under finance leases	**(593)**	(782)
New borrowings raised	**—**	561,148
Issue of convertible bonds	**—**	156,000
NET CASH FROM FINANCING ACTIVITIES	**56,794**	386,443
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**18,621**	(92,533)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**1,960**	3,933
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**34,278**	122,878
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**54,859**	34,278
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	**54,859**	34,280
Bank overdrafts	**—**	(2)
	54,859	34,278

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 the 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 are the trading of apparel and accessories and waste treatment and waste-to-energy business. The Group was also engaged in the manufacture of apparel and accessories which was discontinued in 2010 (see Note 13).

In preparing the consolidated financial statements, the directors of the Company have assessed the liquidity position and going concern of the Group in light of the fact that the Group incurred a loss of approximately HK$347,133,000 for the year ended 31 December 2011 and had net current liabilities of approximately HK$175,627,000 as at 31 December 2011. The directors of the Company are satisfied that the Group will have sufficient financial resources to meet its financial obligations including the capital commitment and other commitment as disclosed in Notes 48 and 49 respectively as they fall due in the foreseeable future for the following reasons.

A substantial shareholder, Beijing Capital (Hong Kong) Limited ("Beijing Capital HK"), a wholly owned subsidiary of a listed company in the People Republic of China ("PRC"), Beijing Capital Co., Ltd., has granted the Group a three-year term facility of RMB300,000,000 (approximately HK$370,370,000) in December 2011. The facility has not yet been drawn down at the end of the reporting period.

In August 2011, a bank in the PRC has granted a subsidiary of the Company a facility of RMB305,000,000 (approximately HK$376,543,000) solely for one of the service concession arrangement projects which was secured by the underlying assets of the service concession arrangements of that subsidiary and guaranteed by the Company and a subsidiary of the Company. The facility has not yet been drawn down at the end of the reporting period.

As further described in Note 56, the Group disposed of Hembly Garment Manufacturing Limited ("Hembly Garment") for a consideration of HK$12,000,000 in February 2012.

In addition, the Group entered into a supplemental agreement with Simple Success Investments Limited ("Simple Success"), a substantial shareholder of the Company, in January 2012 for the extension of the fixed-rate borrowing of HK$52,250,000 that was originally due in December 2012 for at least another eighteen months.

Accordingly, the consolidated financial statements for the year ended 31 December 2011 have been prepared on a going concern basis.

The functional currency of the Company is Renminbi ("RMB"), the currency of the primary economic environment in which the principal subsidiaries of the Company operates. As the Company is a listed entity on the Stock Exchange, the consolidated financial statements are presented in Hong Kong dollars ("HK$") for the convenience of the readers.

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

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

Amendments to HKFRSs	Improvements to HKFRSs issued in 2010
HKAS 24 (as revised in 2009)	Related Party Disclosures
Amendments to HKAS 32	Classification of Rights Issues
Amendments to HK(IFRIC)-Int 14	Prepayments of a Minimum Funding Requirement
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments

The application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and revised HKFRSs issued but not yet effective

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

Amendments to HKFRS 7	Disclosures — Transfers of Financial Assets[1]
Amendments to HKFRS 7	Disclosures — Offsetting Financial Assets and Financial Liabilities[2]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[5]
Amendments to HKAS 12	Deferred Tax — Recovery of Underlying Assets[4]
HKAS 19 (as revised in 2011)	Employee Benefits[2]
HKAS 27 (as revised in 2011)	Separate Financial Statements[2]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[6]
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine[2]

[1] Effective for annual periods beginning on or after 1 July 2011.
[2] Effective for annual periods beginning on or after 1 January 2013.
[3] Effective for annual periods beginning on or after 1 January 2015.
[4] Effective for annual periods beginning on or after 1 January 2012.
[5] Effective for annual periods beginning on or after 1 July 2012.
[6] Effective for annual periods beginning on or after 1 January 2014.

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

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these standards are described below:

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements and HK (SIC)-Int 12 *Consolidation — Special Purpose Entities*. HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

These five standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

The directors anticipated that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013. The directors have not yet performed a detailed analysis of the impact of the application of these five standards and hence have not yet quantified the extent of the impact.

HKFRS 13 Fair Value Measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 *Financial Instruments: Disclosures* will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipated that HKFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013. The directors are currently evaluating the impact of the adoption of this standard on its financial statements. Such impact will be disclosed in the future consolidated financial statements of the Group upon completion of the assessment.

The directors anticipate that the application of the other new and revised HKFRSs issued but not yet effective will have no material effect on results and financial position of the Group.

For the year ended 31 December 2011

3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values, as explained in the accounting policies set out below. 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 (effective from 1 January 2010 onwards).

Changes in the Group's ownership interests in existing subsidiaries

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)*

When the Group loses control of a subsidiary, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognise as a gain or loss in profit or loss attributable to the Group. When assets of the subsidiary are carried 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 accumulated losses as specified by applicable HKFRSs). 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.

Business combinations

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

- 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations *(Continued)*

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.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in associates *(Continued)*

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.

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.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate 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, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Consultancy fee income are recognised when services are rendered.

For the year ended 31 December 2011

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

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.

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 leasehold land and 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, if any.

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:

Buildings	Shorter of useful life of 25 years 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. 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 assets, commences when the assets are ready for their intended use.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment *(Continued)*

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

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

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 lease payments are recognised as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

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, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

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, 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.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

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.

Current and 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 current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

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. HK$) 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 under the heading of 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 and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

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 investments.

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, amounts due from grantors for contract work, amounts due from related companies, an investee and an associate, pledged bank deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of 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 fair value through profit or loss, loans and receivables or held-to-maturity investments.

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 of financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

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

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contracts, such as 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets *(Continued)*

For certain categories of financial asset, such as trade receivables, that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 7 to 90 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of impairment loss recognised is 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 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 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, an investee 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, an investee 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.

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.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with 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. Equity instruments issued by the Company are recognised at the proceeds received net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees, points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

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 the end of reporting period, 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 Binomial 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 in accordance with the substance of the contractual arrangements and the definitions of a financial liability and equity instrument. 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 containing a liability and an equity component

Convertible Notes issued that contain both a liability and a conversion option component are classified separately into respective items on initial recognition in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity *(Continued)*

Convertible notes containing a liability component and a conversion option derivative

Convertible Notes issued by the Company that contain both a liability and a conversion option component are classified separately into respective items on initial recognition. A 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 Company's own equity instruments is a conversion option derivative. At the date of issue, both the liability and conversion option components are recognised at fair value.

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

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

Other financial liabilities

Other financial liabilities including trade payables, other payables, amount due to a shareholder, promissory notes, obligations under finance leases, bank overdrafts, borrowings and deferred consideration payable are subsequently measured at amortised cost, using the effective interest method.

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.

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.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of obligation under the contract, as determined in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the revenue recognition policy.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Derecognition

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

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 cost 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. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effective of any changes in estimate being accounting for on a prospective basis (see the accounting policy in respect of impairment losses on tangible and intangible assets below), at the following rate per annum:

Technology know-how	5 to 10 years

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Service concession arrangements *(Continued)*

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 the 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. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

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, such that the cumulative expense reflects the revised estimate 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.

For the year ended 31 December 2011

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payment transactions *(Continued)*

Equity-settled share-based payment transactions (Continued)

Share options granted to directors and employees (Continued)

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 accumulated losses.

4. KEY SOURCE OF ESTIMATION UNCERTAINTY

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.

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 2011, the carrying amount of trade receivables is approximately HK$31,986,000 (2010: HK$105,188,000). An impairment loss of HK$97,305,000 was recognised in the profit or loss during the year 31 December 2011 (2010: HK$1,380,000).

4. KEY SOURCE OF ESTIMATION UNCERTAINTY *(Continued)*

Key sources of estimation uncertainty *(Continued)*

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 2011, the carrying amount of deposits, prepayments and other receivables is approximately HK$48,064,000 (2010: HK$76,319,000). An impairment loss of HK$49,429,000 was recognised in the profit or loss during the year 31 December 2011 (2010: HK$53,189,000).

Estimated impairment of amounts due from related companies/an investee

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 2011, the carrying amount of amount due from an investee is approximately HK$59,500,000. As at 31 December 2010, the carrying amount of amount due from related companies is approximately HK$118,704,000.

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 was fully impaired. Impairment loss on goodwill of approximately HK$415,913,000 was recognised in the profit or loss 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 ("CGUs") 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.

As at 31 December 2011, the carrying amount of property, plant and equipment is approximately HK$13,522,000 (2010: HK$32,610,000). No impairment loss on property, plant and equipment was recognised in the consolidated statement of comprehensive income during the year ended 31 December 2011 (2010: approximately HK$38,562,000).

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 35, 36, 37, 38 and 40, respectively, net of cash and cash equivalents, and equity attributable to owners of the Company, comprising issued share capital, reserves and accumulated losses.

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

	2011	2010
	HK$'000	*HK$'000*
Financial assets		
Loans and receivables		
(including cash and cash equivalents)	**350,230**	425,862
Available-for-sale investment	**—**	44,152
Financial liabilities		
Amortised cost	**383,090**	641,124
Embedded derivatives	**8,460**	11,701

6b. Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, other receivables, available-for-sale investment, amounts due from grantors for contract work, pledged bank deposits, bank balances and cash, amounts due from an investee, an associate and related companies, trade payables, other payables, amount due to a shareholder, convertible notes, deferred consideration payable, convertible bonds, embedded derivatives, promissory notes, obligations under finance leases, borrowings and bank overdrafts. Details of these financial instruments are disclosed in their respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk

Currency risk

Several subsidiaries of the Company have foreign currency sales and purchases, and certain trade receivables and trade payables of the Group are denominated in HK$, United States Dollars ("USD") and Euro ("EUR"), which expose the Group to foreign currency risk. Approximately 33% (2010: 15%) of the sales of the Group are denominated in currencies other than functional currencies of the group entity making the sale, whilst almost 14% (2010: 14%) of the 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:

	2011	2010
	HK$'000	*HK$'000*
Assets		
HK$	**52,574**	11,838
EUR	**210**	194
USD	**—**	58,632
Liabilities		
HK$	**391,754**	642,480
EUR	**274**	4,698
USD	**6,177**	9,789

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% (2010: 7%) increase and decrease in HK$, USD and EUR against RMB. 7% (2010: 7%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 7% (2010: 7%) change in foreign currency rates. A positive number below indicates an increase in loss of the Group where HK$, USD and EUR strengthen 7% (2010: 7%) against RMB. For a 7% (2010: 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.

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk (Continued)

Currency risk (Continued)

Sensitivity analysis (Continued)

	HK$		EUR		USD	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Increase (decrease) in loss (i)	**23,743**	44,145	**4**	315	**432**	(3,419)

(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 32, 36, 37, 38 and 40 for details of these borrowings). The Group currently does not enter into any hedging instruments for fair value interest rate risk.

At 31 December 2011, 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 is exposed to cash flow interest rate risk in relation to RMB bank balances and variable-rate borrowings (see Notes 32 and 36). It is the Group's policy to keep its borrowing at floating rate of interests so as to minimise the fair value interest rate risk. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of RMB bank interest rate arising from the Group's RMB bank balances and RMB Benchmark Loan Rate arising from the Group's RMB denominated borrowings.

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 2011, 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$150,000 (2010: HK$88,000).

Other price risk

The Group is exposed to equity price risk through its unlisted available-for-sale investment, as disclosed in Note 24. However, as the fair value of the unlisted available-for-sale investment cannot be determined reliably, it is stated at cost less accumulated impairment and is excluded from the sensitivity analysis.

Credit risk

As at 31 December 2011, 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.

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Credit risk *(Continued)*

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 being closely monitored.

The Group has been largely dependent on a small number of customers for a substantial portion of its business. The largest two (2010: five) customers, 南京寧藝服飾有限公司 ("南京寧藝") included in the reportable segment of trading of apparel and accessories and 北京市大興區政府採購中心 ("北京大興") included in the reportable segment of waste treatment and waste-to-energy accounted for a total of 99.2% (2010: 99.9%) of the Group's trade receivables amounting to approximately HK$31,718,000 as at 31 December 2011 (2010: approximately HK$105,137,000). The Group considers the credit risk is satisfactory as 北京大興 is a government authority in the PRC and the balance of 南京寧藝 owing to a wholly owned subsidiary, Hembly Garment, is recovered indirectly by the Group through the disposal of Hembly Garment after the end of reporting period as disclosed in Note 56. Impairment losses of approximately HK$97,305,000 on trade receivables from other customers were recognised for the year ended 31 December 2011 (2010: approximately HK$1,380,000). The failure of any of the customers of the Group 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, (2010: 99% and 1%, respectively) of the total trade receivables as at 31 December 2011.

The Group has concentration of credit risk in amounts due from grantors for contract work of approximately HK$193,581,000 (2010: HK$155,404,000) as at 31 December 2011 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 in the PRC with a high reputation.

The Group's concentration of credit risk also arises from amount due from an investee amounting to approximately HK$59,500,000 as at 31 December 2011. The Group considers the risk as satisfactory as there is continuing review of the financial position of the investee by the management of the Group.

The Group's concentration of credit risk also arose from amounts due from related companies, in which a director of the Company had beneficial interest, amounting to approximately HK$118,704,000 as at 31 December 2010. The Group considered the risk as satisfactory as there was continuing trade and settlement with the related companies.

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Credit risk (Continued)

The Group also has concentration of credit risk in deposits paid for construction of infrastructure in service concession arrangements of approximately HK$179,299,000 (2010: HK$152,890,000) as at 31 December 2011 representing advance payments to suppliers for purchase of materials and equipment, which the projects are in progress during the year ended 31 December 2011 for the construction of waste treatment and waste-to-energy plants in the PRC under service concession arrangements. If there is any foreseeable delay of the project, the Group and the suppliers should report the progress of the project to each other in accordance to contractual terms. The Group considers the credit risk is satisfactory as the Group has regularly communicated with the suppliers about the status of the projects and the projects are in progress with utilisation of the deposit paid during the year ended 31 December 2011 and 2010.

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

Liquidity risk

The Company has net current liabilities of approximately HK$175,627,000 (2010: net current assets of approximately HK$62,153,000). The Company is exposed to liability risk if it is not able to raise sufficient funds to meet its obligations. In the management of liquidity risk, the Company obtains financial support from its shareholders, disposed of various subsidiaries and maintains a level of bank balances deemed adequate by the management to finance the Company's operation and mitigate the effects of fluctuation of cash flows (See Note 1).

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*
2011								
Trade and other payables	—	30,379	9,601	1,071	—	—	41,051	41,051
Amount due to a shareholder	—	2,366	—	—	—	—	2,366	2,366
Convertible notes (Note)	13.699%	—	—	—	—	193,000	193,000	132,279
Convertible bonds including embedded derivatives (Note)	15.849%	—	—	—	—	156,000	156,000	163,543
Obligations under finance leases	3.2%	—	4	14	45	—	63	61
Financial guarantee contract	—	22,716	—	—	—	—	22,716	—
Borrowings — Fixed rate	4%	—	—	54,340	—	—	54,340	52,250
		55,461	9,605	55,425	45	349,000	469,536	391,550

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	Less than 3 months	3 months to 1 year	1 to 2 years	2 to 5 years	Total undiscounted cash flows	Carrying amount
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*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 including embedded derivatives (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

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.

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 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 binomial 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.

	2011		2010	
	Carrying amount	**Fair value**	Carrying amount	Fair value
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Financial liabilities				
Liability component of convertible bonds	**155,083**	**171,213**	133,867	150,317
Liability component of convertible notes	**132,279**	**137,264**	251,730	268,973
Promissory notes	**n/a**	**n/a**	96,757	100,679

6. FINANCIAL INSTRUMENTS *(Continued)*

6c. Fair value *(Continued)*

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

	31 December 2011	31 December 2010
Convertible Bonds I as described in Note 40	**12.38%**	12.73%
Convertible Notes I as described in Note 37	**12.26%**	11.79%
Promissory notes	**n/a**	11.39%–11.79%

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).

	2011 Level 3 *HK$'000*
Convertible bonds	
Embedded derivatives	**8,460**

	2010 Level 3 *HK$'000*
Convertible bonds	
Embedded derivatives	11,701

6. FINANCIAL INSTRUMENTS *(Continued)*

6c. Fair value *(Continued)*

There were no financial instrument classified in Level 1 and 2 as at 31 December 2011 and 2010.

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
Gain on fair value change recognised in profit or loss	(3,241)
At 31 December 2011	8,460

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.

	2011 ***HK$'000***	2010 *HK$'000*
Continuing operations		
Trading of apparel and accessories	**28,854**	143,601
Provision of construction service under service concession arrangements	**19,857**	34,507
Sales of waste-to-energy machines	**—**	17,125
Consultancy fee income	**290**	—
	49,001	195,233

For the year ended 31 December 2011

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 in prior years. This operation was discontinued during the year ended 31 December 2010. The segment information does not include any amounts for this discontinued operation, which are described in more details in Note 13.

Segment revenue and results

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

For the year ended 31 December 2011

	Trading of apparel and accessories *HK$'000*	Waste treatment and waste-to-energy business *HK$'000*	Total *HK$'000*
SEGMENT REVENUE			
External sales	28,854	20,147	49,001
RESULT			
Segment loss	(163,030)	(135,056)	(298,086)
Unallocated income			15,794
Unallocated expense			(11,770)
Gain on fair value change of embedded derivatives			3,241
Finance costs			(60,226)
Loss before tax			(351,047)

8. SEGMENT INFORMATION *(Continued)*

Segment revenue and results *(Continued)*

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)

There is no inter-segment sale for the year ended 31 December 2011 and 2010.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 3. Segment loss represents the loss from each segment without allocation of bank interest income, central administration costs, directors' salaries, gain on disposal of subsidiaries, gain on fair value change of embedded derivatives and finance costs. 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 2011

	Trading of apparel and accessories *HK$'000*	Waste treatment and waste-to-energy business *HK$'000*	Total *HK$'000*
ASSETS			
Amounts due from grantors for contract work	—	193,581	193,581
Amount due from an investee	—	59,500	59,500
Interest in an associate	—	93,178	93,178
Deposits paid for construction of infrastructure in service concession arrangements	—	179,299	179,299
Trade receivables	24,631	7,355	31,986
Deposits, prepayments and other receivables	5,016	40,424	45,440
Others	453	19,953	20,406
Segment assets (Note)	30,100	593,290	623,390
Bank balances and cash			54,859
Other unallocated assets			2,872
Consolidated assets			681,121
LIABILITIES			
Segment liabilities	16,929	214,218	231,147
Borrowings			52,250
Convertible notes			132,279
Convertible bonds			155,083
Embedded derivatives			8,460
Obligations under finance leases			61
Taxation payable			18,069
Deferred tax liabilities			10,957
Other unallocated liabilities			10,085
Consolidated liabilities			618,391

8. SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities *(Continued)*

As at 31 December 2011 (Continued)

Note: Segment losses in the reportable segments of trading of apparel and accessories and waste treatment and waste-to-energy business were resulted for the year ended 31 December 2011 and 2010. The management considered that:

- the assets in the reportable segment of trading of apparel and accessories as at 31 December 2011 are recoverable through the disposal of a subsidiary in this segment, Hembly Garment, as disclosed in Note 56 and;
- the impairment assessment on the segment assets in the reportable segment of waste treatment and waste-to-energy business as at 31 December 2011 was performed and disclosed in corresponding notes.

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			
Amounts due from grantors for contract work	—	155,404	155,404
Amounts due from related companies	58,466	60,238	118,704
Available-for-sale investment	—	44,152	44,152
Interest in an associate	—	78,775	78,775
Deposits paid for construction of infrastructure in service concession arrangements	—	152,890	152,890
Inventories	27,225	—	27,225
Trade receivables	96,249	8,939	105,188
Deposits, prepayments and other receivables	3,963	69,553	73,516
Others	2,359	39,932	42,291
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

For the year ended 31 December 2011

8. SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities *(Continued)*

As at 31 December 2010 *(Continued)*

Continuing operations *(Continued)*

	Trading of apparel and accessories *HK$'000*	Waste treatment and waste-to-energy business *HK$'000*	Total *HK$'000*
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

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

- all assets are allocated to reportable segments other than pledged bank deposits, 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, obligations under finance leases, convertible bonds, embedded derivatives, promissory notes, convertible notes, deferred consideration payable and liabilities for which reportable segments are jointly liable.

8. SEGMENT INFORMATION *(Continued)*

Other segment information

For the year ended 31 December 2011

	Trading of apparel and accessories *HK$'000*	Waste treatment and waste-to-energy business *HK$'000*	Total *HK$'000*
Capital additions (Note)	139	2,117	2,256
Amortisation of prepaid lease payments	—	52	52
Amortisation of intangible assets	—	1,468	1,468
Depreciation of property, plant and equipment	1,546	2,216	3,762
Loss (gain) on disposal of property, plant and equipment	498	(6,718)	(6,220)
Impairment loss on trade receivables, net of reversal of impairment loss	94,046	—	94,046
Impairment loss on deposits, prepayments and other receivables	26,115	23,314	49,429
Provision for penalty charges in relation to construction of waste-to-energy plant	—	27,410	27,410
Provision for expected losses in relation to service concession arrangements	—	35,287	35,287

For the year ended 31 December 2011

8. SEGMENT INFORMATION *(Continued)*

Other segment information *(Continued)*

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 penalty charges in relation to construction of waste-to-energy plant	—	36,610	36,610
Provision for expected losses in relation to service concession arrangements	—	53,025	53,025
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

Note: Capital additions included additions to property, plant and equipment for the year ended 31 December 2011 and included additions to goodwill, property, plant and equipment, prepaid lease payments and intangible assets for the year ended 31 December 2010.

Geographical information

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

8. SEGMENT INFORMATION *(Continued)*

Other segment information *(Continued)*

For the year ended 31 December 2010 *(Continued)*

Continuing operations (Continued)

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	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Continuing operations				
Europe				
Italy	**16,341**	57,084	**—**	—
Other European countries	**—**	6,375	**—**	—
The PRC (country of domicile)	**32,660**	131,774	**291,397**	269,143
Hong Kong	**—**	—	**702**	2,648
	49,001	195,233	**292,099**	271,791

Note: Non-current assets excluded those relating to the discontinued operations and financial instruments.

Information about major customers

During the year ended 31 December 2011, revenue from government authorities contributing over 10% of the total sales of the Group amounted to approximately HK$19,857,000 (2010: HK$34,507,000) is attributable to the reportable segment of waste treatment and waste-to-energy business.

During the year ended 31 December 2011, revenue from two customers, 南京寧藝 and Sergio Tacchini International S.P.A. ("ST"), contributing over 10% of total sales of the Group amounted to approximately HK$12,513,000 (2010: Nil) and HK$14,029,000 (2010: HK$79,627,000) respectively are attributable to the reportable segment of trading of apparel and accessories. The trade receivables from ST are fully impaired during the year ended 31 December 2011 as disclosed in Note 28(a).

For the year ended 31 December 2011

9. OTHER INCOME, GAINS AND LOSSES

	2011 *HK$'000*	2010 *HK$'000*
Continuing operations		
Bank interest income	**230**	1,454
Effective interest income on amount due from an investee	**4,726**	—
Interest income on amounts due from grantors for contract work	**11,478**	5,964
Total interest income	**16,434**	7,418
Bad debt recovered	**—**	8,765
Compensation for delay in performing a contract	**—**	(11,494)
Gain on disposal of property, plant and equipment	**6,220**	—
Impairment loss recognised in respect of trade receivables, net of reversal of impairment loss (Note 28a)	**(94,046)**	(1,380)
Impairment loss recognised in respect of deposits, prepayments and other receivables (Note 28b)	**(49,429)**	(53,189)
Impairment loss recognised in respect of available-for-sales investment (Note 24)	**(56,844)**	—
Loss on change in fair value of financial assets at fair value through profit or loss	**—**	(165)
Provision for penalty charges in relation to construction of waste-to-energy plant (Note 23)	**(27,410)**	(36,610)
Gain on redemption of promissory notes by issue of ordinary shares of the Company	**15,564**	—
Sundry income	**11**	640
	(189,500)	(86,015)

10. FINANCE COSTS

	2011 ***HK$'000***	2010 *HK$'000*
Continuing operations		
Interest on:		
Borrowings and overdrafts wholly repayable within five years	**3,391**	11,166
Convertible bonds	**21,216**	13,464
Convertible notes	**24,712**	32,008
Obligations under finance leases	**13**	49
Promissory notes	**10,894**	24,478
	60,226	81,165

11. LOSS BEFORE TAX

	2011 ***HK$'000***	2010 *HK$'000*
Loss before tax has been arrived at after charging (crediting):		
Continuing operations		
Directors' emolument (Note 14)	**5,593**	4,597
Staff costs (excluding directors)		
— other staff costs	**18,321**	22,205
— share-based payments	**—**	2,177
— retirement benefit scheme contribution	**2,711**	3,533
	21,032	27,915
Auditors' remuneration	**4,564**	3,480
Cost of inventories recognised as an expense	**56,831**	130,589
Contract cost recognised for waste treatment business	**19,857**	69,938
Depreciation of property, plant and equipment	**3,762**	5,997
Amortisation of prepaid lease payments	**52**	49
Amortisation of intangible assets	**1,468**	1,468
(Gain) loss on disposal of property, plant and equipment	**(6,220)**	620
Net exchange (gain) loss	**(8,626)**	42,257
Reversal of profit recognised in prior years in relation to service concession arrangements (included in cost of sales) (Note 23)	**—**	29,528
Provision for expected losses in relation to service concession arrangements (included in cost of sales) (Note 23)	**35,287**	53,025

For the year ended 31 December 2011

12. INCOME TAX CREDIT

	2011 HK$'000	2010 HK$'000
Continuing operations		
Current income tax:		
Other jurisdictions	**42**	2,599
Deferred tax (Note 41)	**(3,956)**	(14,200)
	(3,914)	(11,601)

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the 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.

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

	2011 HK$'000	2010 HK$'000
Loss before tax (from continuing operations)	**(351,047)**	(748,591)
Tax at the domestic income tax rate of 25%	**(87,762)**	(187,148)
Tax effect of expenses not deductible for tax purpose	**30,024**	168,369
Tax effect of income not taxable for tax purpose	**(14,169)**	(20,885)
Tax effect of tax losses not recognised	**32,060**	27,805
Tax effect of other deductible temporary differences not recognised	**35,869**	258
Others	**64**	—
Tax credit for the year (from continuing operations)	**(3,914)**	(11,601)

Details of deferred taxation and unrecognised temporary difference are disclosed in Note 41.

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, who at that time of the transaction was a director and a substantial shareholder of the Company with significant influence (Note), 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 was satisfied by HK$250 million earnest money received by the Company during the year ended 31 December 2009 and the cancellation of the HK$200 million promissory note payable to Bright King Investments Limited ("Bright King") as detailed in Note 38. Bright King is also beneficially owned by Mr. Ngok Yan Yu.

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 holding 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 44, and subsequently, the Group continued to carry on the trading of apparel and accessories business. The manufacture for sale of apparels and accessories operation is treated as a discontinued operation.

Note: During the current year, Mr. Ngok Yan Yu resigned from his office as a director of the Company on 27 May 2011 and was not key management personnel of the Company as at 31 December 2011. Further, his shareholding in the Company was reduced such that he no longer had significant influence over the Company as at 31 December 2011.

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

	2010 *HK$'000*
Revenue	518,496
Cost of sales	(439,622)
Gross profit	78,874
Other income, gains and losses	(12,920)
Gain from bargain purchase of a subsidiary (Note 43)	2,020
Distribution and selling expenses	(38,814)
Administrative expenses	(19,130)
Impairment loss on property, plant and equipment	(38,562)
Finance costs	(12,649)
Loss before tax	(41,181)
Income tax expense	(2,825)
Loss for the year from discontinued operations	(44,006)

13. DISCONTINUED OPERATIONS *(Continued)*

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

	2010 *HK$'000*
Interest on borrowings and overdrafts	12,219
Interest on loans from joint venturers of jointly controlled entities	430
Total interest expense	12,649
Bank interest income and total interest income	(2,988)
Staff costs	
— other staff costs	17,894
— retirement benefit scheme contribution excluding directors	1,665
	19,559
Auditor's remuneration	
— current year	17
— overprovision in prior year	(74)
Cost of inventories recognised as an expense	439,622
Depreciation of property, plant and equipment	10,929
Amortisation of prepaid lease payments	1,368
Reversal of allowance for inventories	(35,037)
Reversal of impairment loss recognised on trade receivables	(6,631)
Impairment loss recognised on other receivables	20,721
Impairment loss recognised on property, plant and equipment	38,562
Loss on disposal of property, plant and equipment	327
Net exchange loss	4,267

Cash flows from discontinued operations

	2010 *HK$'000*
Net cash outflows from operating activities	(144,805)
Net cash inflows from investing activities	27,011
Net cash inflows from financing activities	41,968
Effect of foreign exchange rate changes	4,460
Net cash outflows	(71,366)

14. DIRECTORS' EMOLUMENTS

	Executive Directors					Independent Non-Executive Directors				Non-Executive Directors					
	Marcello Appella HK$'000	Yu Chang Jian HK$'000 (note f)	Liu Xiao Guang HK$'000 (note f)	Cao Guo Xian HK$'000 (note i)	Tang Zhi Bin HK$'000 (note f)	Chan Tak Yan HK$'000 (note h)	Lo Ming Chi, Charles HK$'000	Pao Ping Wing HK$'000	Kwan Hung Sang, Francis HK$'000	Ngok Yan Yu HK$'000 (note g)	Cheng Kai Tai, Allen HK$'000 (note c)	Lim Jui Kian HK$'000 (note d)	Ng Cheuk Fan, Keith HK$'000 (note e)	Yu Sau Lai HK$'000 (note e)	Total 2011 HK$'000
2011															
Fee	—	—	—	—	—	—	216	216	216	—	150	150	146	146	1,240
Other emoluments															
Salaries and other benefits	460	1,397	233	1,067	—	275	—	—	—	901	—	—	—	—	4,333
Contribution to retirement benefit schemes	—	—	—	—	—	6	—	—	—	5	—	—	5	4	20
Total emoluments	460	1,397	233	1,067	—	281	216	216	216	906	150	150	151	150	5,593

	Executive Directors					Independent Non-Executive Directors				Non-Executive Directors							
	Marcello Appella HK$'000	Yu Chang Jian HK$'000 (note f)	Liu Xiao Guang HK$'000 (note f)	Cao Guo Xian HK$'000 (note i)	Tang Zhi Bin HK$'000 (note f)	Chan Tak Yan HK$'000 (note h)	Lo Ming Chi, Charles HK$'000	Pao Ping Wing HK$'000	Kwan Hung Sang, Francis HK$'000	Ngok Yan Yu HK$'000 (note g)	Cheng Kai Tai, Allen HK$'000 (note c)	Lim Jui Kian HK$'000 (note d)	Ng Cheuk Fan, Keith HK$'000 (note e)	Yu Sau Lai HK$'000 (note e)	Mok Chung Kwan, Stephen HK$'000 (note a)	Ho Chi Hang, Gilbert HK$'000 (note b)	Total 2010 HK$'000
2010																	
Fee	406	—	—	—	—	480	216	216	216	—	148	106	136	136	119	108	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	16	—	—	—	—	—	—	—	—	40	—	—	—	—	—	—	56
Total emoluments	422	—	—	—	—	492	216	216	216	2,272	148	106	141	141	119	108	4,597

Notes:

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

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

(c) Appointed on 6 January 2010.

(d) Appointed on 14 April 2010.

(e) Appointed on 16 August 2010 and resigned on 27 May 2011.

(f) Appointed on 27 May 2011.

(g) Resigned on 27 May 2011.

(h) Resigned on 30 June 2011

(i) Appointed on 4 July 2011.

No director waived or agreed to waive any emoluments for the years ended 31 December 2011 and 2010. 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 2011, no share options (2010: 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 52.

For the year ended 31 December 2011

15. EMPLOYEES' EMOLUMENTS

Of the five highest emoluments in the Group, three (2010: one) were directors of the Company whose emoluments are included in Note 14. The emoluments of the remaining two individuals for the year ended 31 December 2011 (2010: four) were as follows:

	2011	2010
	HK$'000	*HK$'000*
Salaries and other benefits	**1,022**	3,031
Retirement benefits scheme contributions	**12**	43
	1,034	3,074

Their emoluments are within the following bands:

	2011	2010
	Number of employees	Number of employees
Nil to HK$1,000,000	**2**	3
HK$1,000,001 to HK$1,500,000	**—**	1

No employees waived or agreed to waive any emoluments for the years ended 31 December 2011 and 2010. 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, declared or proposed during 2011, nor has any dividend been proposed since the end of the reporting period (2010: 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:

	2011	2010
	HK$'000	*HK$'000*
Loss		
Loss for the year attributable to owners of the Company for the purposes of basic and diluted loss per share	**(325,504)**	(742,303)

17. LOSS PER SHARE *(Continued)*

For continuing and discontinued operations *(Continued)*

	2011 '000 (Note)	2010 '000 (Note)
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**1,255,740**	868,052

Note: The computation of diluted loss per share 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.

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:

	2011 HK$'000	2010 HK$'000
Loss for the year attributable to owners of the Company	**(325,504)**	(742,303)
Add: Loss for the year from discontinued operations	—	44,006
Loss for the purposes of basic and diluted loss per share from continuing operations	**(325,504)**	(698,297)

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 for the year ended 31 December 2010, based on the loss for the year from the discontinued operations of approximately HK$44,006,000 for the year ended 31 December 2010 and the denominators detailed above for both basic and diluted loss per share.

18. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Construction in progress	Leasehold improvement	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
COST							
At 1 January 2010	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
Exchange realignment	887	—	148	—	155	164	1,354
Additions	—	—	2,222	—	34	—	2,256
Disposals	(18,046)	—	(6,241)	(1,467)	(253)	(652)	(26,659)
At 31 December 2011	9,577	—	3,921	—	9,843	5,226	28,567
DEPRECIATION AND IMPAIRMENT							
At 1 January 2010	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
Exchange realignment	112	—	95	—	120	133	460
Provided for the year	708	—	926	—	1,208	920	3,762
Eliminated on disposals	(1,731)	—	(4,284)	(1,467)	(211)	(490)	(8,183)
At 31 December 2011	376	—	1,220	—	8,946	4,503	15,045
CARRYING VALUES							
At 31 December 2011	9,201	—	2,701	—	897	723	13,522
At 31 December 2010	25,449	—	3,309	—	2,078	1,774	32,610

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 was 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 was 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 was 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.

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

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

The carrying values of motor vehicles as at 31 December 2011 included an amount of approximately Nil (2010: HK$745,000) in respect of assets held under finance leases. Also, the carrying values of furniture, fixtures and equipment as at 31 December 2011 included an amount of approximately HK$59,000 in respect of assets held under finance leases (2010: HK$76,000).

19. INTANGIBLE ASSETS

	Technology know-how *HK$'000*
COST	
At 1 January 2010, 31 December 2010 and 31 December 2011	6,848
AMORTISATION AND IMPAIRMENT	
At 1 January 2010	126
Provided for the year	1,468
At 31 December 2010	1,594
Provided for the year	1,468
At 31 December 2011	3,062
CARRYING AMOUNT	
At 31 December 2011	3,786
At 31 December 2010	5,254

The above intangible assets have finite useful lives. Such intangible assets are amortised on a straight-line basis.

20. GOODWILL

	2011 HK$'000	2010 HK$'000
COST		
At 1 January	**1,068,010**	1,068,340
Exchange realignment	**—**	11,523
Disposal of a subsidiary	**—**	(11,853)
At 31 December	**1,068,010**	1,068,010
IMPAIRMENT		
At 1 January	**1,068,010**	645,060
Impairment loss recognised during the year	**—**	415,913
Exchange realignment	**—**	7,037
At 31 December	**1,068,010**	1,068,010
CARRYING AMOUNTS		
At 31 December	**—**	—

Impairment loss of HK$415,913,000 recognised during the year ended 31 December 2010 is detailed in Note 21.

21. IMPAIRMENT TEST ON GOODWILL

In 2010, an impairment loss of HK$415,913,000 comprising HK$229,947,000 on incineration technology and HK$185,966,000 on anaerobic digestion technology was recognised based on the value in use calculation as detailed below.

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% 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, and cash flows beyond the 3-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 was determined based on past performance and management's expectation for the market development.

22. PREPAID LEASE PAYMENTS

	2011 **HK$'000**	2010 *HK$'000*
The Group's prepaid lease payments comprise:		
Medium-term leasehold land in the PRC	**2,366**	2,312
Analysed for reporting purposes as:		
Current asset	**52**	50
Non-current asset	**2,314**	2,262
	2,366	2,312

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

Several subsidiaries of the Company 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.

As at 31 December 2011 and 2010, the Group had two service concession arrangements in the PRC and the major terms of each service concession arrangement are set out as follows:

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

23. AMOUNTS DUE FROM GRANTORS FOR CONTRACT WORK *(Continued)*

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$19,857,000 (2010: HK$34,507,000) by reference to the stage of completion of the construction work. Such construction revenue is recognised as construction services rendered by the Group. Provision for expected losses and penalty charges to profit or loss of approximately HK$35,287,000 (2010: HK$53,025,000) and HK$27,410,000 (2010: HK$36,610,000) were recognised for the year ended 31 December 2011 respectively. During the year ended 31 December 2010, an adjustment of HK$29,528,000 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 in construction services is based on the difference between revenue and budgeted cost to be generated and incurred respectively from the commencement date of construction to the completion of construction of the project. Provision for penalty charge is based on penalty clause stated in the service concession agreement at RMB350,000 per week starting from the original commencement date of operation in January 2009. As at 31 December 2011, the Group is under negotiation with the local government to extend the service concession period of 北京市董村分類綜合處理廠.

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 2011, 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.

24. AVAILABLE-FOR-SALE INVESTMENT

	2011 *HK$'000*	2010 *HK$'000*
COST		
Unlisted securities		
— Equity securities in the PRC (Note)	**34,700**	34,700
— Deemed capital contribution for equity securities in the PRC	**22,144**	9,452
	56,844	44,152
IMPAIRMENT		
At 1 January	**—**	—
Impairment loss recognised during the year	**(56,844)**	—
At 31 December	**—**	—
CARRYING AMOUNTS		
Analysed for reporting purpose as:		
Non-current asset	**—**	44,152

24. AVAILABLE-FOR-SALE INVESTMENT *(Continued)*

Note:

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 2011 and 2010 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 and a related company to the Group as at 31 December 2010, with a carrying amount of HK$34,700,000 as of 31 December 2010 which was acquired on acquisition of Smartview Investment Holdings Limited ("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 上海振環實業總公司, 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.

Mr. Ngok Yan Yu, who was a director and substantial shareholder of the Company with significant influence as at 31 December 2010, has beneficial ownership interests in and significant influence over SH Biomax GEP. Since Mr. Ngok Yan Yu resigned from his directorship of the Company and was not key management personnel of the Group but still hold 9.39% of the Company's share capital as at 31 December 2011. SH Biomax GEP is not considered as a related company to the Group as at 31 December 2011 in accordance with HKAS 24 *Related Party Disclosure*.

As at 31 December 2011, the directors of the Company considered the investment cost is irrecoverable (see Note 30 for the basis of determination), hence impairment loss of investment cost comprising of equity owned by the Group and deemed capital contribution amounting to HK$34,700,000 (2010: Nil) and HK$22,144,000 (2010: Nil) respectively were recognised.

25. INTEREST IN AN ASSOCIATE

	2011 ***HK$'000***	2010 *HK$'000*
Cost of investment in an associate		
— Unlisted	**75,021**	75,021
Share of post-acquisition profits, net of dividend received	**12,107**	1,675
Share of other comprehensive income	**6,050**	2,079
	93,178	78,775

On 8 April 2010, the Group completed the acquisition of a 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 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.

For the year ended 31 December 2011

25. INTEREST IN AN ASSOCIATE *(Continued)*

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

	2011 HK$'000	2010 HK$'000
Total assets	432,226	423,615
Total liabilities	(229,665)	(252,365)
Net assets	202,561	171,250
The Group's share of net assets of an associate	93,178	78,775
Revenue	70,405	67,931
Profit for the year/period	24,691	3,641
The Group's share of profit of an associate for the year/period	11,358	1,675

26. 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 BJ Yiqing Biomax and NC Biomax GE under service concession arrangements as detailed in Note 23.

27. INVENTORIES

	2011 HK$'000	2010 HK$'000
Raw materials	—	27,225

28. TRADE RECEIVABLES AND DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

(a) Trade receivables

	2011 HK$'000	2010 HK$'000
Trade receivables	132,901	110,546
Less: allowance for doubtful debts	(100,915)	(5,358)
	31,986	105,188

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

28. 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.

	2011 HK$'000	2010 HK$'000
0–90 days	24,630	105,188
91–180 days	—	—
181–360 days	—	—
Over 360 days	7,356	—
	31,986	105,188

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 is a debtor, 北京大興, with aggregate carrying amount of approximately HK$7,356,000 (2010: HK$2,220,000) which is past due at the end of the reporting period 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. For customer, 南京寧藝, with balance of HK$24,362,000 as at 31 December 2011 which is neither past due nor impaired, management considered that it is with high credit quality and respective balance is considered recoverable (please refer to credit risk disclosed in Note 6b). The Group does not hold any collateral over these balances.

Trade receivables which are past due but not impaired

	2011 HK$'000	2010 HK$'000
Overdue by:		
1–90 days	—	2,220
91–180 days	—	—
181–360 days	—	—
Over 360 days	7,356	—
Total	7,356	2,220

Movement in the allowance for doubtful debts

	2011 HK$'000	2010 HK$'000
Balance at beginning of the year	5,358	27,429
Exchange realignment	1,511	—
Impairment losses recognised on receivables	97,305	1,380
Impairment losses reversed	(3,259)	(6,631)
Eliminated on disposal of a subsidiary	—	(16,820)
Balance at end of the year	100,915	5,358

28. TRADE RECEIVABLES AND DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES *(Continued)*

(a) Trade receivables *(Continued)*

Trade receivables which are past due but not impaired

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of approximately HK$100,915,000 (2010: HK$5,358,000) 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. During the year ended 31 December 2011, impairment losses on trade receivables (net of reversal of impairment loss) of HK$94,046,000 is recognised in profit or loss due to adverse change in business environment of the customers, including impairment losses of HK$58,659,000 is recognised in respect of trade receivable due from one of the two largest customers of the Group, ST, which is controlled by Mr. Ngok Yan Yu, a former director and substantial shareholder of the Company as at 31 December 2011. The carrying amount of trade receivable of ST after impairment loss recognised is nil as at 31 December 2011 (2010: HK$58,466,000). The remaining impairment losses are related to other customers included in the reportable segment of trading of apparel and accessories.

(b) Deposits, prepayments and other receivables

The amounts mainly represented advances to suppliers of approximately HK$34,072,000 (2010: HK$64,578,000), prepaid profit tax of HK$1,502,000 (2010: Nil), prepaid professional fee of HK$6,520,000 (2010: Nil) and value-added taxes receivable of approximately Nil (2010: HK$2,485,000). During the year ended 31 December 2011, an impairment loss of HK$23,314,000 (2010 HK$26,411,000) was recognised in profit or loss in relation to the prepayments included in reportable segment of waste treatment and waste-to-energy business aged over 360 days. During the year ended 31 December 2011, an impairment loss of HK$26,115,000 (2010: HK$26,778,000) is recognised in profit or loss in relation to the other receivables included in the reportable segment of trading of apparels and accessories due to aging of these receivables is over 360 days.

29. AMOUNTS DUE FROM RELATED COMPANIES

	2011 **HK$'000**	2010 HK$'000
Trade receivables		
ST (note a)	—	58,466
SH Biomax GEP (note b)	—	21,853
	—	80,319
Other receivable		
SH Biomax GEP (note b)	—	38,385
Total	—	118,704
Analysed as		
Current	—	58,466
Non-current	—	60,238
	—	118,704

29. AMOUNTS DUE FROM RELATED COMPANIES *(Continued)*

Notes:

(a) Mr. Ngok Yan Yu, who was a director and substantial shareholder of the Company with significant influence as at 31 December 2010, has controlling interest in ST. During the year, Mr. Ngok Yan Yu resigned from his directorship of the Company on 27 May 2011 and was not key management personnel of the Group but still hold 9.39% of the Company's share capital as at 31 December 2011. Hence, ST is not considered as a related company to the Group as at 31 December 2011 in accordance with HKAS 24 *Related Party Disclosure*. The balance with ST as at 31 December 2011 was therefore included in trade receivables (Note 28 (a)).

(b) Mr. Ngok Yan Yu, who was a director and substantial shareholder of the Company with significant influence as at 31 December 2010, has beneficial ownership interests in and significant influence over SH Biomax GEP. Since Mr. Ngok Yan Yu resigned from his directorship of the Company on 27 May 2011 and was not key management personnel of the Group but still hold 9.39% of the Company's share capital as at 31 December 2011. SH Biomax GEP is not considered as a related company to the Group as at 31 December 2011 in accordance with HKAS 24 *Related Party Disclosure*. These balances with SH Biomax GEP as at 31 December 2011 were therefore included in amount due from an investee (Note 30).

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

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

	2011	2010
	HK$'000	*HK$'000*
0–90 days	—	12,982
91–180 days	—	35,285
181–360 days	—	10,136
Over 360 days	—	21,916
Total	—	80,319

Included in the Group's amounts due from related companies as at 31 December 2010 is aggregate carrying amount of approximately HK$64,083,000 which was past due 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

	2011	2010
	HK$'000	*HK$'000*
Overdue by:		
1–90 days	—	31,217
91–180 days	—	4,844
181–360 days	—	6,130
Over 360 days	—	21,892
Total	—	64,083

30. AMOUNT DUE FROM AN INVESTEE

	2011	2010
	HK$'000	*HK$'000*
Trade receivable		
SH Biomax GEP	**19,548**	—
Other receivable		
SH Biomax GEP	**39,952**	—
Total	**59,500**	—

The trade receivable and other receivable of SH Biomax GEP are reclassified from amount due from a related company (disclosed in Note 29(b)) during the year ended 31 December 2011.

The receivables due from SH Biomax GEP, an available-for-sale investment of the Group, are past due over 2 years (2010: over 1 year) but not impaired. The other receivable due from SH Biomax GEP is unsecured and interest free.

The management of the Group considered that the commencement of operation of SH Biomax GEP will be postponed. Therefore, the directors of the Company assessed the future economic benefit generated from the project reduced. The present value of the future cash flows of SH Biomax GEP has been determined based on the cash flow projections and financial budgets approved by management. It consists of cash flows arising from the operation of waste treatment and waste-to-energy plants and discounted at a rate of 18% (2010: 14%) per annum. Cash flows arising from the operation of waste treatment and waste-to-energy plants are budgeted over the respective concession period granted by the service concession agreement. 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.

In the opinion of the directors, the receivables will not be repayable within 24 months (2010: 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$59,500,000 (2010: HK$60,238,000 included in amounts due from related companies as disclosed in Note 29). The initial fair value adjustment thereon is recognised as deemed investment cost for the available-for-investment in 2011 and 2010 (Note 24).

31. AMOUNT DUE FROM AN ASSOCIATE

The amount as at 31 December 2011 and 2010 are unsecured, interest free and repayable on demand.

32. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

Pledged bank deposits are used to secure the Group's short-term banking facilities and were released during the year ended 31 December 2011. The pledged bank deposits carry average fixed interest rate of 1.98% per annum for the year ended 31 December 2010. The bank balances carried interest at market rates which ranged from 0.001% to 0.4% (2010: 0.001% to 0.36%) per annum.

The Group has bank balances and deposits of approximately HK$27,442,000 (2010: HK$20,344,000) where the remittance of these funds out of the PRC is subject to exchange restrictions imposed by the Government of the PRC.

33. 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:

	2011	2010
	HK$'000	*HK$'000*
0–90 days	**9,601**	12,001
91–180 days	**—**	8,878
181–360 days	**150**	—
Over 360 days	**22,207**	9,418
	31,958	30,297

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$672,000 (2010: HK$2,239,000), accrued professional fee of approximately HK$6,417,000 (2010: approximately HK$4,723,000), business tax payable of approximately HK$4,155,000 (2010: approximately HK$4,065,000), value-added taxes payable of approximately HK$6,171,000 (2010:Nil), provision for expected losses in relation to service concession arrangements of approximately HK$89,421,000 (see Note 23 for the basis of determination) (2010: approximately HK$53,025,000) and provision for penalty charges in relation to construction of waste-to-energy plant of approximately HK$89,877,000 (see Note 23) (2010: HK$57,291,000) 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. The directors of the Company consider the penalty charges will be payable in accordance with the contractual terms when the operation of the waste-to-energy plant commenced. The movement of the provision for expected losses in relation to service concession arrangements and provision for penalty charges in relation to construction of waste-to-energy plant are as follows:

33. TRADE PAYABLES AND OTHER PAYABLES AND ACCRUALS *(Continued)*

(b) Other payables and accruals *(Continued)*

Movement of the provision for expected losses in relation to service concession arrangements:

	2011	2010
	HK$'000	*HK$'000*
Balance at beginning of the year	**53,025**	—
Provision for expected losses recognised	**35,287**	53,025
Exchange realignment	**1,109**	—
Balance at end of the year	**89,421**	53,025

Movement of the provision for penalty charges in relation to construction of waste-to-energy plant:

	2011	2010
	HK$'000	*HK$'000*
Balance at beginning of the year	**57,291**	18,080
Provision for penalty charges recognised	**27,410**	36,610
Exchange realignment	**5,176**	2,601
Balance at end of the year	**89,877**	57,291

34. AMOUNT DUE TO A SHAREHOLDER

The amount is due to Mr. Ngok Yan Yu, a substantial shareholder of the Company as at 31 December 2011.

The amount is unsecured, interest free and repayable on demand.

35. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Amounts payable under finance leases:				
Within one year	**18**	616	**17**	593
More than one year, but not exceeding two years	**45**	61	**44**	61
	63	677	**61**	654
Less: Future finance charges	**(2)**	(23)	**—**	—
Present value of lease obligations	**61**	654	**61**	654
Less: Amounts due for settlement within one year shown under current liabilities			**(17)**	(593)
Amounts due for settlement after one year			**44**	61

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 2011, the average effective borrowing rates were 3.2% (2010: 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.

36. BORROWINGS/BANK OVERDRAFTS

During the year ended 31 December 2011, the Group and Simple Success, a substantial shareholder which holds 17.45% of the Company's share capital as at 31 December 2011, entered into an agreement to transfer the principal amount of a loan and accrued interest, amounting to approximately HK$50,000,000 and HK$2,250,000 respectively, from the lender to Simple Success. Accordingly, as at 31 December 2011, the loan of approximately HK$52,250,000 is owed to Simple Success. The Group repaid approximately HK$17,689,000 to the lender during the year ended 31 December 2011 prior to the transfer of the loan.

During the year ended 31 December 2010, the Group obtained new bank loans of approximately HK$561,148,000 which carry interest at rates ranging from 6.5% to 9% per annum and are payable within one year from draw down date. The Group repaid approximately HK$545,231,000 during the year ended 31 December 2010. The proceeds were used to finance the operation of the Group.

	2011	2010
	HK$'000	*HK$'000*
Borrowings	**52,250**	67,689
Bank overdrafts	**—**	2
	52,250	67,691
Analysed as:		
Secured bank loan	**—**	17,689
Unsecured loan	**52,250**	50,002
	52,250	67,691

Borrowings are repayable within one year at the end of the reporting period for both years.

During the year ended 31 December 2010, the Group's variable-rate borrowings amounted to approximately HK$17,689,000 which carry interest at 120% of 3-year RMB Benchmark Loan Rate and are repayable within one year.

During the year ended 31 December 2011, the Group has no variable-rate borrowings.

36. BORROWINGS/BANK OVERDRAFTS *(Continued)*

The Group's fixed-rate borrowings amounted to approximately HK$52,250,000 (2010: HK$50,000,000) and the contractual maturity dates are as follows:

	2011	2010
	HK$'000	*HK$'000*
Fixed-rate borrowings		
Within one year	**52,250**	50,000

As at 31 December 2010, the Group's variable-rate borrowings of HK$17,689,000 were secured by the assets of the Group as disclosed in Note 46. As at 31 December 2011, no borrowing is secured by any assets.

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

	2011	2010
Effective interest rate		
Fixed-rate borrowings	**4%**	9%
Variable-rate borrowings	**n/a**	6.5%–7.6%

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

	2011	2010
	HK$'000	*HK$'000*
HK$	**52,250**	50,000

As at the end of the reporting period, the Group has the following undrawn borrowing facilities:

	2011	2010
	HK$'000	*HK$'000*
Floating rate		
— expiring within one year	**376,543**	—
Fixed rate		
— expiring beyond one year	**370,370**	—
	746,913	—

For the year ended 31 December 2011

37. 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 and Bright Good Limited ("Bright Good") respectively ("Simple Success Convertible Notes" and "Bright Good Convertible Notes" respectively and collectively referred to as "Convertible Notes I") 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 I on a fully diluted basis. Pursuant to the terms of Convertible Notes I, holders of the Convertible Notes I undertook to the Company that the conversion rights would only be exercised to the extent that the converted shares held by the holders will not trigger a change in control as defined in the Hong Kong Code on Takeovers and Mergers.

The Convertible Notes I bear zero interest and will mature on 10 December 2014, the date on which any outstanding principal amount of the Convertible Notes I shall be redeemed at par if not converted before the maturity date. The Company is not entitled to redeem the Convertible Notes I at any time before the maturity date. Pursuant to the terms of Convertible Notes I, the Convertible Notes I 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 I shall have the right at any time after the issue date of the Convertible Notes I to convert the whole or part of the outstanding principal amount of the Convertible Notes I into ordinary shares of the Company in full board lot of shares or multiples thereof provided that such amounts shall exceed HK$1,000,000 on each conversion, unless the outstanding principal amount is less than HK$1,000,000 and in such event, the entire outstanding principal amount shall be converted.

The conversion price for the Convertible Notes I was adjusted successively to HK$1.19 per share on 13 April 2010, HK$1.18 per share on 14 April 2010 and HK$1.13 per share on 23 May 2011, upon completion of the placing of shares as detailed in Note 42.

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.

During the year ended 31 December 2011, the outstanding Simple Success Convertible Notes was transferred to Beijing Capital HK, a substantial shareholder of the Company which has significant influence over the Company.

37. CONVERTIBLE NOTES *(Continued)*

On 31 October 2011, the Company issued convertible notes with principal amounts of HK$80,500,000 to Best View Enterprises Limited ("Best View") ("Convertible Notes II") to redeem a promissory note with a principal amount of HK$80,500,000 (Note 38). Best View is a substantial shareholder of the Company under the Securities and Futures Ordinance.

The conversion price is HK$1.13 per share, subject to anti-dilutive adjustment, and the initial number of ordinary shares issuable upon conversion of the Convertible Notes II was 71,238,000 shares, which represented 5.05% of the total number of ordinary shares of the Company issued and outstanding as of the issuance date of Convertible Notes II. Pursuant to the terms of Convertible Notes II, holders of the Convertible Notes II undertook to the Company that the conversion rights would only be exercised to the extent that the converted shares held by the holders will not trigger a change in control as defined in the Hong Kong Code on Takeovers and Mergers.

The Convertible Notes II bear zero interest and will mature on 31 December 2012, the date on which any outstanding principal amount of the Convertible Notes II shall be redeemed at par if not converted before the maturity date. The Company is not entitled to redeem the Convertible Notes II at any time before the maturity date. Pursuant to the terms of Convertible Notes II, the Convertible Notes II 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 II shall have the right at any time after the issue date of the Convertible Notes II to convert the whole or part of the outstanding principal amount of the Convertible Notes II into ordinary shares of the Company in full board lot of shares or multiples thereof provided that such amounts shall exceed HK$1,000,000 on each conversion, unless the outstanding principal amount is less than HK$1,000,000 and in such event, the entire outstanding principal amount shall be converted.

The Convertible Notes I 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 for Convertible Notes I is 13.699% per annum. The Convertible Notes II contain the components, liability and conversion option derivative elements. The effective interest rate of the liability component for Convertible Notes II is 13.65% per annum.

During the year ended 31 December 2011, Convertible Notes I with principal amounts of HK$224,600,000 and Convertible Notes II with principal amounts of HK$80,500,000 were converted into 198,760,000 and 71,238,000 ordinary shares of the Company at the conversion price of HK$1.13 per share, respectively.

During the year ended 31 December 2010, Convertible Notes I 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.

37. CONVERTIBLE NOTES *(Continued)*

The movements of the liability component and equity component of Convertible Notes for the year are set out below:

	Convertible Notes I *HK$'000*	Convertible Notes II *HK$'000*	Total *HK$'000*
Liability component			
At 1 January 2010	294,796	—	294,796
Effective interest charged to profit or loss (Note 10)	32,008	—	32,008
Transfer to equity upon conversion	(75,074)	—	(75,074)
At 31 December 2010	251,730	—	251,730
At date of issue	—	70,363	70,363
Effective interest charged to profit or loss (Note 10)	23,979	733	24,712
Transfer to equity upon conversion	(143,430)	(71,096)	(214,526)
At 31 December 2011	132,279	—	132,279
Equity component			
At 1 January 2010	518,895	—	518,895
Transfer to equity on conversion	(139,924)	—	(139,924)
Deferred tax transferred upon conversion of convertible notes	10,455	—	10,455
At 31 December 2010	389,426	—	389,426
Transfer to equity on conversion	(228,664)	—	(228,664)
Deferred tax transferred upon conversion of convertible notes	13,394	—	13,394
At 31 December 2011	174,156	—	174,156

At 31 December 2011, Convertible Notes I with principal amounts of HK$177,000,00 and HK$16,000,000 remained outstanding with Beijing Capital HK and Winner Performance, respectively (2010: HK$401,600,000 and HK$16,000,000 remained outstanding with Simple Success and Winner Performance, respectively).

38. PROMISSORY NOTES

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

(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. The redemption is at par at maturity date. During the year ended 31 December 2011, the outstanding Bright Good Promissory Note was transferred to Best View ("Best View Promissory Note").

(b) a promissory note issued by the Company with a principal amount of HK$55,000,000 to Bright King ("Bright King Promissory Note I"). Bright King is beneficially owned by Mr. Ngok Yan Yu, who at the time of the transaction was a director and substantial shareholder of the Company with significant influence. The Bright King Promissory Note I bears no interest and has a maturity date of 10 December 2014. The redemption is at par at maturity date.

(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 redemption is at par at maturity date.

The fair value of the promissory notes of approximately HK$190,146,000 was included in the purchase consideration of Smartview at the date of acquisition.

During the year ended 31 December 2011, a performance based promissory note was issued by the Group with a principal amount of approximately HK$461,000 to Bright King ("Bright King Promissory Note II") for settlement of the deferred contingent consideration (see Note 39) in relation to the acquisition of Smartview in 2009, based on the net profit after taxation, non-controlling interest and other comprehensive income of Smartview and its subsidiaries ("Smartview Group") for the year ended 31 December 2010. The Bright King Promissory Note II bears no interest and has a maturity date of 5 April 2016. The redemption is at par at maturity date.

As detailed in Note 44, Bright King Subsidiary Promissory Note has been discharged upon the completion of disposal of Full Charm on 30 November 2010.

During the year ended 31 December 2011, Best View Promissory Note was redeemed to convertible note with principal amounts of HK$80,500,000 and Bright King Promissory Note I and Note II were redeemed to 69,326,000 ordinary shares of the Company in total. Gain on redemption of promissory notes to ordinary shares of HK$15,564,000 was resulted.

38. PROMISSORY NOTES *(Continued)*

The movement of the promissory notes for the year is set out below:

	HK$'000
At 1 January 2010	191,533
Effective interest charged to profit or loss (Note 10)	24,478
Discharged upon disposal of a subsidiary (Note 44)	(119,254)
At 31 December 2010	96,757
Effective interest charged to profit or loss (Note 10)	10,894
Issue of promissory note (Note 39)	461
Redemption by transfer to convertible notes (Note 37)	(70,363)
Redemption by issue of shares (Note 42(e))	(37,749)
At 31 December 2011	—

The effective interest rate and the carrying amounts of the promissory notes as at 31 December 2011 and 2010 are as follows:

	Maturity date	**Effective interest rate per annum**	**Carrying amount**	
			2011	2010
			HK$'000	*HK$'000*
Bright Good Promissory Note	10 December 2012	12.895%	—	63,603
Bright King Promissory Note I	10 December 2014	13.699%	—	33,154
			—	96,757

39. DEFERRED CONSIDERATION PAYABLE

The deferred contingent consideration in relation to the acquisition of Smartview 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 other comprehensive income 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 other comprehensive income 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 an 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.

During the year ended 31 December 2011, the Bright King Promissory Note II was issued by the Group with a principal amount of approximately HK$461,000 to Bright King for settlement of the deferred contingent consideration in relation to the acquisition of Smartview in 2009, based on the net profit after taxation, non-controlling interest and other comprehensive income of Smartview Group for the year ended 31 December 2010. The Group entered into redemption deed with Bright King pursuant to which Bright King surrenders the Bright King Promissory Note II to the Group for redemption in consideration of the issue of 576,000 ordinary shares of the Company (see Note 42(e)).

40. CONVERTIBLE BONDS/EMBEDDED DERIVATIVES

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

The Convertible Bonds I 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 I 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 I into ordinary shares of the Company or Smartview at the option of the holder.

The Convertible Bonds I bear zero interest and will mature on 13 April 2015, the date on which the Convertible Bonds I 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 I at the Redemption Amount if at least 90 percent in principal amount of the Convertible Bonds I have already been converted or redeemed.

Pursuant to the terms of the Convertible Bonds I, Waste Resources may request redemption of the Convertible Bonds I 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 I is less than the conversion price of the Company.

The Convertible Bonds I contain two components for accounting purposes: a liability component and an embedded derivative component being the 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 profit or loss.

The conversion price for the Convertible Bonds I was adjusted to HK$2.4 per share on 23 May 2011 upon completion of the placing of shares as detailed in Note 42(d).

40. CONVERTIBLE BONDS/EMBEDDED DERIVATIVES *(Continued)*

The movement of the liability component and embedded derivatives of the Convertible Bonds I 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
Effective interest charged to profit or loss (Note 10)	21,216	—
Gain on fair value change of embedded derivatives	—	(3,241)
At 31 December 2011	155,083	8,460

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 31 December 2010 and 2011 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:

	31 December 2011	31 December 2010
Share price	**HK$0.38**	HK$0.73
Risk-free rate	**0.594%**	1.472%
Time to maturity	**3.29 years**	4.45 years
Dividend yield	**0%**	0%
Volatility	**45.11%**	45.74%

For the year ended 31 December 2011

41. 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	Service convertible arrangements HK$'000	Tax losses HK$'000	Undistributable earnings of PRC subsidiaries and jointly controlled entities HK$'000	Total HK$'000
At 1 January 2010	(237)	(43,105)	(8,794)	237	(1,768)	(53,667)
Exchange realignment	—	—	(438)	—	—	(438)
Acquisition of a subsidiary (Note 43)	—	—	—	—	(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 44)	—	—	—	—	2,603	2,603
At 31 December 2010	(216)	(27,369)	(313)	216	—	(27,682)
Exchange realignment	—	—	(625)	—	—	(625)
Released upon conversion of convertible notes	—	13,394	—	—	—	13,394
Credit to profit or loss	—	3,956	—	—	—	3,956
At 31 December 2011	(216)	(10,019)	(938)	216	—	(10,957)

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:

	2011 ***HK$'000***	2010 *HK$'000*
Deferred tax assets	**—**	—
Deferred tax liabilities	**(10,957)**	(27,682)
	(10,957)	(27,682)

The Group has unused tax losses of approximately HK$314,926,000 (2010: HK$186,687,000) available for offset against future profits. A deferred tax asset has been recognised in respect of tax losses of approximately HK$1,305,000 (2010: HK$1,305,000). No deferred tax asset has been recognised in respect of the remaining tax losses of HK$313,621,000 (2010: HK$185,383,000) due to the unpredictability of future profit streams of the relevant subsidiaries. During the year end 31 December 2010, unused unrecognised tax losses of approximately HK$167,325,000 were released upon disposal of subsidiaries. The tax loss arising from PRC subsidiaries of approximately RMB161,912,000 (2010: RMB57,431,000) can be carried forward for five years and will be expired during 2012 to 2016 (2010: 2011 to 2015). Other tax losses may be carried forward indefinitely.

41. DEFERRED TAXATION *(Continued)*

At the end of the reporting period, the Group has deductible temporary differences of approximately HK$144,855,000 (2010: HK$1,380,000) in respect of impairment loss recognised on trade receivables, deposits, prepayments and other receivables. 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.

42. SHARE CAPITAL

	Number of shares	Amount *HK$'000*
Ordinary shares of HK$0.1 each		
Authorised:		
At 31 December 2010 and 31 December 2011	2,000,000,000	200,000
Issued and fully paid:		
At 1 January 2010	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
Issue of shares under placement	202,022,000	20,202
Issue of shares	69,326,000	6,933
Conversion of convertible notes	269,998,000	27,000
At 31 December 2011	1,551,881,039	155,188

The following changes in the share capital of the Company took place during the years ended 31 December 2011 and 2010:

(a) 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.

(b) 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.

42. SHARE CAPITAL *(Continued)*

(c) 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.

(d) During the year ended 31 December 2011, 202,022,000 ordinary shares of the Company were issued under placement at an issue price of HK$0.4 per share.

(e) During the year ended 31 December 2011, 69,326,000 ordinary shares of the Company were issued to redeem Bright King Promissory Note I and Bright King Promissory Note II with the aggregate carrying amount of HK$37,749,000. The market value of each ordinary share at the time of redemption amounts to HK$0.32. A gain on redemption of promissory notes of HK$15,564,000 is recognised in the current year.

(f) During the year ended 31 December 2011, 198,760,000 and 71,238,000 ordinary shares of the Company were issued upon conversion of Convertible Notes I and Convertible Notes II at the conversion price of HK$1.13 per share.

43. ACQUISITION OF SUBSIDIARIES

On 8 April 2010, the Group acquired an additional 50% of the issued share capital of M.T.T. Limited ("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.

43. ACQUISITION OF SUBSIDIARIES *(Continued)*

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

MTT contributed HK$6,839,000 to the Group's loss for the period between the date of acquisition and 31 December 2010.

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.

43. ACQUISITION OF SUBSIDIARIES *(Continued)*

On 1 November 2010, the Company entered into a formal sale and purchase agreement with STF (China) Limited. 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 31 December 2010.

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.

44. DISPOSAL OF SUBSIDIARIES

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.

44. DISPOSAL OF SUBSIDIARIES *(Continued)*

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. Bright King is beneficially owned by Mr. Ngok Yan Yu. The transaction was approved by independent shareholders at an extraordinary general meeting and completed on 30 November 2010.

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

	Full Charm	Pro-Brilliance	SH Jinshan	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'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)
Gain (loss) 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	(14,516)	(4)	(184)	(14,704)
	(14,516)	(4)	29,009	14,489

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.

For the year ended 31 December 2011

44. DISPOSAL OF SUBSIDIARIES *(Continued)*

The subsidiaries disposed of during the prior 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.

45. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2011, construction revenue of approximately HK$19,857,000 (2010: HK$34,507,000) was recognised in return for amounts due from grantors for contract work.

During the year ended 31 December 2011, the Bright King Promissory Note II was issued by the Group with a principal amount of approximately HK$461,000 to Bright King for settlement of the deferred contingent consideration in relation to the acquisition of Smartview in 2009, based on the net profit after taxation, non-controlling interest and other comprehensive income of Smartview Group for the year ended 31 December 2010.

During the year ended 31 December 2011, 69,326,000 ordinary shares of the Company were issued to redeem Bright King Promissory Note I with a principal amount of HK$55,000,000 and Bright King Promissory Note II with a principal amount of HK$461,000 at an issue price of HK$0.8 per share.

During the year ended 31 December 2011, Convertible Notes I with principal amounts of HK$224,600,000 and Convertible Notes II with principal amounts of HK$80,500,000 were converted into 198,760,000 and 71,238,000 ordinary shares of the Company at the conversion price of HK$1.13 per share, respectively.

During the year ended 31 December 2011, the Group and Simple Success agreed to transfer the accrued interest of approximately HK$2,250,000 to the principal of the borrowing.

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.

46. 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.

	2011 ***HK$'000***	2010 *HK$'000*
Bank deposits	—	3,538
Property, plant and equipment	—	25,457
	—	28,995

The pledged assets were released upon full repayment of the respective borrowings during the year ended 31 December 2011.

47. OPERATING LEASE COMMITMENT

The Group as lessee

	2011	2010
	HK$'000	*HK$'000*
The Group made rental payment for properties under operating lease as follows:		
Minimum lease payments	**2,710**	2,750

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:

	2011	2010
	HK$'000	*HK$'000*
Within one year	**4,469**	1,355
In the second to fifth years	**4,303**	51
	8,772	1,406

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.

48. CAPITAL COMMITMENT

	2011	2010
	HK$'000	*HK$'000*
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of — construction work under service concession arrangements	**449,831**	451,033

49. OTHER COMMITMENT

On 18 October 2011, a subsidiary of the Company entered into a tender agreement with Guangzhou City Management Committee, a governmental authority and acted together with Guangdong Environmental Engineering & Equipment General Corporation to set up a project company with a registered capital of not less than RMB97.87 million which is responsible for building and operating the Guangzhou Likeng Waste Treatment project under a BOT arrangement with a concessionary period of 25 years.

50. CONTINGENT LIABILITIES

At 31 December 2011, the Group provided guarantees of RMB18,400,000 (2010: Nil) to a bank in respect of banking facilities granted to an associate. The directors of the Company consider that the fair value of the financial guarantees at date of inception and at the end of the reporting period is insignificant.

For the year ended 31 December 2011

51. 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 makes monthly contribution 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 percentages 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 2011, the pension scheme contributions made by the Group were approximately HK$2,731,000 (2010: HK$7,602,000).

52. 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 2011, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 15,068,805 (2010: 15,068,805), representing 0.97% (2010: 1.49%) 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 0.1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK$5,000,000 must be approved in advance by the Company's shareholders.

52. SHARE OPTION SCHEME *(Continued)*

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.

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)
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.

For the year ended 31 December 2011

52. SHARE OPTION SCHEME *(Continued)*

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

	Outstanding at 1.1.2011	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31.12.2011
Share options grant date					
18.8.2008	**1,009,956**	—	—	—	**1,009,956**
11.11.2008	**8,849**	—	—	—	**8,849**
6.9.2010	**14,050,000**	—	—	—	**14,050,000**
	15,068,805	—	—	—	**15,068,805**
Exercisable at the end of the year	**15,068,805**				**15,068,805**
Weighted average exercise price	**HK$0.57**	**N/A**	**N/A**	**N/A**	**HK$0.57**

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

	Outstanding at 1.1.2010	Granted during the year	Exercised during the year	Lapsed during the year (Note)	Outstanding at 31.12.2010
Share options grant date					
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

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.

In respect of the share options exercised during the year ended 31 December 2010, the weighted average share price at the dates of exercise and the date immediately before the date of exercise is HK$0.79 and HK$0.78, 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.

52. SHARE OPTION SCHEME *(Continued)*

The fair value was calculated using the Black-Scholes option pricing model. The inputs into the model were as follows:

	Share options grant date 6.9.2010
Share price at date of grant	HK$0.49
Exercise price	HK$0.501
Expected volatility	48.45%
Expected life	5 years
Risk-free rate	0.51%
Expected dividend yield	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 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 Nil (2010: HK$2,321,000) for the year ended 31 December 2011 in relation to share options granted by the Company.

53. RELATED PARTY TRANSACTIONS

During the year, in addition to the transactions and balances disclosed in Notes 29, 30, 31 and 34, the Group entered into the following significant transactions with related parties:

Name of related party	**Nature of transactions**	**2011** ***HK$'000***	2010 *HK$'000*
ST (Note 1)	Sales of apparel	**12,854**	79,627
MTT (Note 2)	Management fee income received	**—**	240
Mountain Experience Betiligungs (Note 3)	Interest expense	**—**	430
Simple Success (Note 4)	Interest expense	**1,045**	—
Beijing Capital HK (Note 5)	Rental expense	**400**	—
SZ Yueneng (Note 6)	Dividend income	**926**	—

53. RELATED PARTY TRANSACTIONS *(Continued)*

Notes:

1. Mr. Ngok Yan Yu, a director and substantial shareholder of the Company as at 31 December 2010, has controlling interest in ST. During the period, Mr. Ngok Yan Yu resigned from his directorship on 27 May 2011 and was not a key management personnel of the Group but still hold 9.39% of the Company's share capital as at 31 December 2011. Hence, ST is not considered as related company to the Group as at 31 December 2011 in accordance with HKAS 24 *Related Party Disclosure*. The balance with ST as at 31 December 2011 is transferred to trade receivables.

2. The Group acquired an additional 50% of the equity interest of MTT in April 2010 and disposed of its entire interest along with the disposal of Full Charm.

3. Mountain Experience Betiligungs is a joint venturer of MTT before the further acquisition of the additional 50% equity interest by the Group on 8 April 2010.

4. Simple Success is a substantial shareholder of the Company.

5. Beijing Capital HK is a substantial shareholder of the Company which has significant influence over the Company.

6. SZ Yueneng is an associate of the Group.

A substantial shareholder, Beijing Capital HK, a wholly owned subsidiary of a listed company in the PRC, Beijing Capital Co., Ltd., has granted the Group a three-year term facility of RMB300,000,000 (approximately HK$370,370,000) in December 2011. The facility is unsecured, interest bearing at 7.8% per annum and has not yet been drawn down at the end of the reporting period.

At 31 December 2010, Mr. Ngok Yan Yu acted as a guarantor and provided a personal guarantee of RMB5,000,000 for a performance guarantee of RMB8,000,000 granted by a bank in favour of local government authority in the PRC for the performance of the service concession agreement of BJ Yiqing Biomax.

54. COMPENSATION OF KEY MANAGEMENT PERSONNEL

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

	2011 *HK$'000*	2010 *HK$'000*
Short-term benefits	**7,067**	2,287
Post-employment benefits	**20**	34
Share-based payments	**—**	143
	7,087	2,464

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

55. PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries at 31 December 2011 and 2010 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 2011	2010	Principal activities
Hembly Garment	Hong Kong	Ordinary shares HK$293,440,000	100%	100%	Investment holding and trading of apparel and accessories
Henghua (Nanjing) Garment Co., Ltd. 恒華(南京)服裝有限公司 (Note a)	PRC	Registered capital RMB19,999,272	100%	100%	Trading of apparel and accessories
Biomax Environmental Technology Limited	Hong Kong	Ordinary shares HK$100	100%	100%	Investment holding
Biomax Environment Technology Germany GmbH (Note b)	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
Nanchang Biomax Green Energy Park Company Limited 南昌百瑪士綠色能源有限公司 (Note b)	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 b)	PRC	Registered capital US$40,000,000	100%	100%	Provision of technical services
Shanghai Environmental Biomax Investment Limited 上海環境百瑪士投資有限公司 (Note b)	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 b)	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 (Note b)	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 b)	PRC	Registered capital US$400,000	100%	100%	Provision of consulting services

Notes:

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

(b) These companies are wholly owned foreign enterprises.

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.

56. EVENT AFTER THE REPORTING PERIOD

(i) On 2 December 2011, the Group entered into a disposal agreement to dispose of the Group's wholly-owned subsidiary, Hembly Garment, which is principally engaged in the trading of apparel and accessories, to an independent third party, for a cash consideration of approximately HK$12,000,000. Details of the disposal agreement are set out in the Company's announcement dated 2 December 2011. The disposal of Hembly Garment is conditional upon, among other things, the approval by shareholders at a general meeting of the Company. The disposal of Hembly Garment has been approved by shareholders at an extraordinary general meeting of the Company on 16 January 2012 and completed on 22 February 2012. During the year ended 31 December 2011, Hembly Garment contributed to the Group's revenue and losses of approximately HK$28,854,000 and HK$163,290,000 respectively (2010: HK$143,601,000 and HK$46,313,000), comprising mainly impairment loss recognised in respect of trade receivable (net of reversal of impairment loss) of HK$94,046,000 (2010: HK$347,000) and impairment loss recognised in respect of deposits, prepayments and other receivables of HK$26,115,000 (2010: HK$26,778,000). The net assets of Hembly Garment are approximately HK$10,754,000 as at 31 December 2011, comprising:

	HK$'000
Property, plant and equipment	454
Trade receivables	24,631
Deposits, prepayments and other receivables	5,016
Amounts due from related parties	26
Bank balances and cash	136
Trade payables	(7,388)
Other payables and accruals	(9,540)
Tax payable	(2,520)
Obligation under finance lease	(61)
	10,754

(ii) On 6 December 2011, the Company and Beijing Capital HK, a shareholder of the Company, entered into a subscription agreement pursuant to which the Company has conditionally agreed to issue, and Beijing Capital HK has conditionally agreed to subscribe for, convertible bonds in the principal amount of HK$100,000,000 ("Convertible Bonds II"). Details of the subscription agreement are set out in the Company's announcement dated 6 December 2011. The issue of the Convertible Bonds II is conditional upon, among other things, the approval by shareholders at a general meeting of the Company. The subscription agreement for the issue of the Convertible Bonds II has been approved by shareholders at an extraordinary general meeting of the Company on 19 January 2012 and not yet completed as at the date that these consolidated financial statements are authorised for issue.

(iii) On 6 December 2011, the Group entered into an agreement with Zhuzhou Beijing Capital Water Treatment Company Limited to acquire 100% of the equity interest in Liling Beijing Capital Waste Treatment Company Limited ("Liling Beijing Capital"), which is principally engaged in the waste treatment and waste-to-energy businesses at a consideration of RMB51.0 million (equivalent to approximately HK$62.4 million). The acquisition of Liling Beijing Capital has been approved by shareholders at an extraordinary general meeting of the Company on 19 January 2012 and not yet completed as at the date that these consolidated financial statements are authorised for issue.

(iv) On 3 January 2012, the Group entered into a supplemental agreement with the lender, Simple Success (see Note 36), for the extension of the fixed-rate borrowing of HK$52,250,000 that is originally due in December 2012 for at least another eighteen months.

57. SUMMARY FINANCIAL INFORMATION OF THE COMPANY

	NOTES	2011 HK$'000	2010 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**248**	284
Amounts due from subsidiaries (Note)		**222,690**	252,160
Investments in subsidiaries		**5,889**	5,896
		228,827	258,340
CURRENT ASSETS			
Deposit, prepayment and other receivables		**2,625**	2,802
Bank balances and cash		**27,000**	13,581
		29,625	16,383
CURRENT LIABILITIES			
Other payables and accruals		**6,661**	6,524
Amounts due to subsidiaries		**—**	10,614
Borrowing		**52,250**	50,000
		58,911	67,138
NET CURRENT LIABILITIES		**(29,286)**	(50,755)
TOTAL ASSETS LESS CURRENT LIABILITIES		**199,541**	207,585
NON-CURRENT LIABILITIES			
Convertible bonds	40	**155,083**	133,867
Embedded derivatives	40	**8,460**	11,701
		163,543	145,568
NET ASSETS		**35,998**	62,017
CAPITAL AND RESERVES			
Share capital	42	**155,188**	101,053
Reserves			
Share premium		**1,443,637**	953,918
Share options reserve		**1,685**	1,685
Convertible notes equity reserve		**174,156**	389,426
Accumulated losses		**(1,738,668)**	(1,384,065)
TOTAL EQUITY		**35,998**	62,017

Note:

As at 31 December 2011, the directors of the Company estimated that the present value of the future cash flows of the subsidiaries discounted at current market rate of return is lower than the carrying amount, hence impairment loss is recognised.

FINANCIAL SUMMARY

	For the year ended 31 December				
	2007	2008	2009	2010	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
RESULTS					
Revenue (continuing and discontinued operation)	1,036,956	1,356,445	822,693	713,729	**49,001**
Profit (loss) attributable to owners of the Company	107,747	7,798	(978,257)	(742,303)	**(325,504)**
ASSETS AND LIABILITIES					
Total assets	1,654,227	1,644,243	1,938,193	839,599	**681,121**
Total liabilities	(1,071,667)	(1,061,973)	(1,431,696)	(768,120)	**(618,391)**
	582,560	582,270	506,497	71,479	**62,730**
Equity attributable to owners of the Company	574,907	591,146	465,792	68,147	**81,438**
Non-controlling interests	7,653	(8,876)	40,705	3,332	**(18,708)**
	582,560	582,270	506,497	71,479	**62,730**

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

MIX
Paper from
responsible sources
FSC™ C102904

The FSC™ logo identifies products which contain wood and virgin fibre from responsible sources certified in accordance with the rules of the Forest Stewardship Council™.
FSC™ 標誌表示產品所含的木料及原纖維源自負責任的森林資源，該等森林已獲得 Forest Stewardship Council™ 的規例認證。