Annual Report 2012

CETH

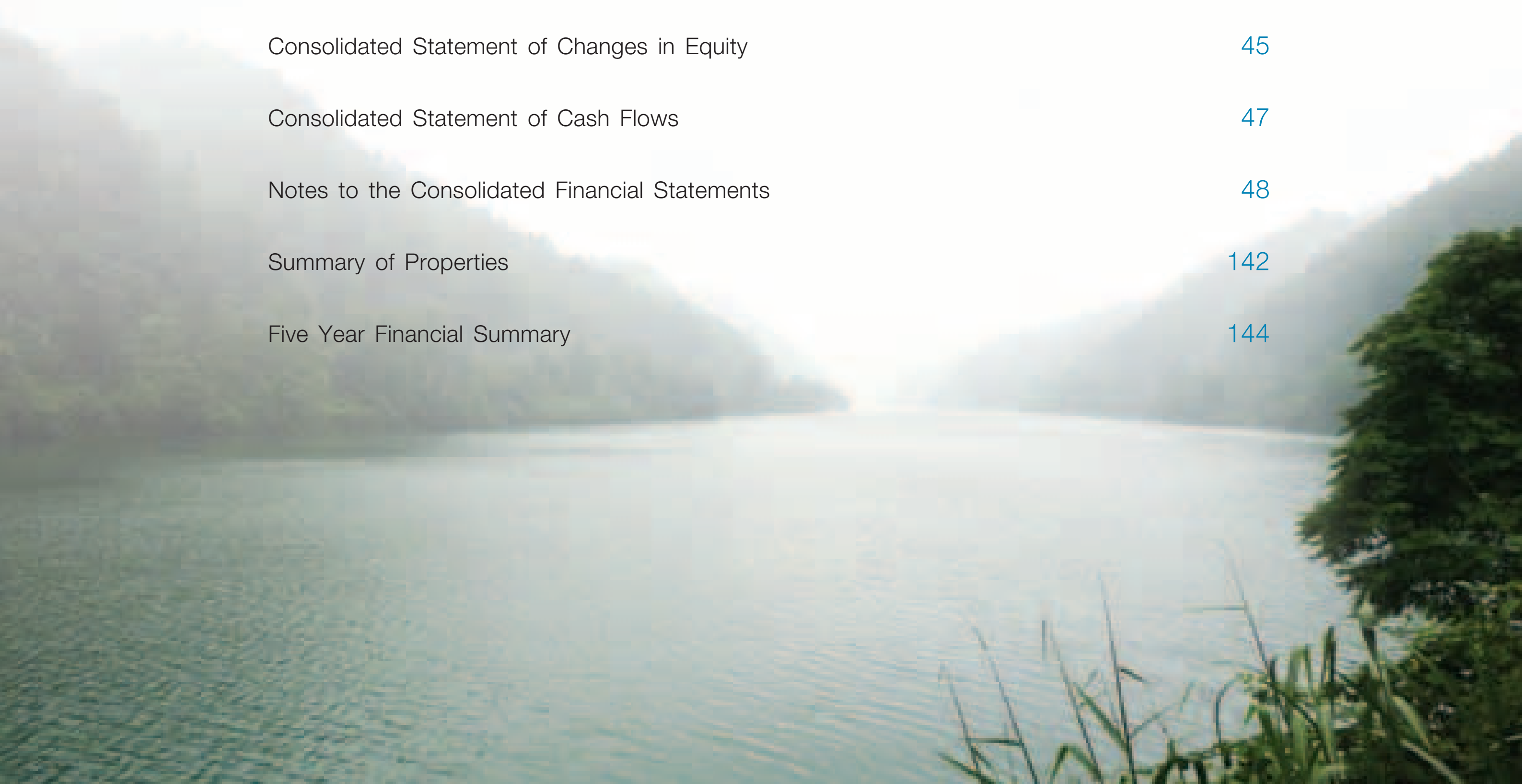
China Environmental Technology Holdings Limited

中國環保科技控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 646

CONTENTS



BUSINESS STRUCTURE

CORE BUSINESS STRUCTURE AND FUNCTIONS

CETH

- **Sales of wastewater treatment equipment and provision for related services**
  - Beijing Jingrui Kemai Water Purification Technology Co., Ltd
- **Wastewater treatment plant construction services, green project management and related services**
  - Shenzhen Xing Chuang Fu Qi Environment Technology Co., Ltd
  - Beijing Shuoqiang Innovative Environmental Protection Co., Ltd
  - Hunan Qifan Environmental Investment Management Co., Ltd.
- **Operation of wastewater treatment plant service**
  - Fanhe (Hulu Island) Water Investment Co., Ltd

CORPORATE PROFILE

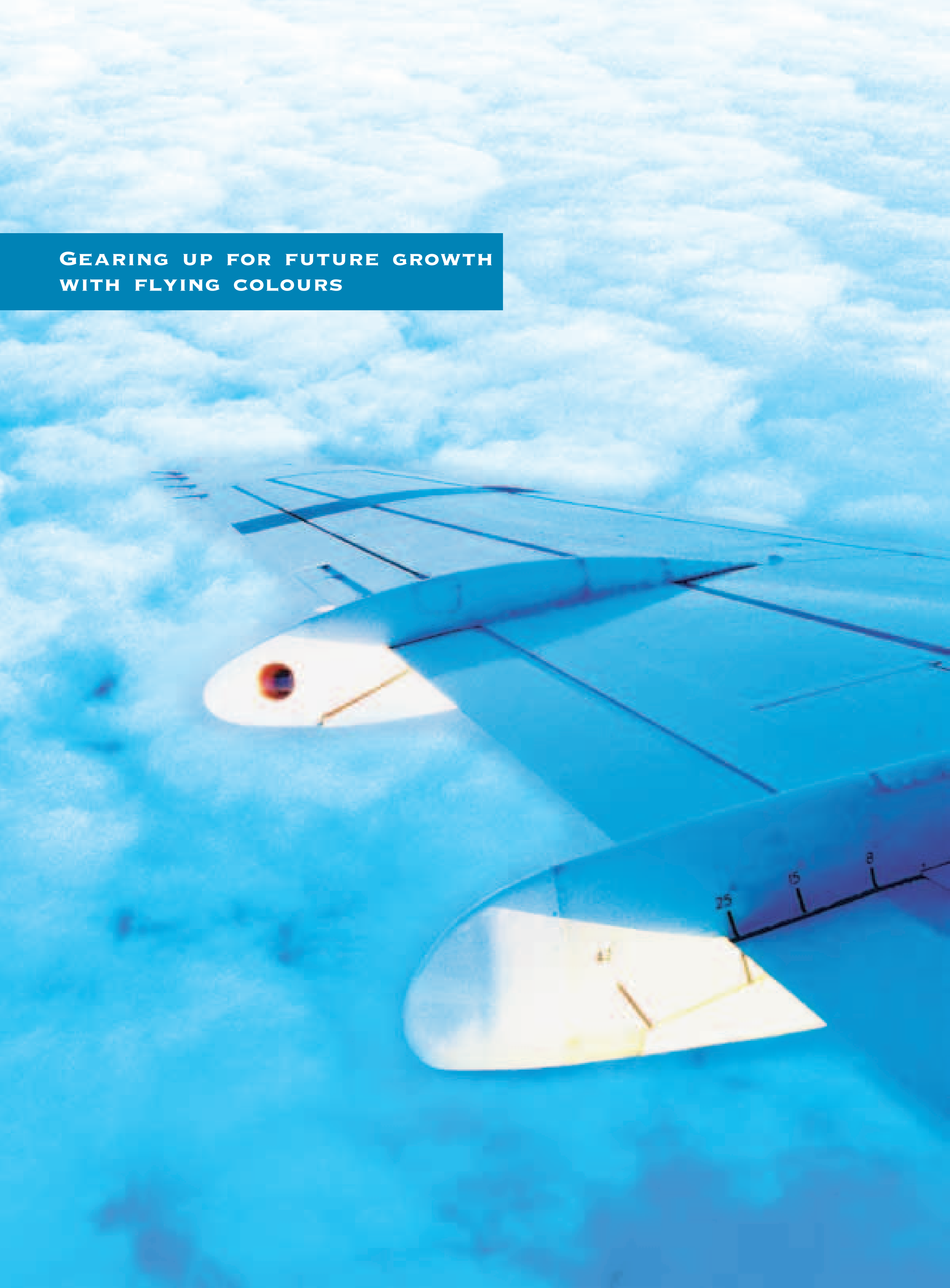
China Environmental Technology Holdings Limited ("CETH" or the "Company" and its subsidiaries (together the "Group")) is principally engaged in the environmental protection business including the provision of technology, products, equipment and system integration related to wastewater treatment.

The Group has acquired Fanhe (Beijing) Water Investment Co, Ltd in April 2010 and Beijing Jingrui Kemai Water Purification Technology Co Ltd in November 2010, marking its official involvement in the wastewater treatment business and the patented water purification business for the Group in the PRC and the first step in its future development of environmental protection technology and related industries.

In November 2011, the Group has established a wholly foreign owned enterprise company named Beijing Shuoqiang Innovative Environmental Technology Co., Ltd ("Beijing Shuoqiang") with Beijing Capital (Hong Kong) Limited (a wholly-owned subsidiary of Beijing Capital Co., Ltd ("Beijing Capital")), Beijing Shuoqiang engages in the investment and operation of urban environmental projects, the sales and provision of special purpose environmental equipment, technology promotion and consultation services relating to our magnetic separation water treatment equipment. With the proprietary magnetic separation water treatment technology and the extensive business network of Beijing Capital throughout the PRC, it is expected that Beijing Shuoqiang will further augment the Group's business.

CETH was incorporated in the Cayman Islands on 31 August 2001 and listed on the Stock Exchange of Hong Kong on 28 March 2002. It is mainly held by the Gentle International Holdings Limited (47.99%) and its core shareholder Beijing Capital (Hong Kong) Limited (9.80%), a wholly-owned subsidiary of Beijing Capital, a listed company on the Shanghai Stock Exchange (stock code: 600008) and a leading large scale state-owned water treatment company in the PRC.

Gearing up for future growth with flying colours



CHAIRMAN'S STATEMENT

Affected by the debt crisis in Europe and the slowdown of the China's economic growth, together with the changes in the PRC policies on bank liquidity and capital requirements in the beginning of 2011, leading the banks became more stringent in releasing loans, the whole business environment has become more and more challenging and hindering our move to the environmental protection industry.

To mitigate the adverse effect caused by the economic downturn, and at the same time to seize more business opportunities which will in turn enhance the long term development of China Environmental Technology Holdings Limited and its subsidiaries ("the Group"), a series of prudent management policies, including cautious cost control, reallocation of resources and business disposal were in place so as to build up a solid business foundation and further maintain the momentum growth in our "Green" business.

During the year under review, the Group has successfully kicked off its first project regarding "water quality maintenance of the Lake" in 2011 Xi'an World Horticultural Expo Zone. The successful bidding of the project has marked the recognition of the Group's state-of-the-art magnetic separation technology and the comprehensive solutions for the water quality maintenance service.

Meanwhile, the Group's first BOT (Build-Operate-Transfer) project, a wastewater treatment plant situated in Hulu Island, Liaoning Province in the PRC, has completed its enhancement works and upgraded its the effluent standard of the wastewater treatment from Grade 2 to Grade 1A, the highest national effluent standard. This standard upgrade has not only demonstrated the strength of the Group to handle the enhancement project of the existing wastewater treatment plant, but also signified the effectiveness of the patented magnetic separation technology.

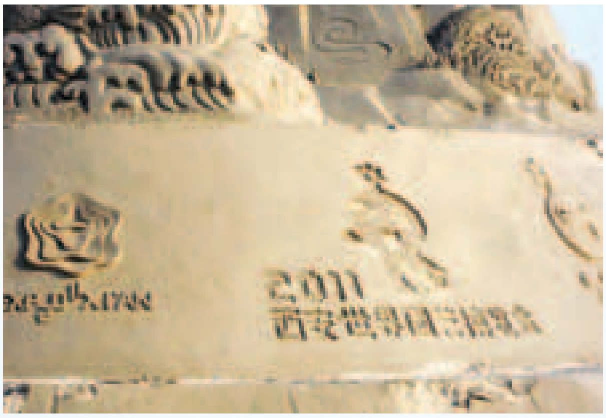
In November 2011, the Group has established a wholly foreign owned enterprise company named Beijing Shuoqiang Innovative Environmental Protection Co., Ltd ("Beijing Shuoqiang") with Beijing Capital (Hong Kong) Limited, a wholly-owned subsidiary of Beijing Capital Co., Ltd ("Beijing Capital"), shares of which are listed on the Shanghai Stock Exchange (stock code: 600008). Beijing Shuoqiang will engage in the investment and operation of urban environmental projects, the sales and provision of special purpose environmental equipment, technology promotion and consultation services relating to our magnetic separation water treatment equipment. With our proprietary magnetic separation water treatment technology and the extensive business network of Beijing Capital throughout the PRC, I strongly believe that Beijing Shuoqiang will further augment the Group's business and become one of the pillars of its revenue stream.

Last but not least, I would like to take this opportunity to thank the management and staff members for their dedication and hard working during the year. I would also like to extend my wholehearted thanks to all valued business partners, customers and stakeholders for their continued support.

On behalf of the Board
Xu Zhong Ping
Chairman

Hong Kong, 27 June 2012

THE GROUP HAS WORKED TO DEVELOP ITS "GREEN PROJECTS" IN LINE WITH THE 12TH FIVE-YEAR PLAN



Our leading mobile magnetic separation water treatment system improved and maintained the water quality of the lakes in the 2011 Xian World Horticultural Expo Zone.

Results

For the year ended 31 March 2012, the Group recorded a turnover of the continuing operations approximately HK$144,883,000 (2011: HK$60,769,000), representing an increase of about 138.4% compared to that of 2011. The Group's loss attributable to owners of the Company was approximately HK$55,238,000 (2011: HK$43,677,000). Gross profit margin was approximately 18.4% as compared to 22.4% in last year.

Business Review

During the year under review, the Group has completely focused on developing its wastewater treatment and environmental protection related business.

In July 2011, the Group firstly secured a project regarding "water quality maintenance of the Lake" in 2011 Xi'an World Horticultural Expo Zone with total contract amount of RMB11,600,000. Owing to the innovative operation mode and a new bundling sales and rental strategy, the profit margin of the mobile magnetic separation equipment was largely increased.

In November 2011, the Group has established a wholly foreign owned enterprise company named Beijing Shuoqiang Innovative Environmental Protection Co., Ltd ("Beijing Shuoqiang") with Beijing Capital (Hong Kong) Limited, a wholly-owned subsidiary of Beijing Capital Co., Ltd ("Beijing Capital"), shares of which are listed on the Shanghai Stock Exchange (stock code: 600008). This will further expand our business network and enable the mobile magnetic separation system, related equipment, technology and integrated solutions to be widely promoted through the extensive business network of Beijing Capital in the PRC.

Regarding the Group's wastewater treatment plant situated in Hulu Island, Liaoning Province, the PRC, it concurrently has completed its enhancement works and upgraded its the effluent standard of the wastewater treatment from Grade 2 to Grade 1A, the highest national effluent standard. The water tariff will be increased by 38.6% from RMB0.70/tonne to RMB0.97/tonne and will further increase the revenue of our wastewater treatment segment.

We will further develop its "green" business, especially focusing on the project of water quality improvement and maintenance in the rural areas, small towns, rivers and lakes.

To solidify the business foundation of the Group, the business line of Yardway Development Limited has been disposed of at HK$17.5 million. The disposal can free up the management resources as well as financial resources so that more the working capital can be allocated to the environmental protection and wastewater treatment business.

The details are set out in note 28 to the financial statements

Outlook

In the pursuit of a better and greener living environment, the Chinese Central government has laid out a blueprint on pollution control issue in the "National 12th Five-year Plan". The Plan clearly states that the government will invest around RMB3.4 trillion to protect the environment during the period from 2011 to 2015 and around RMB1.5trillion will be injected into the "green projects," including living environment improvement, such as water, air and soil quality, environmental protection in rural areas, environment risk prevention, such as prevention and control of heavy metal and environmental infrastructure, such as waste and wastewater treatment facilities development. To facilitate the 12th Five-Year Plan's need, the Group has worked to develop its "green projects" in line with the Plan and is confident that the Group's business will be benefited from the related policy in the coming years, especially in the field of water quality improvement in the rural areas, small towns, rivers, lakes and streams in the PRC.

To strengthen our business fundamental and capture the huge opportunities in the environmental protection industry, the Group will leverage on its outstanding technology strength and capitalizing on the robust demand to secure more "green projects" in different provinces and municipalities in the PRC.

In addition, the Group will further enhance its technology strength by utilizing the magnetic separation water treatment technology in different areas, especially in upgrading effluent standard of the wastewater treatment plants and improving the water quality of rivers, lakes and streams. Our Hulu Island BOT wastewater treatment plant has become a showcase of our unique technology and integrated solutions in upgrading the wastewater treatment standard to the highest national effluent standard.

Our wastewater treatment plant in Hulu Island City, Liaoning Province, the PRC.

Going forward, the Group is well positioned to the future growth and has a strong belief that our mobile magnetic separation water treatment system will become the growth engine of the business development of the Group. This efficient, flexible, and reliable wastewater treatment system is well received by those industries or private sectors that required to purify the wastewater before flowing into the river and lakes, it can also help to improve the water quality of the ecological zone effectively and efficiently without large investment cost.

Employees and Remuneration Policy

As at 31 March 2012, the Group had 158 employees (2011: 182 employees). The remuneration policy and packages are reviewed annually by the management and the Remuneration Committee. The Group remunerates its employees based on their performance, work experience and the prevailing market rate. The remuneration packages include basic salary, double pay, commission, insurance and mandatory provident fund. The Group operates a share option scheme for the purpose of providing incentives and rewards to (among others) eligible Directors and employees of the Group to recognise their contribution to the result of the Group.

Liquidity and Financial Resources

Liquidity

The Group continued to maintain a stable financial position. As at 31 March 2012, cash and bank balances including pledged fixed deposits of the Group were HK$38,592,000 (2011: HK$104,965,000). The cash and bank balances consisted of about 20.1% in Hong Kong dollars, 0.9% in US dollars and 79% in Renminbi.

As at 31 March 2012, the Group had total assets of HK$453,969,000 (2011: HK$457,992,000) and total liabilities of HK$205,624,000 (2011: HK$168,340,000). As at 31 March 2012, the current ratio was 1.35 (2011: 1.89), calculated on the basis of current assets of HK$170,963,000 (2011: HK$204,932,000) over current liabilities of HK$126,331,000 (2011: HK$108,248,000).

The Group's bank borrowings (excluding liabilities of disposal group classified as held-for-sale) amounted to HK$61,500,000 (2011: HK$45,499,000). The Group's borrowings, denominated in Hong Kong dollars and Renminbi, mainly comprise mortgage loans bearing floating interest rates and bank loan pledged on concession right bearing fixed interest rates. The Group's gearing ratio, being the ratio of the total borrowings to total assets, was 13.5% (2011: 9.9%).

Charge on assets

As at 31 March 2012, the Group's investment property (excluding liabilities of disposal group classified as held-for-sale) with carrying value amounting to HK$nil (2011: HK$25,800,000), bank deposits of HK$nil (2011: HK$202,000) and the wastewater treatment concession right of HK$219,630,000 (2011: HK$117,759,000) were pledged with banks to secure banking facilities granted to the Group.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Xu Zhong Ping, aged 49, is the Chairman and an executive Director of the Company. Mr. Xu has over 20 years' experience in enterprise management, business investment and international economic strategic cooperation. He has been a standing director of the China Council for the Promotion of International Economy and Culture* (中國國際經濟文化促進會) since 1996. Mr. Xu studied statistics and graduated from Nanjing University of Finance & Economics (formerly known as Nanjing Liangshi Economics College*), the PRC in 1986. Mr. Xu joined the Group in 2009.

Mr. Xu was a director of each of the following private companies registered in Hong Kong, which was dissolved by striking off pursuant to Section 291 of the Companies Ordinance (Chapter 32, Laws of Hong Kong): CVIC Commercial Development Co., Limited (中創商業發展有限公司), Gorden Hong Kong Limited (高登香港有限公司), Jumbo Star Development Limited (百利星發展有限公司) and Rich Harbour Holdings Limited (譽港集團有限公司). According to Mr. Xu, each of the said companies was solvent at the time of it being struck off.

Mr. Zhang Fang Hong, aged 47, is the chief executive officer and an executive Director of the Company. Mr. Zhang holds a bachelor's degree in Economics from Nanjing University of Finance & Economics (formerly known as Nanjing Liangshi Economics College*), the PRC, a master's degree in Economics from Zhongnan University of Economics and Law (formerly known as Zhongnan University of Finance and Economics*), the PRC and an executive master's degree in business administration from China Europe International Business School, the PRC. He has served various executive roles in several companies in the PRC and Hong Kong. During the period from 2 October 2007 to 28 December 2007, Mr. Zhang served as an executive director of Great World Company Holdings Limited (formerly known as T S Telecom Technologies Limited), the shares of which are listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited ("the Stock Exchange") (stock code: 8003). He is currently a director of Best Wish Technology Limited (展望科技有限公司), which is a private company incorporated in Hong Kong. Mr. Zhang joined the Group in 2009.

Ms. Song Xuan, aged 48, is an executive Director of the Company. She has extensive experience in accounting and finance. She holds a bachelor degree in economics from Beijing Union University. She was an executive director of Shanghai Industrial Urban Development Group Limited (formerly known as Neo-China Land Group (Holdings) Limited), the shares of which are listed on the Stock Exchange (stock code: 563), from 31 March 2005 to 15 June 2006. Ms. Song joined the Group in 2007.

Mr. Xu Xiao Yang, aged 45, is an executive Director of the Company. He has over 10 years of experience in foreign trading, logistics, energy, education and real property businesses. Before joining the Company, he has worked as an executive director of Australian International Investment Group and Australia Queensland Education Investment Group. Mr. Xu graduated from Beijing Foreign Language Institute and was major in English. Mr. Xu joined the Group in 2008.

Non-executive Director

Mr. Ge Ze Min, aged 59, is a non-executive Director of the Company. Mr. Ge is a senior economist and holds a bachelor's degree in Finance from the Central University of Finance and Economics (formerly known as Central College of Finance and Economics*), the PRC. Since 2003, Mr. Ge has been the assistant to the general manager and the head of international operations of Beijing Capital Co., Limited and is in charge of exploring overseas business opportunities and overseeing the company's overseas operations. Mr. Ge also held various management positions in several companies both in the PRC and Hong Kong. He has extensive experience and business development capabilities in international finance, domestic and international investments, and international trade. He is also a general manager and a director of Beijing Capital (Hong Kong) Limited. Mr. Ge served as a non-executive director of Richly Field China Development Limited (formerly known as Dickson Group Holdings Limited) from 23 July 2008 to 20 February 2009, the shares of which are listed on the Stock Exchange (stock code: 313) and he also served as an executive director of New Capital International Investment Limited, the shares of which are listed on the Stock Exchange (stock code: 1062) from 5 February 2010 to 21 March 2012. Mr. Ge was a director of Superford Industries Limited (盛裕實業有限公司), a private company registered in Hong Kong, which was dissolved by striking off pursuant to Section 291 of the Companies Ordinance. According to Mr. Ge, the said company was solvent at the time of it being struck off. Mr. Ge joined the Group in 2009.

Mr. Fong Sai Mo, aged 49, is a non-executive Director of the Company. He has over 25 years' experience in international business and investment management. He was formerly the Greater China General Manager of a European conglomerate and a director of a China jewelry chain; during his tenure he was responsible for the establishment of two large distribution networks in China and the investments into several highly successful joint-ventures in China. Mr. Fong is currently a managing director of a well-known China-based luxury goods manufacturing group. Mr. Fong joined the Group in 2010.

Mr. Xin Luo Lin, aged 62, is a non-executive Director of the Company. Mr. Xin was a postgraduate from the Peking University in the People's Republic of China in 1980. He was a visiting scholar at the Waseda University, Japan between 1980 and 1983, an honorary research associate at the University of British Columbia, Canada during 1983 and 1984, and a visiting fellow at the Australia National University, Australia from 1984 to 1985. He was appointed as an adviser to the chairman of Guangdong Capital Holdings Limited from 1998 to 2000. He was appointed as a Justice of the Peace in New South Wales of Australia in 1991. Mr. Xin is a co-author of a book titled "China's iron and steel industry policy: implications for Australia". He is an independent investor with over 20 years of experience in investment banking in the PRC, Hong Kong and Australia. Mr. Xin was a non-executive director of Sino-Tech International Holdings Limited (stock code : 724), a company listed on the Hong Kong Stock Exchange, during the period from 26 August 2010 to 8 June 2012 and is currently:

(i) an independent non-executive director of Enerchina Holdings Limited (stock code: 622) listed on the Hong Kong Stock Exchange;

(ii) an independent non-executive director of Sinolink Worldwide Holdings Limited (stock code: 1168) listed on the Hong Kong Stock Exchange;

(iii) an independent non-executive director of Central China Real Estate Limited (stock code: 832) listed on the Hong Kong Stock Exchange;

(iv) a non-executive director and honorary chairman of Asian Capital Holdings Limited (stock code: 8295) listed on the Hong Kong Stock Exchange;

(v) a director of Mori Denki Mfg. Co., Ltd., a public company listed on the Tokyo Stock Exchange; and

(vi) a director and vice chairman of Oriental Technologies Investment Limited, a public company listed on the Australian Stock Exchange.

Mr. Xin joined the Group in 2011.

Independent Non-executive Directors

Mr. Wong Kam Wah, aged 53, is an independent non-executive Director of the Company. He is the chairman of the Audit Committee, Nomination Committee and Remuneration Committee respectively. Mr. Wong is currently an independent non-executive director of South East Group Limited, the shares of which are listed on the Stock Exchange (stock code: 726). He is a fellow member of the Association of Chartered Certified Accountants and an associate member of each of the Hong Kong Institute of Certified Public Accountants, the Hong Kong Institute of Company Secretaries and the Institute of Chartered Secretaries and Administrators. Mr. Wong is currently the principal of a certified public accountants firm. He has extensive experience in accounting and auditing work. Mr. Wong joined the Group in 2009.

Dr. Zhu Nan Wen, aged 43, is an independent non-executive Director of the Company. He is a member of the Audit Committee, Nomination Committee and Remuneration Committee respectively. Dr. Zhu obtained his doctoral degree in Environmental Engineering, Tongji University, the PRC in 2000, a master degree in microbiology, Zhe Jiang University (formerly known as Zhejiang Agriculture University* (浙江農業大學)), the PRC in 1996, and a bachelor degree in crop, Faculty of Agronomy*, Zhe Jiang University, the PRC in 1991. Dr. Zhu has been working at Shanghai Jiao Tong University, the PRC since 2000. He has been a professor of School of Environmental Science and Engineering, Shanghai Jiao Tong University, the PRC since August 2005. He was an associate professor and a lecturer in the same school during the period from August 2001 to August 2005 and from March 2000 to July 2001 respectively. Dr. Zhu is also the head of the Institute of Solid Waste Treatment and Disposal* (固體廢棄物處理處置技術研究所) at Shanghai Jiao Tong University, the PRC and is appointed as an expert in assessment and planning in selected projects of the Ministry of Science and Technology of the PRC (中華人民共和國科學技術部), Science and Technology Commission of Shanghai Municipality (上海市科學技術委員會), the PRC and Shanghai Chengtou Corporation (上海市城市建設投資開發總公司), the PRC. Dr. Zhu has participated in various investment projects in wastewater treatment, environmental microbiology and waste treatment related fields which were registered as invention patents in the PRC. Mr. Zhu joined the Group in 2009.

Professor Zuo Jiane, aged 44, is an independent non-executive Director of the Company. He is a member of the Audit Committee, Remuneration Committee and Nomination Committee respectively. Professor Zuo graduated from Tsinghua University with a bachelor degree in Environment Science and Engineering in 1991. In 1995, he obtained a doctorate degree from the Department of Environmental Science and Engineering of Tsinghua University. During 1998 to 1999, he acted as a visiting scholar in the University of Newcastle. Professor Zuo joined the Group in 2011.

Working experiences of Professor Zuo are as follows:

(i) Lecturer and associate professor of the Department of Environment Science and Engineering of Tsinghua University from 1995 to 2004;

(ii) Professor of the Department of Environment Science and Engineering of Tsinghua University from 2004 to 2010;

(iii) The Deputy Head of the Department of Environment Science and Engineering of Tsinghua University in 2010; and

(iv) The Associate Dean of the Department of Environment Science and Engineering of Tsinghua University since 2011.

Research directions of Professor Zuo are:

(i) The mechanism and engineering applied research of highly-concentrated organic wastewater, sludge and bio effective anaerobic digestion;

(ii) Principle and applied research of new wastewater treatment process;

(iii) Research of urban wastewater advanced treatment technology;

(iv) Research of wastewater networks operation management and maintenance;

(v) Research urban and rural diffused pollution control and management; and

(vi) Research of assessment on wastewater pollution prevention technology and research of management mechanism on pollution prevention technology, and etc.

Major ongoing research projects of Professor Zuo are as follows:

(i) State 863 Plan of "Research of highly-utilized technology and equipment of biowaste anaerobic digestion outcome (生物質垃圾厭氧消化產物高值利用技術、裝備研發)", 2008–2010

(ii) State 863 Plan of "Key treatments, equipment research and demonstration of highsolids anaerobic digestion (高固體厭氧消化關鍵工藝、裝備研發與工程示範)", 2008–2010

(iii) State 863 Plan of "New filtering equipments for wastewater advanced treatment research and application (污水深度處理新型過濾設備的研製與應用)", 2009–2012

(iv) State 863 Plan of "High-rate anaerobic digestion technology study and demonstration for wastewater sludge (城市污泥分級分相厭氧消化組合技術研發及工程示範)", 2009–2012

(v) National Technology Support Project, "Research and demonstration of scaled biogas engineering mechatronics equipment and control technology (規模化沼氣工程機電一體化裝備及控制技術研究與工程示範)", 2008–2010

(vi) National Technology Support Project, "Research and demonstration of new treatment technology of solid biogas fermentation (固體物料兩相沼氣發酵新工藝技術研究與工程示範)", 2008–2010

(vii) National Science and Technology Major Project, "Technology and demonstration of rapid urbanization new-zone water environment comprehensive protection (快速城市化新區水環境綜合保護技術與示範)", 2008–2010

(viii) National Science and Technology Major Project, "Research and technology city cluster in the area around the Taihu Luke environment comprehensive management technology (環太湖城市群水環境綜合管理技術集成研究與綜合示範)", 2008–2010

(ix) National Science and Technology Major Project, "Pharmaceutical industry water pollution protection technology assessment and selection (製藥行業水污染防治技術評估與篩選)", 2009–2011

(x) National Science and Technology Major Project, "Indicative mechanism study of pharmaceutical industry water pollution protection technology assessment (製藥行業水污染防治技術評估指標體系研究)", 2009–2011

Technology awards of Professor Zuo include:

(i) Second Class Prize for Beijing Science and Technology Progress, Development of UASB reaction equipment and its auxiliary products (反應器設備化及其配套產品開發), 2001

(ii) Second Class Prize of Environmental Protection Science Technology of State Environmental Protection Administration (國家環境保護總局環境保護科學技術獎二等獎), Research and application of effective anaerobic reactor, 2006

(iii) Third Class Prize of Environmental Protection Science Technology of State Environmental Protection Administration (國家環境保護總局環境保護科學技術獎三等獎), Research & development of effective unit treatment equipment (高效單元處理設備的研製和開發), 2003

(iv) Teaching Achievement Special Prize of Tsinghua University (清華大學教學成果獎特等獎), Theory and practice of organic combination of water treatment engineering establishment (理論與實踐有機融合的水處理工程課程建設), 2010

(v) Second Class Prize of Science Research Outstanding Results Award (Science and Technology Advancement Award) of higher education of Ministry of Education (教育部高等學校科學研究優秀成果 (獎科技進步獎) 二等獎), research & application of sustainable wastewater treatment mainly by anaerobic technology (以厭氧技術為核心的可持續廢水處理系統研究與應用), 2010

Publications of Professor Zuo include:

(i) Theory and Practice of UASB Treatment (UASB 工藝的理論與工程實踐) by Wang Kaijun and Zuo Jiane, etc., China Environmental Science Press, Beijing, 2000

(ii) Theory and Practice of Wastewater Anaerobic Bio-treatment (廢水厭氧生物處理理論與技術) by Hu Jicui, Zhou Mengjin, Zui Jiane, etc., China Architecture & Building Press, Beijing, 2003

(iii) Jiane Zuo, Lili Gan, Water and Sanitation Services (Chapter 19), Earthscan, London, 2009

Other academic positions held by Professor Zuo include:

(i) Standing Member of The seventh Committee of China Biogas Society

(ii) Member of the International Water Association (IWA)

Save as disclosed above, each of the above Directors did not hold any other positions with the Company and/or any of its subsidiaries and did not hold any other directorships in any listed public companies in the last three years.

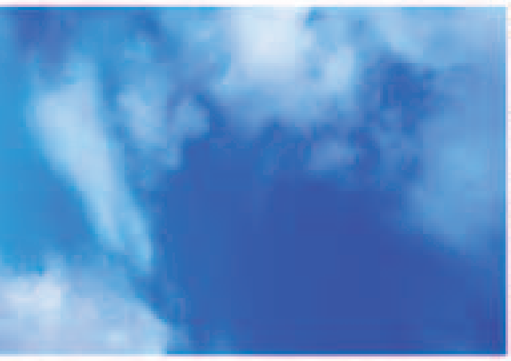
Save as disclosed above, none of the above Directors have any relationship with any other Directors, senior management, substantial shareholders (as defined in the Rules (the "Listing Rules") Governing the Listing of Securities on the Stock Exchange) or controlling shareholder (as defined in the Listing Rules) of the Company.

Company Secretary

Li Wang Hing, Nelson, is the Company Secretary of the Company. He is also the finance manager and human resources manager of the Company. Mr. Li holds a master degree of business administration from the University of Leicester in U.K. and a master degree of professional accounting from the Hong Kong Polytechnic University. He is an associate member of the Hong Kong Institute of Certified Public Accountants and is also a qualified Chartered Secretary designated as FCIS and FCS. In 1999–2000, he was the President of the Hong Kong Polytechnic University Postgraduate Association. At present, he is the Honorary Auditor of Hong Kong Seamen's Union and the Council Member of Shipping Employees Union.

* *the unofficial English translation or translation for identification purpose only*

Our state-of-the-art patented technology will help to further improve the water quality of rivers and lakes throughout the PRC.



CORPORATE GOVERNANCE REPORT

The Board of the Company is pleased to present this corporate governance report in the Group's annual report for the year ended 31 March 2012.

The manner in which the principles and code provisions in the Code on Corporate Governance Practices ("CG Code") contained in Appendix 14 of the Listing Rules are applied and implemented is explained as follows:

Corporate Governance Practices

The Group is committed to achieving high standards of corporate governance to safeguard the interests of shareholders and to enhance corporate value and accountability.

The Company recognizes the importance of good corporate governance to the Company's healthy growth and has devoted considerable efforts to identifying and formulating corporate governance practices appropriate to the Company's needs.

The Company's corporate governance practices are based on the principles, code provisions and certain recommended best practices as set out in the CG Code.

Throughout the year ended 31 March 2012, the Company has applied the principles and complied with the code provisions set out in the CG Code, save for certain deviations from the code provisions, details of which are explained in the relevant paragraphs below.

The Company has also put in place certain recommended best practices as set out in the CG Code.

The Company will continue to enhance its corporate governance practices appropriate to the conduct and growth of its business and to review its corporate governance practices periodically to ensure these continue to meet the requirements of the CG Code and align with the latest developments.

The Board

Responsibilities

The management and control of the business of the Company are vested in its Board. It is the duty of the Board to establish policies, strategies and plans, and to provide leadership in the attainment of the objective of creating value to shareholders.

The positions of the Chairman and the Chief Executive Officer are held by separate persons. The Chairman is responsible for the management of the Board and the formulation of strategies and policies of the Company. The Chief Executive Officer is responsible for the management of the business and overall operations. The senior management was delegated the authority and responsibilities for the day-to-day management and operations of the Group. In addition, the Board has also established Board committees and has delegated to these Board committees various responsibilities set out in their respective terms of reference.

The Company has arranged for appropriate insurance cover for Directors' and officers' liabilities in respect of legal actions against its Directors and senior management arising out of corporate activities.

Board Composition

The Company has adopted the recommended best practice under the CG Code. The Board has a balanced composition of executive and non-executive Directors to ensure independent viewpoints in all discussions. The Board currently comprises ten Directors, including four executive Directors, three non-executive Directors and three independent non-executive Directors.

The Directors during the financial year and up to the date of this report were:

Executive Directors:

Xu Zhong Ping *(Chairman)*
Zhang Fang Hong *(Chief Executive Officer)*
Song Xuan
Xu Xiao Yang

Non-Executive Directors:

Ge Ze Min
Fong Sai Mo
Xin Luo Lin

Independent Non-Executive Directors:

Wong Kam Wah *(Chairman of Audit Committee, Remuneration Committee and Nomination Committee)*
Zhu Nan Wen *(Member of Audit Committee, Remuneration Committee and Nomination Committee)*
Zuo Jiane *(Member of Audit Committee, Remuneration Committee and Nomination Committee)*

The list of Directors (by category) is also disclosed in all corporate communications issued by the Company pursuant to the Listing Rules from time to time. The independent non-executive Directors are expressly identified in all corporate communications pursuant to the CG Code.

Members of the Board are unrelated to one another.

During the year ended 31 March 2012, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise.

The Company has received written annual confirmation from each independent non-executive Director of his independence pursuant to the requirements of the Listing Rules. On this basis, the Company considers all independent non-executive Directors to be independent in accordance with the independence guidelines set out in the Listing Rules.

The executive Directors, with their intimate knowledge of the business, take on the primary responsibility for the leadership for the Company while the non-executive Director and independent non-executive Directors bring a wide range of business and financial expertise, experiences and independent judgment to the Board. Independent non-executive Directors are invited to serve on the Audit, Remuneration and Nomination Committees of the Company.

Appointment, Re-election and Removal of Directors

In accordance with article 108(A) of the Articles of Association of the Company, all Directors are subject to retirement by rotation at least once every three years. In accordance with article 111 of the Articles of Association of the Company, any new Director appointed to fill a causal vacancy or as an addition to the Board shall submit himself for re-election by shareholders at the next annual general meeting.

Code provision A.4.1 of the CG Code stipulates that non-executive Directors should be appointed for a specific term, subject to re-election.

There is no service contract between the Company and Mr. Ge Ze Min, Mr. Fong Sai Mo and Mr. Xin Luo Lin, the non-executive Directors, and Mr. Wong Kam Wah, Dr. Zhu Nan Wen and Prof. Zuo Jiane, the independent non-executive Directors. They were not appointed for any specific length of service with the Company.

Although the non-executive Directors and independent non-executive Directors do not have a specific term of appointment, all Directors are subject to retirement by rotation once every three years in accordance with the Company's Articles of Association.

The procedures and process of appointment, re-election and removal of Directors are laid down in the Company's Articles of Association. The Nomination Committee is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of Directors, monitoring the appointment and succession planning of Directors and assessing the independence of independent non-executive Directors.

Nomination Committee

As at 31 March 2012, the Nomination Committee comprised three members, namely Mr. Wong Kam Wah (Chairman), Dr. Zhu Nan Wen and Prof. Zuo Jiane, all of them are independent non-executive Directors.

The principal duties of the Nomination Committee include:

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

(b) to develop and formulate relevant procedures for nomination and appointment of Directors;

(c) to identify individuals suitably qualified to become a Board member;

(d) to make recommendations to the Board on selection or appointment of individuals nominated for directorships and appointment or re-appointment of Directors and succession planning for Directors; and

(e) to assess the independence of the independent non-executive Directors.

The Nomination Committee carries out the process of selecting and recommending candidates for directorships by making reference to the skills, experience, professional knowledge, personal integrity and time commitments of such individuals, the Company's needs and other relevant statutory requirements and regulations. An external recruitment agency may be engaged to carry out the recruitment and selection process when necessary.

In accordance with the Company's Articles of Association, Mr. Xu Zhong Ping, Mr. Zhang Fang Hong, Mr. Ge Ze Min and Mr. Wong Kam Wah shall retire by rotation and being eligible, offer themselves for re-election at the next forthcoming annual general meeting.

The Nomination Committee recommended the re-appointment of the Directors standing for re-election at the next forthcoming annual general meeting of the Company.

A circular containing detailed information of the Directors standing for re-election at the forthcoming annual general meeting would be sent to the shareholders.

Induction and Continuing Development for Directors

Each newly appointed Director should receive a comprehensive, formal and tailored induction on the first occasion of his appointment, so as to ensure that he has appropriate understanding of the business and operations of the Company and that he is fully aware of his responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

The Company may engage external legal and other professional advisers for providing professional briefing and training programmes to the Directors where circumstances arise. Continuing briefings and professional development to Directors will be arranged whenever necessary.

Board Meetings

Board Practices and Conduct of Meetings

Annual meeting schedules and notice and draft agenda of each meeting are normally made available to Directors and committee members in advance.

Board papers together with all appropriate information is sent to all Directors/committee members well before each Board meeting or committee meeting to keep the Directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each Director also have separate and independent access to the senior management whenever necessary.

The senior management, Financial Controller or Company Secretary attended some regular Board meetings and when necessary, other Board and committee meetings to advise on business developments, financial and accounting matters, statutory compliance, corporate governance and other major aspects of the Company.

The Company Secretary/secretary of the committees is responsible to take and keep minutes of all Board meetings and committee meetings. Draft minutes are normally circulated to Directors for comment within a reasonable time after each meeting and the final version is open for Directors' inspection.

The Company's Articles of Association contains provisions requiring Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest. According to current Board practice, any material transaction, which involves a conflict of interests for a substantial shareholder or a Director, will be considered and dealt with by the Board at a duly convened Board meeting. Independent non-executive directors who, and whose associates, have no material interest in the transaction should be present at the Board meeting.

Directors' Attendance Records

During the year ended 31 March 2012, two regular Board meetings were held for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Company.

Code provision A.1.1 stipulates that regular Board meetings should be held at least four times a year at approximately quarterly intervals. There were twelve Board meetings held during the year under review, two of which were regular meetings held for approving the final results for the year ended 31 March 2011 and interim results for the period ended 30 September 2011 respectively. The other Board meetings were held as and when the business and operational needs arose.

The attendance records of each Director at the meetings of shareholders, the Board, Audit Committee, Remuneration Committee and Nomination Committee during the year ended 31 March 2012 are set out below:

	Attendance/Number of Meetings				
Name of Directors	**General Meeting**	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**
Executive Directors:					
Xu Zhong Ping	1/1	10/12	—	—	—
Zhang Fang Hong	1/1	12/12	—	—	—
Song Xuan	0/1	0/12	—	—	—
Xu Xiao Yang	1/1	6/12	—	—	—
Non-Executive Director:					
Ge Ze Min	0/1	2/12	—	—	—
Fong Sai Mo	0/1	0/12	—	—	—
Xin Luo Lin	0/1	2/12	—	—	—
Independent Non-Executive Directors:					
Wong Kam Wah	1/1	8/12	2/2	0/0	0/0
Zhu Nan Wen	1/1	2/12	2/2	0/0	0/0
Zuo Jiane	0/1	1/12	2/2	0/0	0/0

Model Code for 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 of the Listing Rules as its code of conduct regarding Directors' securities transactions.

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code throughout the year ended 31 March 2012.

The Company has also established written guidelines of no less exacting terms than the Model Code (the "Employees Written Guidelines") for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company.

No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

Delegation by the Board

The Board takes responsibility for all major matters of the Company including the setting of objectives and overall strategies, the approval and monitoring of all policy matters, internal control and risk management systems, material transactions (in particular those may involve conflict of interests), appointment of Directors and other significant financial and operational matters.

All Directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary, with a view to ensuring that Board procedures and all applicable rules and regulations are followed. Each Director is normally able to seek independent professional advice in appropriate circumstances at the Company's expense, upon obtaining approval from the Board.

The Board delegates day-to-day management, administration and operation of the Company to the senior management. The delegated functions and work tasks are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the senior management. The Board has the full support of the senior management to discharge its responsibilities.

The Board has established 3 committees, namely the Audit Committee, Remuneration Committee and Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference which are posted on the Company's website and are available to shareholders upon request.

Remuneration of Directors and Senior Management

The Company has established a formal and transparent procedure for formulating policies on remuneration and senior management of the Group. Details of the remuneration of each of the Directors for the year ended 31 March 2012 are set out in note 10 to the financial statements.

Remuneration Committee

As at 31 March 2012, the Remuneration Committee comprised three members, namely Mr. Wong Kam Wah (Chairman), Dr. Zhu Nan Wen and Prof. Zuo Jiane, all of them are independent non-executive Directors. The primary objectives of the Remuneration Committee include:

(a) to make recommendations on the establishment of procedures for developing remuneration policy and structure of the executive Directors and the senior management, such policy shall ensure that no Director or any of his associates will participate in deciding his own remuneration;

(b) to make recommendations on the remuneration packages of the executive Directors and the senior management;

(c) to review and approve the remuneration packages of the executive Directors and the senior management by reference to the performance of the individual and the Company as well as market practice and conditions; and

(d) to review and approve the compensation arrangements for the executive Directors and the senior management.

The Human Resources Department is responsible for collection and administration of the human resources data and making recommendations to the Remuneration Committee for consideration. The Remuneration Committee shall consult the Chairman of the Company about these recommendations on remuneration policy and structure and remuneration packages.

The remuneration of the Directors has been determined with reference to their respective qualification, experience, duties and responsibilities in the Company as well as the Group's results and performance for the financial year concerned. The Remuneration Committee has reviewed the remuneration policy and structure of the Company, and the remuneration packages of the executive Directors and the senior management for the year under review.

Accountability and Audit

Directors' Responsibilities for Financial Reporting in Respect of Financial Statements.

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 March 2012.

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price-sensitive announcements and other disclosures required under the Listing Rules and other regulatory requirements.

The senior management provides such explanation and information to the Board so as to enable the Board to make an informed assessment of the financial information and position of the Company put to the Board for approval.

Internal Controls

The Board is responsible for maintaining an adequate internal control system to safeguard shareholder investments and the assets of the Company and with the support of the Audit Committee, reviewing the effectiveness of such system on an annual basis.

The internal control system of the Group is designed to facilitate effective and efficient operations, to ensure reliability of financial reporting and compliance with applicable laws and regulations, to identify and manage potential risks and to safeguard assets of the Group. The senior management shall review and evaluate the control process and monitor any risk factors on a regular basis and report to the Audit Committee on any findings and measures to address the variances and identified risks.

The Board has conducted and was satisfied with the result of a review of the effectiveness of the system of internal control of the Group.

Audit Committee

As at 31 March 2012, the Audit Committee comprised three members, namely Mr. Wong Kam Wah (Chairman), Dr. Zhu Nan Wen and Prof. Zuo Jiane, all of them are independent non-executive Directors (including one independent non-executive Director who possesses the appropriate professional qualifications or accounting or related financial management expertise). None of the members of the Audit Committee is a former partner of the Company's existing external auditor.

The main duties of the Audit Committee include the following:

(a) to review the financial statements and reports and consider any significant or unusual items raised by staff responsible for the accounting and financial reporting function or external auditor before submission to the Board;

(b) to review the relationship with the external auditor by reference to the work performed by the auditor, their fees and terms of engagement, and make recommendation to the Board on the appointment, re-appointment and removal of external auditor; and

(c) to review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures.

During the year under review, the Audit Committee reviewed the Group's annual results and annual report for the year ended 31 March 2011 and the interim results for the period ended 30 September 2011, the financial reporting and compliance procedures, risk management review and processes and the re-appointment of the external auditor.

There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

There is no different view taken by the Audit Committee regarding the selection, appointment and resignation of the external auditor.

The Audit Committee held two meetings during the year ended 31 March 2012 and the attendance records are set out under “Directors’ Attendance Records” on page 21.

External Auditor and Auditor’s Remuneration

The statement of the external auditor of the Company about their reporting responsibilities on the financial statements is set out in the “Independent Auditor’s Report” on pages 37 to 38.

During the year ended 31 March 2012, the remuneration paid to the Company’s auditor, PricewaterhouseCoopers, is set out below:

Category of services	Fee paid/ payable
Audit service	HK$1,500,000
Non-audit service	HK$300,000
Total	HK$1,800,000

Communications with Shareholders and Investors

The Company believes that effective communication with shareholders is essential for enhancing investor relations and investors’ understanding of the Group’s business performance and strategies. The Group also recognizes the importance of transparency and timely disclosure of corporate information which enables shareholders and investors to make the best investment decision.

The general meetings of the Company provide an important channel for communication between the Board and the shareholders. The Chairman of the Board as well as chairmen of the Audit Committee, Remuneration Committee and Nomination Committee or, in their absence, other members of the respective committees and, where applicable, the independent Board committee, normally attend the annual general meeting and other relevant shareholders’ meetings to answer questions at the shareholders’ meetings.

The Company continues to enhance communications and relationships with its investors. Designated senior management maintains regular dialogue with institutional investors and analysts to keep them abreast of the Company’s developments. Enquiries from investors are dealt with in an informative and timely manner. As a channel to promote effective communication, the Company maintains a website at www.cethl.com, where up-to-date information and updates on the Company’s business developments and operations, financial information, corporate governance practices and other information are available for public access. Shareholders and investors may write directly to the Company at its principal place of business in Hong Kong or via facsimile at (852) 2511-1878 for any inquiries.

Shareholders' Rights

To safeguard the shareholders' interests and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual Directors.

All resolutions put forward at a shareholders' meeting will be taken by poll pursuant to the Listing Rules and the poll results will be posted on the website of the Company and Hong Kong Exchanges and Clearing Limited after the shareholders' meeting.

Extraordinary General Meetings shall also be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Directors or the Secretary for the purpose of requiring an Extraordinary General Meeting to be called by the Directors for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Directors fail to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Directors shall be reimbursed to the requisitionist(s) by the Company.

REPORT OF THE DIRECTORS

The Directors submit herewith their annual report together with the audited financial statements for the year ended 31 March 2012.

Principal Place of Business

The Company is a company incorporated in the Cayman Islands and has its principal place of business at Unit 1003–5, 10th Floor, Shui On Centre, 6–8 Harbour Road, Wanchai, Hong Kong.

Principal Activities

The principal activity of the Company is investment holding. The Group's principal business are trading of vehicles, machinery, equipment; environmental protection technology, equipment system integration, cities and towns wastewater treatment, project technical service and licensing of related environmental protection technical know-how. The details activities and other particulars of the subsidiaries are set out in note 12 to the financial statements.

The analysis of the principal activities and geographical locations of the operations of the Group during the financial year are set out in note 5 to the financial statements.

Major Customers and Suppliers

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers respectively during the financial year is as follows:

	Percentage of the Group's total	
	Sales	**Purchases**
The largest customer	11.75%	
Five largest customers in aggregate	36.52%	
The largest supplier		63.37%
Five largest suppliers in aggregate		78.70%

At no time during the year have the Directors, their associates or any shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had any interest in these major customers and suppliers.

Financial Statements

The loss of the Group for the year ended 31 March 2012 and the state of the Company's and the Group's affairs as at that date are set out in the financial statements on pages 39 to 141.

Transfer to Reserves

Loss attributable to owners, before dividends, of HK$55,238,000 (2011: loss of HK$43,677,000) have been transferred to reserves. Other movements in reserves are set out in note 31 to the financial statements.

The Directors do not recommend payment of final dividend for the year ended 31 March 2012 (2011: Nil).

Property, Plant and Equipment

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

Directors

The Directors during the financial year and up to the date of this report were:

Executive Directors

Xu Zhong Ping *(Chairman)*
Zhang Fang Hong *(Chief Executive Officer)*
Song Xuan
Xu Xiao Yang

Non-Executive Director

Ge Ze Min
Fong Sai Mo
Xin Luo Lin

Independent Non-Executive Directors

Wong Kam Wah
Zhu Nan Wen
Zuo Jiane

Mr. Xu Zhong Ping and Mr. Zhang Fang Hong will retire from the office as executive Directors. Mr. Ge Ze Min will retire from the office as a non-executive Director and Mr. Wong Kam Wah will retire from the office as an independent non-executive Director at the forthcoming annual general meeting. All retiring Directors, being eligible, offer themselves for re-election.

All Directors (including non-executive and independent non-executive Directors) of the Company are subject to the general provisions in respect of the retirement and rotation of Directors at the annual general meeting pursuant to the Company's Articles of Association.

Directors' Service Contracts

No Director proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

Directors' and Chief Executive's Interests in Shares and Underlying Shares

The Directors and chief executive who held office at 31 March 2012 had the following interests in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) at that date as recorded in the register of directors' and chief executives' interests required to be kept under section 352 of the SFO, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in the Listing Rules (the "Model Code"), to be notified to the Company and the Stock Exchange were as follows:

Long position

(i) *Interests in issued shares of the Company*

Name of Director	Capacity	No. of ordinary shares interested	% of the Company's issued share capital
Xu Zhong Ping	Interest held by a controlled corporation *(note)*	1,200,000,000	47.99%
	Beneficial owner	48,034,431	1.92%
		1,248,034,431	49.91%
Xu Xiao Yang	Beneficial owner	20,000,000	0.80%

Note:

These 1,200,000,000 shares were held under the name of Gentle International Holdings Limited ("Gentle"). Mr. Xu Zhong Ping owns 60% of the issued share capital of Gentle. Mr. Xu was therefore deemed to be interested in the said 1,200,000,000 shares held by Gentle under Part XV of the SFO.

(ii) *Interests in underlying shares of the Company*

Name of Director	Capacity	No. of share option held	% of the Company's issued share capital
Xu Zhong Ping	Beneficial owner	2,200,000	0.09%
Zhang Fang Hong	Beneficial owner	22,000,000	0.88%
Xu Xiao Yang	Beneficial owner	3,000,000	0.12%

Apart from the foregoing, as at 31 March 2012, none of the Directors, the chief executive or any of their spouses or children under eighteen years of age has interests in the shares, underlying shares and debentures of the Company, or any of its associated corporations, as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Share Options

2002 Share Option Scheme

The Company's 2002 Share Option Scheme was adopted on 28 March 2002 and was terminated by a resolution passed by shareholders on 10 September 2010.

2010 Share Option Scheme

The Company has, in accordance with Chapter 17 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), adopted a new share option scheme (the "2010 Share Option Scheme"), as approved by the shareholders of the Company at the extraordinary general meeting held on 10 September 2010. The Directors are given a general mandate to invite eligible participants to take up options at the subscription price as prescribed under the 2010 Share Option Scheme to subscribe for shares of the Company. The purpose of the share option scheme is to enable the Group to grant options to the eligible participants including employees, executive and non-executive Directors, suppliers and customers and shareholders of any members of the Group and any persons or entities that provided research, development or other technical support to the Group or any other group or classes of participants determined by the Directors as incentive or rewards for their contribution to the Group. The share option scheme has become valid and effective for a period of ten years ending on 9 September 2020.

The exercise price of options is the highest of the nominal value of the shares, the closing price of the shares on the Stock Exchange on the date of offer and the average closing price of the shares on the Stock Exchange for the five business days immediately preceding the date of offer. The options vest in four equal instalments with the first installment vesting from the date of grant. The second, third and fourth instalments vest from one, two and three years after the date of grant respectively. The options are exercisable after the vesting date but within a period of five years from the date of grant. Each option gives the holder the right to subscribe for one ordinary share in the Company.

The total number of securities available for issue under the share option scheme as at 31 March 2012 was 64,500,000 shares which represents 2.58% of the issued share capital of the Company as at 31 March 2012. The number of securities issued and to be issued upon exercise of the options granted to each participant in any 12–month period is limited to 1% of the Company's ordinary shares in issue.

Offer of an option shall have been accepted when the duplicate letter comprising acceptance of the option duly signed by the grantee together with a remittance of HK$1 is received within such time as may be specified in the offer, which shall not be later than 21 days from the date of offer. The share option scheme will expire on 9 September 2020.

Details of the share options granted under the 2010 Share Option Scheme and a summary of the movements during the year are as follows:

				Number of share options				
Name	**Date of grant**	**Exercisable period**	**Exercise price** HK$	**Balance at 1.4.2011**	**Granted during the year**	**Exercised during the year**	**Lapsed during the year**	**Balance at 31.3.2012**
Directors								
Xu Zhong Ping	17 September 2010	17 September 2010 to 16 September 2020	0.46	2,200,000	—	—	—	2,200,000
Zhang Fang Hong	17 September 2010	17 September 2010 to 16 September 2020	0.46	22,000,000	—	—	—	22,000,000
Xu Xiao Yang	17 September 2010	17 September 2010 to 16 September 2020	0.46	3,000,000	—	—	—	3,000,000
Sub-total				27,200,000	—	—	—	27,200,000
Others								
Employees and other qualified participants	17 September 2010	17 September 2010 to 16 September 2020	0.46	37,300,000	—	—	—	37,300,000
Sub-total				37,300,000	—	—	—	37,300,000
Total				64,500,000	—	—	—	64,500,000

Information on the accounting policy for share options granted and the weighted average value per option is provided in note 2.23 and note 30 to the financial statements respectively.

Apart from the foregoing, at no time during the year was the Company, or any of its holding company, subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

Substantial Shareholders' Interests in Shares

As at 31 March 2012, the following persons, other than a Director or chief executive of the Company, had interest or short positions in the shares and underlying shares in the Company as recorded in the register required to be kept under section 336 of the SFO:

	Capacity	No. of ordinary shares of the Company interested	% of the Company's issued shares capital
Gentle International Holdings Limited	Beneficial owner	1,200,000,000	47.99
Eternity Venture Limited	Beneficial owner	264,976,000	10.60
Li Hanying	Interest of a controlled corporation *(Note 1)*	264,976,000	10.60
Chung Cheong Group Limited	Beneficial owner	172,304,000	6.89
Mo Huiqin	Interest of a controlled corporation *(Note 2)*	172,304,000	6.89

Note:

1. Li Hanying is the sole shareholder of Eternity Venture Limited and was therefore deemed to be interested in the said 264,976,000 shares held by Eternity Venture Limited under Part XV of the SFO.

2. Mo Huiqin is the sole shareholder of Chung Cheong Group Limited and was therefore deemed to be interested in the said 172,304,000 shares held by Chung Cheong Group Limited under Part XV of the SFO.

Save as disclosed above, as at 31 March 2012, so far as is known to the Directors, no person (other than the Directors whose interests are set out in the section headed "Directors' and Chief Executive's Interests in Shares and Underlying Shares" above) had an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

Directors' Interests in Contracts

Save as disclosed in note 39 to the financial statements, no contract of significance to which the Company, or any of its holding company, subsidiaries or fellow subsidiaries was a party, and in which a Director had a material interest, subsisted at the end of the year or at any time during the year.

Directors Interests in Competing Business

None of the Directors or their respective associates has any interests in a business which competes or may compete with the business of the Group.

Share Capital

Details of the movements in share capital of the Company during the year are set out in note 29 to the financial statements.

Purchase, Sale or Redemption of Shares

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the year ended 31 March 2012 (2011: Nil).

Pre-emptive Rights

There is no provision for pre-emptive rights under the Company's Articles of Association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to its existing shareholders.

Bank Loans and Overdrafts

Particulars of bank loans and other borrowings of the Company and the Group as at 31 March 2012 are set out in note 33 to the financial statements.

Contingent Liabilities

At 31 March 2012, the Company gave corporate guarantees for banking facilities of HK$96,100,000 (2011: HK$28,075,000) granted to certain of its subsidiaries. The maximum liability of the Company at 31 March 2012 under the guarantees issued was the facilities utilized by the subsidiaries totalling HK$70,895,000 (2011: HK$14,206,000). The Directors do not consider it probable that a claim will be made against the Company.

Five Year 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 144 of the annual report.

Properties

Particulars of the major properties and property interest of the Group are shown on pages 142 and 143 of the annual report.

Retirement Schemes

As from 1 December 2000, the Group operates a mandatory provident fund scheme (the "MPF Scheme"), managed by an independent approved MPF trustee, under the requirements of the Mandatory Provident Fund Schemes Ordinance (Cap. 485, Laws of Hong Kong) for employees employed under the jurisdiction of the Employment Ordinance (Cap. 57, Laws of Hong Kong).

The MPF Scheme is a defined contribution retirement scheme. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at 5% of the employee's relevant income, subject to a cap of monthly relevant income of HK$20,000 (HK$25,000 starting from the contribution period commencing on 1 June 2012 or after).

The employees in the Group's PRC subsidiaries are members of the state-managed retirement schemes. The PRC subsidiaries are required to contribute a specified percentage of their payroll to these schemes. The only obligation of the Group with respect to these retirement schemes is to make the specified contributions.

Confirmation of Independence

The Company received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all the independent non-executive Directors to be independent.

Sufficiency of Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed public float under the Listing Rules as at the date of this annual report.

Auditor

CCIF resigned as auditors of the Group with effect from 3 February 2012 while PricewaterhouseCoopers was appointed by the Board to fill the casual vacancy.

Apart from the foregoing, there were no other changes in auditor of the Company in any of the preceding four years. PricewaterhouseCoopers shall retire and, being eligible, offer themselves for re-appointment. A resolution for the reappointment of PricewaterhouseCoopers as auditor of the Company is to be proposed at the forthcoming annual general meeting.

By order of the Board
Xu Zhong Ping
Chairman

Hong Kong, 27 June 2012

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors:

Mr. Xu Zhong Ping *(Chairman)*
Mr. Zhang Fang Hong *(Chief Executive Officer)*
Ms. Song Xuan
Mr. Xu Xiao Yang

Non-executive Director:

Mr. Ge Ze Min
Mr. Fong Sai Mo
Mr. Xin Luo Lin

Independent Non-executive Directors:

Mr. Wong Kam Wah
Dr. Zhu Nan Wen
Prof. Zuo Jiane

AUDIT COMMITTEE

Mr. Wong Kam Wah *(Chairman)*
Dr. Zhu Nan Wen
Prof. Zuo Jiane

REMUNERATION COMMITTEE

Mr. Wong Kam Wah *(Chairman)*
Dr. Zhu Nan Wen
Prof. Zuo Jiane

NOMINATION COMMITTEE

Mr. Wong Kam Wah *(Chairman)*
Dr. Zhu Nan Wen
Prof. Zuo Jiane

COMPANY SECRETARY

Mr. Li Wang Hing, Nelson

AUDITOR

PricewaterhouseCoopers
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LISTING INFORMATION

The Stock Exchange of Hong Kong Limited
Stock Code: 0646

PRINCIPAL BANKERS

DBS Bank (Hong Kong) Limited
Hang Seng Bank Limited

COMPANY WEBSITE

www.cethl.com

INDEPENDENT AUDITOR'S REPORT

羅兵咸永道

TO THE SHAREHOLDERS OF CHINA ENVIRONMENTAL TECHNOLOGY HOLDINGS LIMITED
(Incorporated in Cayman Islands with limited liability)

We have audited the consolidated financial statements of China Environmental Technology Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 39 to 141, which comprise the consolidated and Company statements of financial position as at 31 March 2012, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the 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, 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, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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.

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Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2012, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 27 June 2012

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2012

	Note	2012 HK$'000	2011 HK$'000
CONTINUING OPERATIONS			
Revenue	*6*	**144,883**	60,769
Cost of sales	*9*	**(118,242)**	(47,166)
Gross profit		**26,641**	13,603
Other income	*7*	**201**	142
Other losses, net	*8*	**(8,073)**	(10,850)
Distribution costs	*9*	**(6,664)**	(2,750)
Administrative expenses	*9*	**(44,907)**	(33,689)
Gain on a bargain purchase of subsidiaries		**—**	1,171
Loss before income tax		**(32,802)**	(32,373)
Income tax credit	*13*	**387**	1,013
Loss for the year from continuing operations		**(32,415)**	(31,360)
DISCONTINUED OPERATIONS			
Loss for the year from discontinued operations	*28(b)*	**(25,563)**	(12,317)
Gain on disposal of subsidiaries		**2,316**	—
Loss for the year from discontinued operations		**(23,247)**	(12,317)
Loss for the year		**(55,662)**	(43,677)
Loss attributable to:			
Owners of the Company		**(55,238)**	(43,677)
Non-controlling interests		**(424)**	—
		(55,662)	(43,677)

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2012

	Note	2012 HK$'000	2011 HK$'000
Loss attributable to owners of the Company arises from:			
Continuing operations		**(31,991)**	(31,360)
Discontinued operations		**(23,247)**	(12,317)
		(55,238)	(43,677)
Loss per share from continuing and discontinued operations attributable to owners of the Company during the year (expressed in HK cents per share)			
Basic loss per share	*14*		
From continuing operations		**(1.31) cents**	(1.37) cents
From discontinued operations		**(0.96) cents**	(0.53) cents
From loss for the year		**(2.27) cents**	(1.90) cents
Diluted loss per share	*14*		
From continuing operations		**(1.31) cents**	(1.37) cents
From discontinued operations		**(0.96) cents**	(0.53) cents
From loss for the year		**(2.27) cents**	(1.90) cents

The notes on pages 48 to 141 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2012

	Note	2012 HK$'000	2011 HK$'000
Loss for the year		**(55,662)**	(43,677)
Other comprehensive income			
Currency translation differences		**6,854**	6,107
Realisation of exchange differences transferred to profit or loss upon disposal of subsidiaries	*38(a)*	**(175)**	21
Net revaluation surplus on leasehold land and buildings, net of tax	*13*	**695**	5,532
Total other comprehensive income for the year, net of tax		**7,374**	11,660
Total comprehensive loss for the year		**(48,288)**	(32,017)
Attributable to:			
Owners of the Company		**(47,900)**	(32,017)
Non-controlling interests		**(388)**	—
Total comprehensive loss for the year		**(48,288)**	(32,017)
Total comprehensive loss attributable to owners of the Company arises from:			
Continuing operations		**(25,738)**	(25,253)
Discontinued operations		**(22,162)**	(6,764)
		(47,900)	(32,017)

The notes on pages 48 to 141 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2012

	Note	2012 HK$'000	2011 HK$'000
ASSETS			
Non-current assets			
Leasehold land	17	—	426
Property, plant and equipment	18	8,456	21,896
Investment properties	19	—	51,800
Operating concessions	20	219,630	117,759
Intangible assets	21	54,920	61,179
Interests in jointly controlled entities	22	—	—
		283,006	253,060
Current assets			
Financial assets at fair value through profit or loss	24	2,828	16,888
Inventories	25	13,627	11,624
Trade and other receivables	26	27,045	70,912
Current income tax recoverable		—	341
Pledged bank deposits	27	—	202
Cash and cash equivalents	27	38,592	104,965
		82,092	204,932
Assets of disposal group classified as held-for-sale	28	88,871	—
		170,963	204,932
Total assets		453,969	457,992
EQUITY			
Equity attributable to owners of the Company			
Share capital	29	62,508	60,775
Reserves		185,035	228,877
		247,543	289,652
Non-controlling interests		802	—
Total equity		248,345	289,652

	Note	**2012 HK$'000**	2011 HK$'000
LIABILITIES			
Non-current liabilities			
Borrowings	*33*	**48,708**	23,324
Deferred income tax liabilities	*34*	**30,585**	36,254
Provision for warranty	*35*	**—**	514
		79,293	60,092
Current liabilities			
Trade and other payables	*32*	**61,799**	83,437
Current income tax payable		**—**	1,171
Borrowings	*33*	**12,792**	22,175
Provision for warranty	*35*	**—**	1,465
		74,591	108,248
Liabilities of disposal group classified as held-for-sale	*28*	**51,740**	—
		126,331	108,248
Total liabilities		**205,624**	168,340
Total equity and liabilities		**453,969**	457,992
Net current assets		**44,632**	96,684
Total assets less current liabilities		**327,638**	349,744

The notes on pages 48 to 141 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 39 to 141 were approved by the Board of Directors on 27 June 2012 and were signed on its behalf

Xu Zhong Ping	**Zhang Fang Hong**
Director	*Director*

STATEMENT OF FINANCIAL POSITION

As at 31 March 2012

	Note	2012 HK$'000	2011 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	*18*	**724**	943
Interests in subsidiaries	*12*	**218,209**	225,018
		218,933	225,961
Current assets			
Trade and other receivables	*26*	**1,113**	941
Cash and cash equivalents	*27*	**8,063**	5,563
		9,176	6,504
Total assets		**228,109**	232,465
EQUITY			
Equity attributable to owners of the Company			
Share capital	*29*	**62,508**	60,775
Reserves	*31*	**162,346**	169,302
Total equity		**224,854**	230,077
LIABILITIES			
Current liabilities			
Trade and other payables	*32*	**3,255**	2,371
Financial guarantee liability		**—**	17
		3,255	2,388
Total liabilities		**3,255**	2,388
Total equity and liabilities		**228,109**	232,465
Total assets less current liabilities		**224,854**	230,077

The notes on pages 48 to 141 are an integral part of these consolidated financial statements.

The financial statements on pages 39 to 141 were approved by the Board of Directors on 27 June 2012 and were signed on its behalf

Xu Zhong Ping
Director

Zhong Fang Hong
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2012

	Note	Attributable to owners of the Company											
	Note	Share capital	Share premium	Tranche II conside-ration shares	Share option reserve	Contri-buted surplus	Exchange reserve	Reval-uation reserve-land and buildings	Other reserves	Retained profits	Total	Non-controlling interests	Total equity
Balance at 1 April 2010		55,825	58,833	–	–	(180)	2,741	14,366	2,570	60,949	195,104	–	195,104
Comprehensive income													
Loss for the year		–	–	–	–	–	–	–	–	(43,677)	(43,677)	–	(43,677)
Other comprehensive income:													
Currency translation differences		–	–	–	–	–	6,107	–	–	–	6,107	–	6,107
Realisation of exchange differences transferred to profit or loss upon disposal of a subsidiary		–	–	–	–	–	21	–	–	–	21	–	21
Revaluation surplus, net of deferred tax		–	–	–	–	–	–	5,532	–	–	5,532	–	5,532
Total other comprehensive income, net of tax		–	–	–	–	–	6,128	5,532	–	–	11,660	–	11,660
Total comprehensive income/ (loss)		–	–	–	–	–	6,128	5,532	–	(43,677)	(32,017)	–	(32,017)
Total contributions by and distributions to owners of the Company recognised directly in equity													
Issuance of new shares	*29(ii)*	3,576	58,424	–	–	–	–	–	–	–	62,000	–	62,000
Shares issue expenses		–	(1,494)	–	–	–	–	–	–	–	(1,494)	–	(1,494)
Shares issued for business combination	*29(i)*	937	14,625	–	–	–	–	–	–	–	15,562	–	15,562
Shares issued for acquisition of subsidiaries	*29(iii)*	437	7,249	–	–	–	–	–	–	–	7,686	–	7,686
Deemed contribution	*37*	–	–	–	–	–	–	–	6,785	–	6,785	–	6,785
Consideration shares to be issued for acquisition of subsidiaries	*31(a)*	–	–	27,274	–	–	–	–	–	–	27,274	–	27,274
Equity-settled share-based transactions		–	–	–	8,752	–	–	–	–	–	8,752	–	8,752
Transfer to other reserves		–	–	–	–	–	–	–	1,469	(1,469)	–	–	–
Total contributions by and distributions to owners of the Company		4,950	78,804	27,274	8,752	–	–	–	8,254	(1,469)	126,565	–	126,565
Balance at 31 March 2011		60,775	137,637	27,274	8,752	(180)	8,869	19,898	10,824	15,803	289,652	–	289,652

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2012

		Attributable to owners of the Company											
	Note	Share capital	Share premium	Tranche II consideration shares (note 31(a))	Share option reserve	Contributed surplus	Exchange reserve	Revaluation reserve-land and buildings	Other reserves	Retained profits/ (accumulated losses)	Total	Non-controlling interests	Total equity
Balance at 1 April 2011		60,775	137,637	27,274	8,752	(180)	8,869	19,898	10,824	15,803	289,652	–	289,652
Comprehensive income													
Loss for the year		–	–	–	–	–	–	–	–	(55,238)	(55,238)	(424)	(55,662)
Other comprehensive income:													
Currency translation differences		–	–	–	–	–	6,818	–	–	–	6,818	36	6,854
Realisation of exchange differences transferred to profit or loss upon transferred of subsidiaries	38	–	–	–	–	–	(175)	–	–	–	(175)	–	(175)
Revaluation surplus, net of deferred tax	13	–	–	–	–	–	–	695	–	–	695	–	695
Total other comprehensive income, net of tax		–	–	–	–	–	6,643	695	–	–	7,338	36	7,374
Total comprehensive income/(loss)		–	–	–	–	–	6,643	695	–	(55,238)	(47,900)	(388)	(48,288)
Total contributions by and distributions to owners of the Company recognized directly in equity													
Issuance of new shares	29(iv)	1,733	25,541	(27,274)	–	–	–	–	–	–	–	–	–
Share issue expenses		–	(365)	–	–	–	–	–	–	–	(365)	–	(365)
Reversal of other reverse upon disposal of subsidiaries		–	–	–	–	–	–	–	(122)	122	–	–	–
Equity-settled share-based transactions		–	–	–	6,156	–	–	–	–	–	6,156	–	6,156
Contribution from non-controlling interest	(i)	–	–	–	–	–	–	–	–	–	–	1,190	1,190
Transfer to other reserves		–	–	–	–	–	–	–	1,999	(1,999)	–	–	–
Total contributions by and distributions to owners of the Company		1,733	25,176	(27,274)	6,156	–	–	–	1,877	(1,877)	5,791	1,190	6,981
Balance at 31 March 2012		62,508	162,813	–	14,908	(180)	15,512	20,593	12,701	(41,312)	247,543	802	248,345

Note:

(i) Share capital contribution from non-controlling-interest in a newly set up subsidiary during the year.

The notes on pages 48 to 141 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2012

	Note	2012 HK$'000	2011 HK$'000
Cash flows from operating activities			
Cash generated from/(used in) operations	36	19,729	(28,054)
Income tax refund/(paid)			
Hong Kong		341	(948)
The People's Republic of China ("PRC")		(2,493)	(1,869)
		(2,152)	(2,817)
Net cash generated from/(used in) operating activities		17,577	(30,871)
Cash flows from investing activities			
Payment for purchase of property, plant and equipment	18	(6,387)	(3,564)
Proceeds from disposal of property, plant and equipment		24	249
Proceeds from disposal of investment property		5,412	—
Payment for a business combination, net of cash and cash equivalents acquired		—	(35,589)
Payment for the construction cost of operating concessions	20	(90,890)	(38,512)
Net cash inflow for acquisition of subsidiaries, net of cash and cash equivalents acquired	37	—	5,138
Proceeds from disposal of subsidiaries		(878)	21
Payments for purchase of club membership		—	(1,849)
Proceeds from sale of trading securities		6,094	4,652
Decrease in pledged bank deposits		202	179
Interest income received		263	139
Net cash used in investing activities		(86,160)	(69,136)
Cash flows from financing activities			
Proceeds from new bank loans		24,600	44,950
Repayment of bank loans		(404)	(4,084)
Net proceeds from issuance of new shares		—	60,506
Interest paid		(4,094)	(878)
Contribution from non-controlling interest		1,190	—
Net cash generated from financing activities		21,292	100,494
Net (decrease)/increase in cash and cash equivalents		(47,291)	487
Cash and cash equivalents at beginning of year		104,965	102,079
Exchange gains on cash and cash equivalents		2,581	2,399
Cash and cash equivalents at end of year	27	60,255	104,965

The statement of cash flow included both continuing and discontinued operations, details of which are set out in note 28.

The notes on pages 48 to 141 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General information

China Environmental Technology Holdings Limited (the "Company") is a limited liability company incorporated in the Cayman Islands on 31 August 2001 and its shares are listed on Main Board of The Stock Exchange of Hong Kong Limited. The principal place of business of the Company is located at Unit 1003–5, 10th Floor, Shui On Centre, 6–8 Harbour Road, Wanchai, Hong Kong.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries consisted of the development of water purification technology, provision of wastewater treatment and trading of motor vehicles, machineries and parts. During the year ended 31 March 2012, the Group discontinued the trading business for motor vehicles, machineries and parts. Further details are included in note 28 to the consolidated financial statements.

These financial statements are presented in Hong Kong dollars ("HK$"), unless otherwise stated. These financial statements have been approved for issue by the Board of Directors on 27 June 2012.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention, as modified by leasehold land and buildings, investment properties, and investment in equity securities.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of a higher degree judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

2.1.1 Changes in accounting policy and disclosures

(a) *New and amended standards adopted by the Group*

In the current year, the Company and its subsidiaries (collectively referred as the "Group") have applied, for the first time, the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by HKICPA, which are effective for the Group's financial year beginning on 1 April 2011.

HKAS 24 (as revised in 2009)	Related party disclosures
HK(IFRIC) — Int 19	Extinguishing financial liabilities with equity instruments
Amendments to HK(IFRIC) — Int 14	Prepayments of a minimum funding requirement
Amendments to HKFRSs	Improvements to HKFRSs issued in 2010

The application of the above new or revised HKFRSs in the current year has had no material effect on the amounts reported and/or disclosures set out in these consolidated financial statements.

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

2.1.1 Changes in accounting policy and disclosures (Continued)

(b) Standards, amendments and Interpretations to existing standards that are not effective and have not been early adopted by the Group:

The following new standards, new interpretations and amendments to standards and interpretations have been issued but not effective for the financial year end beginning 1 April 2011 and have not been early adopted by the Group:

HKAS 1 (Amendment)	Presentation of Financial Statements[3]
HKAS 12 (Amendment)	Deferred tax: Recovery of underlying assets[2]
HKAS 19 (Amendment)	Employee Benefits[4]
HKAS 27 (Revised)	Separate Financial Statements[4]
HKAS 28 (Revised)	Investments in Associates and Joint Ventures[4]
HKAS 32 (Amendment)	Offsetting Financial Assets and Financial Liabilities[5]
HK(IFRIC) — Int 20	Stripping Costs in the Production Phase of a Surface Mine[4]
HKFRS 1 (Amendment)	Disclosures — Severe Hyperinflation and Removal of Fixed Date for First Time Adopters[1]
HKFRS 7 (Amendment)	Disclosures — Transfers of Financial Assets[1]
HKFRS 7 (Amendment)	Disclosures — Offsetting Financial Assets and Financial Liabilities[4]
HKFRS 9	Financial Instruments[6]
HKFRS 10	Consolidated Financial Statements[4]
HKFRS 11	Joint Arrangements[4]
HKFRS 12	Disclosures of Interests in other entities[4]
HKFRS 13	Fair Value Measurement[4]

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

The Group is currently assessing the impact of the adoption of the above new standards, amendments to standards and interpretations, but not yet in a position to state whether they would have a significant impact to the Group's consolidated financial statements.

2 Summary of significant accounting policies (Continued)

2.2 Subsidiaries

2.2.1 Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 March 2012. The subsidiaries have non-coterminous year-end as at 31 December 2011 to comply with local regulations.

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control. De-facto control may arise from circumstances such as enhanced minority rights or contractual terms between shareholders, etc.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances, income and expenses on transactions between Group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(a) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

2 Summary of significant accounting policies (Continued)

2.2 Subsidiaries (Continued)

2.2.1 Consolidation (Continued)

(a) *Business combinations (Continued)*

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

(b) *Changes in ownership interests in subsidiaries without change of control*

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions — that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) *Disposal of subsidiaries*

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(d) *Joint ventures*

A joint controlled entity is a joint venture which, through contractual arrangement, is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly controlled entity. Jointly controlled entity is accounted for in the financial statements under the equity method of accounting and is initially recognised at cost. The Group's share of post-acquisition profit or loss of the jointly controlled entity is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses equals or exceeds its interest in the jointly controlled entity, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the jointly controlled entity.

Unrealised gains on transactions between the Group and its jointly controlled entity are eliminated to the extent of the Group's interest in the jointly controlled entity. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

2 Summary of significant accounting policies (Continued)

2.2 Subsidiaries (Continued)

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in HK dollars (HK$), which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses are presented in the consolidated income statement within "other losses, net".

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

2 Summary of significant accounting policies (Continued)

2.4 Foreign currency translation (Continued)

(b) *Transactions and balances (Continued)*

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

(c) *Group companies*

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

(d) *Disposal of foreign operation and partial disposal*

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the equity holders of the Company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associates or jointly controlled entities that do not result in the Group losing significant influence or joint control) the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

2 Summary of significant accounting policies (Continued)

2.5 Property, plant and equipment

Land and buildings comprise mainly factories and offices. Buildings are measured initially at its cost, including related transaction costs. After initial recognition, buildings are carried at fair values, based on periodic valuations by external independent valuers less subsequent depreciation and impairment losses. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

— Leasehold land and buildings	Shorter of remaining lease term of 50 years or useful life
— Furniture, fixtures and equipment	5 years
— Motor vehicles	3 — 5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.9).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "Other losses, net" in the income statement.

2.6 Investment properties

Investment property, principally comprising leasehold land and buildings, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment properties. Land held under operating leases are accounted for as investment properties when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recorded in the income statement as part of a valuation gain or loss in other income.

2 Summary of significant accounting policies (Continued)

2.7 Intangible assets

(a) *Goodwill*

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures and represents the excess of the consideration transferred over the Company's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(b) *Operating concessions*

Operating concessions represent the rights to operate a wastewater and water treatment plant and are stated at the fair value as at the date of acquisition and are subsequently amortised over the operating concessions period and assessed for impairment whenever there is an indication that the operating concessions may be impaired. Amortisation is provided on the straight-line basis over the period of the operating concessions granted to the Group of 30 years from April 2010 to March 2040.

Consideration received or receivable by the Group for the construction services rendered under service concession arrangements are recognised at their fair value as a financial asset or an intangible asset.

An intangible asset (concession intangible asset) is recognised to the extent that the Group receives a right to charge users of the public service, which is not an unconditional right to receive cash because the amounts are contingent on the extent that the public uses the service. The intangible asset (concession intangible asset) is accounted for in accordance with the policy set out above.

(c) *Patent*

Purchased patent is stated at cost less accumulated amortisation and any accumulated impairment losses. The cost of patent acquired in a business combination is the fair value as at the date of acquisition. Amortisation is provided on a straight-line basis over its useful life of 8 years.

(d) *Club membership*

Club membership is stated at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is provided on a straight-line basis over its useful life of 23 years.

2 Summary of significant accounting policies (Continued)

2.8 Service concession arrangements

Consideration given by the grantor

An intangible asset (operating concession) is recognised to the extent that the Group receives a right to charge users of the public service, which is not an unconditional right to receive cash because the amounts are contingent on the extent that the public uses the service. The intangible (operating concession) is accounted for in accordance with the policy set out in note 2.7.

(a) Construction or upgrade services

Revenue and costs relating to construction or upgrade services are accounted for in accordance with the policy set out in note 2.25.

(b) Operating services

Revenue and costs relating to operating services are accounted for in accordance with the policy set out in note 2.25.

(c) Contractual obligations to restore the infrastructure to a specified level of serviceability

The Group has contractual obligations which it must fulfil as a condition of its licence, that is (a) to maintain the wastewater and water treatment plants it operates to a specified level of serviceability and/or (b) to restore the plants to a specified condition before they are handed over to the grantor at the end of the service concession arrangement. These contractual obligations to maintain or restore the wastewater and water treatment plants, except for upgrade element, are recognised and measured in accordance with the policy set out in note 2.24.

2.9 Impairment of non-financial assets

Assets that have an indefinite useful life — for example, goodwill or intangible assets not ready to use — are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2 Summary of significant accounting policies (Continued)

2.10 Non-current assets (or disposal groups) held-for-sale and discontinuous operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as assets arising from employee benefits, financial assets and investment properties that are carried at fair value, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the statement of financial position.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the income statement.

2.11 Financial assets

2.11.1 Classification

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

2 Summary of significant accounting policies (Continued)

2.11 Financial assets (Continued)

2.11.1 Classification (Continued)

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the balance sheet (notes 2.15 and 2.16).

2.11.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date — the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within 'other (losses)/gains — net' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the Group's right to receive payments is established.

2.12 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2 Summary of significant accounting policies (Continued)

2.13 Impairment of financial assets

(a) *Assets carried at amortised cost*

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the 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. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or held- to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

2.14 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average cost method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.15 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

2 Summary of significant accounting policies (Continued)

2.15 Trade and other receivables (Continued)

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.16 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand and deposits held at call with banks.

2.17 Share capital

Ordinary shares are classified as equity.

2.18 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.19 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

2.20 Borrowing costs

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

General and specific 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 borrowings 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.

2 Summary of significant accounting policies (Continued)

2.21 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

(i) Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

(ii) Outside basis differences

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2 Summary of significant accounting policies (Continued)

2.22 Employee benefits

(a) Pension obligations

Group companies operate various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Group has defined contribution plans.

Defined contribution plans

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to a termination when the entity has a detailed formal plan to terminate the employment of current employees without possibility of withdrawal. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(c) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

2 Summary of significant accounting policies (Continued)

2.23 Share-based payments

(a) *Equity-settled share-based payment transactions*

The Group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save).

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date. At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

2.24 Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2 Summary of significant accounting policies (Continued)

2.25 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below.

(i) *Sale of goods*

Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(ii) *Service concession construction revenue*

Revenue relating to construction services under a service concession arrangement is recognized based on the stage of completion of the work performed in the period in which the services are provided by the Group. When the Group provides more than one service in a service concession arrangement the consideration received is allocated by reference to the relative fair values of the services delivered.

(iii) *Wastewater treatment revenue*

Revenue arising from operation of wastewater treatment plants is recognised based on actual wastewater treated from meter reading or the amount billed in accordance with terms of contractual agreements where applicable during the year.

(iv) *Commission and service*

Commission and service income are recognised when services are rendered.

(v) *Rental income from operating leases*

Rental income from investment property is recognised in the income statement on a straight-line basis over the term of the lease.

2.26 Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables are recognised using the original effective interest rate.

2.27 Dividend income

Dividend income is recognised when the right to receive payment is established.

2 Summary of significant accounting policies (Continued)

2.28 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

2.29 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

2.30 Construction contracts

Contract revenue represents construction revenue recognised under Build-Operate-Transfer ("BOT") contracts. Contract cost incurred comprise direct materials, the costs of subcontracting, direct labour and an appropriate proportion of variable and fixed construction overheads.

Revenue from the construction of a wastewater treatment plant under the terms of BOT contracts (service concession agreements) is estimated on a cost-plus basis with reference to a prevailing market rate of gross margin at the date of the agreement applicable to similar construction services rendered in similar location, and is recognised on the percentage-of-completion method, measured by reference to the proportion of costs incurred to date to the estimated total cost of the relevant contract.

Provision is made for foreseeable losses as soon as they are anticipated by management.

2.31 Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of subsidiaries or associates to secure loans, overdrafts and other banking facilities.

2 Summary of significant accounting policies (Continued)

2.31 Financial guarantee contracts (Continued)

Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee was given. The fair value of a financial guarantee at the time of signature is zero because all guarantees are agreed on arm's length terms, and the value of the premium agreed corresponds to the value of the guarantee obligation. No receivable for the future premiums is recognised. Subsequent to initial recognition, the Company's liabilities under such guarantees are measured at the higher of the initial amount, less amortisation of fees recognised in accordance with IAS 18, and the best estimate of the amount required to settle the guarantee. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by management's judgement. The fee income earned is recognised on a straight-line basis over the life of the guarantee. Any increase in the liability relating to guarantees is reported in the consolidated income statement within other operating expenses.

Where guarantees in relation to loans or other payables of subsidiaries or associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment in the financial statements of the Company.

3 Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

(a) Market risk

(i) Foreign exchange risk

The Group is exposed to currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate. Since Hong Kong dollars is pegged to United States dollars, these is no significant exposure expected on United States dollars transactions. The currencies giving rise to this risk are primarily EUR and Pound Sterling. The Group is not exposed to material transaction risk to Renminbi as all settlements for receivables and payables are in RMB for Mainland subsidiaries.

The Group ensures that the exposure on recognised assets and liabilities arising from sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate is kept to an acceptable level, by buying or selling foreign currency at spot rate where necessary to address short-term imbalances.

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(i) Foreign exchange risk (Continued)

The following table details the Group's and the Company's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they related.

Group

	Exposure to foreign currencies (expressed in HK$'000)					
	2012			2011		
	USD	**EUR**	**GBP**	USD	EUR	GBP
Trade and other receivables	**–**	**–**	**–**	32,213	1,854	73
Cash and cash equivalents	**335**	**–**	**–**	16,676	417	201
Trade and other payable	**–**	**–**	**–**	(45,519)	(1,605)	(2,747)
Overall net exposure	**335**	**–**	**–**	3,370	666	(2,473)

Company

	Exposure to foreign currencies (expressed in HK$'000)					
	2012			2011		
	USD	**EUR**	**GBP**	USD	EUR	GBP
Cash and cash equivalents	**335**	**–**	**–**	335	–	–
Overall net exposure	**335**	**–**	**–**	335	–	–

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(i) Foreign exchange risk (Continued)

An analysis of the estimated change in the Group's profit/(loss) after tax and equity in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the end of the reporting period is presented in the following table.

Group

Exposure to foreign currencies (expressed in HK$'000)

	2012			2011		
	Increase/ (decrease) In foreign Exchange Rates	**Effect on loss after tax HK$'000**	**Effect on equity HK$'000**	Increase/ (decrease) In foreign Exchange Rates	Effect on loss after tax HK$'000	Effect on equity HK$'000
Euro	**10%**	**–**	**–**	10%	(56)	56
	(10%)	**–**	**–**	(10%)	56	(56)
GBP	**10%**	**–**	**–**	10%	206	(206)
	(10%)	**–**	**–**	(10%)	(206)	206

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period and had been applied to each of the Group entities' exposure to currency risk for both derivative and non-derivative financial instruments in existence at that date while all other variables remains constant. The stated changes also represent management's assessment of a reasonably possible change in foreign exchange rates until the next annual end of the reporting period. The analysis is performed on the same basis for 2011.

Company

The Company is not exposed to material foreign exchange risk as it has no significant balances and transactions which are denominated in its non-functional currency. Accordingly, no sensitivity analysis is performed.

(ii) Price risk

The Group is exposed to equity price risk arising from trading of listed securities classified as financial assets at fair value through profit or loss in the consolidated statement of financial position. The sensitivity analysis has been determined based on the exposure to equity price risk.

At 31 March 2012, if the quoted market prices of the trading securities had been 20% higher or lower while all other variables were held constant, the Group's loss before tax would decrease or increase by approximately HK$566,000 (2011: the Group's loss before tax would decrease or increase by approximately HK$3,378,000) as a result of changes in fair value of investments.

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(ii) Price risk (Continued)

The sensitivity analysis has been determined assuming that the reasonably possible changes in the stock market index or other relevant risk variables had occurred at the end of the reporting period and had been applied to the exposure to equity price in existence at that date. It also assumed that the fair values of the Group's investment would change in accordance with the historical correlation with the relevant stock market index or the relevant risk variables, that none of the Group's securities investments would be considered impaired as a result of a reasonably possible decrease in the relevant stock market index or other relevant risk variable, and that all other variables remain constant. The stated changes represent management's assessment of reasonably possible changes in the relevant stock market index or the relevant risk variables over the period until the next annual end of the reporting period. The analysis is performed on the same basis for 2011.

(iii) Cash flow and fair value interest rate risk

The Group's interest rate risk arises primarily from the Group's interest-bearing borrowings which carry interest at market rates. The Group does not use financial derivatives to hedge against the interest rate risk. The Group's interest rate profile as monitored by management is set out below.

Interest rate profile

The Group has fair value interest rate risk arising from its fixed interest rate borrowings and also has cash flow interest rate risk arising from its borrowings and deposits with variable interest rates. The Group's objective is to have most of its borrowings at fixed rates and to have only such amount of variable rate borrowings necessary to economically hedge deposits with variable interest rates.

At 31 March 2012, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would increase/decrease the Group's loss before tax by approximately HK$615,000.

At 31 March 2011, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would increase/decrease the Group's loss before tax by approximately HK$455,000.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for the non-derivative financial liabilities in existence at that date. The 100 basis points increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next year end of the reporting period. The analysis is performed on the same basis for 2011.

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and the Group's credit risk is primarily attributable to the trade and other receivables and deposits with financial institutions. Management has a credit policy in a place and the exposures to these credit risks are monitored on an ongoing basis.

(i) Trade and other receivables

Management has established a credit policy under which credit evaluations are performed on all customers requiring credit. Trade receivables are due depend on contract terms or within 2 months from the date of billing. Debtors with balances that are more than 3 months are requested to settle all outstanding balance before any further credit is granted. Normally, the Group does not obtain collateral from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. At the end of the reporting period, the Group has concentration of credit risk as 68% (2011: 52%) and 93% (2011: 88%) of the total trade related receivables was due from the Group's largest customer and the five largest customers respectively.

The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial asset, in the consolidated statement of financial position after deducting any impairment allowance. The maximum exposure to credit risk in respect of this financial guarantee at the Company's statement of financial position is disclosed in note 40.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 26.

(ii) Deposits with financial institutions

The Group limits its exposure to credit risk by placing deposits with financial institutions that meet the established credit rating of AA. Given these high credit ratings, management does not expect any counterparty to fail to meet its obligations.

As at 31 March 2012, the Group has certain concentration of credit risk as 79% (2011: 61%) of total cash and cash equivalents, bank deposits with original maturities over three months and financial assets designated at fair value were deposited at reputable banks located in Mainland China which management believes are of high credit quality and without significant credit risk.

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's policy is to regularly monitor its current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash as the directors closely monitor the Group's liquidity position and plans to implement initiative to improve the Group's cash flow by obtaining adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. The Group relies on bank borrowings as a significant source of liquidity. At 31 March 2012, the Group has available un-utilised banking facilities of approximately HK$62,105,000 (2011: HK$29,951,000), details of which are disclosed in notes 33.

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

The following table details the remaining contractual maturities at the end of the reporting period of the Group's and the Company's non-derivative financial liabilities and derivative financial liabilities, which are based on the management expectation. The amounts disclosed in the table are the contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period).

	2012					
Group	**Within 1 year HK$'000**	**More than 1 year but less than 2 year HK$'000**	**More than 2 years but less than 5 years HK$'000**	**After 5 years HK$'000**	**Total Contractual Undiscounted cash flow HK$'000**	**Carrying amount HK$'000**
Trade and other payables *(note 32)*	**42,021**	**—**	**—**	**—**	**42,021**	**42,021**
Bank loans	**18,514**	**28,193**	**31,701**	**—**	**78,408**	**61,500**
	60,535	**28,193**	**31,701**	**—**	**120,429**	**103,521**

	2011					
The Group	Within 1 year HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	After 5 years HK$'000	Total Contractual Undiscounted cash flow HK$'000	Carrying amount HK$'000
Trade and other payables *(note 32)*	77,687	—	—	—	77,687	77,687
Bank loans	15,265	14,358	13,271	9,009	51,903	45,499
	92,952	14,358	13,271	9,009	129,590	123,186

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

The table below analyses the Group's and the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. Where the loan agreement contains a repayable on demand clause which gives the lender the unconditional right to call the loan at any time, the amounts repayable are classified in the earliest time bracket in which the lender could demand repayment. The amounts disclosed in the table are the contractual undiscounted cash flows.

			2012			
Group	**On demand HK$'000**	**Within 1 year or on demand HK$'000**	**More than 1 year but less than 2 years HK$'000**	**More than 2 years but less than 5 years HK$'000**	**After 5 years HK$'000**	**Carrying amount HK$'000**
Trade and other payables *(note 32)*	**—**	**42,021**	**—**	**—**	**—**	**42,021**
Bank loans	**—**	**12,792**	**24,108**	**24,600**	**—**	**61,500**
	—	**54,813**	**24,108**	**24,600**	**—**	**103,521**

			2011			
Group	On demand HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	After 5 years HK$'000	Carrying amount HK$'000
Trade and other payables *(note 32)*	—	77,687	—	—	—	77,687
Bank loans	9,395	12,780	12,376	10,948	—	45,499
	9,395	90,467	12,376	10,948	—	123,186

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

Company	2012 Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	After 5 years HK$'000	Total Contractual Undiscounted cash flow HK$'000	Carrying amount HK$'000
Trade and other payables	**3,255**	**—**	**—**	**—**	**3,255**	**3,255**

Company	2011 Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	After 5 years HK$'000	Total Contractual Undiscounted cash flow HK$'000	Carrying amount HK$'000
Trade and other payables	2,371	—	—	—	2,371	2,371

As at 31 March 2012, the Company issued the financial guarantee contract in respect of banking facilities granted to subsidiaries. The maximum amounts of the guarantee is HK$70,895,000 (2011: HK$45,499,000) which is callable within twelve months.

3.2 Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for owners and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher level of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

3 Financial risk management (Continued)

3.2 Capital management (Continued)

The capital structure of the Group consists of equity attributable to equity holder of the Group, comprising issued share capital, share premium, share option reserve, contributed surplus, exchange reserves, land and building revaluation reserve, other reserve and retained profits.

The Group monitors its capital structure on the basis of a net debt-to-adjusted capital ratio. For this purpose the Group defines net debt as total debt which includes bank borrowings less bank deposits and cash. Adjusted capital comprises all components of equity less unaccrued proposed dividends.

During the year ended 31 March 2012, the Group's strategy, which was unchanged from 2011, was to maintain the net debt-to-adjusted capital ratio as low as feasible. The adjusted net debt-to-capital ratio at 31 March 2012 and 2011 was as follows:

	Note	**2012** **HK$'000**	2011 HK$'000
Current liabilities:			
Borrowings	33	**12,792**	22,175
Non-current liabilities:			
Borrowings	33	**48,708**	23,324
Total debt		**61,500**	45,499
Less: Cash and cash equivalents	27	**(38,592)**	(104,965)
Pledged bank deposits	27	**—**	(202)
Adjusted net debt/(cash and cash equivalents)		**22,908**	(59,668)
Total equity		**248,345**	289,652
Adjusted capital		**248,345**	289,652
Adjusted net debt-to-capital ratio		**9.2%**	N/A

In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to owners, issue new shares or sell assets to reduce debt. As at 31 March 2012, the Group had a net debt position (2011: net cash position).

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

3 Financial risk management (Continued)

3.3 Fair value estimation

The following table provides an analysis of financial instruments that are measured at fair value at the end of the reporting period, 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 markets 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).

The level in the fair value hierarchy within which the fair value measurement is categorized in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in this entirety.

	2012							
	Group				Company			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Financial assets at fair value through profit or loss								
Trading securities	2,828	–	–	2,828	–	–	–	–

	2011							
	The Group				The Company			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Financial assets at fair value through profit or loss								
Trading securities	16,888	–	–	16,888	–	–	–	–
Financial liabilities at fair value through profit or loss								
Financial guarantee liabilities	–	–	–	–	–	–	(17)	(17)

There were no significant transfers between instruments in Level 1 and Level 2 during the year.

3 Financial risk management (Continued)

3.3 Fair value estimation (Continued)

Reconciliation of level 3 fair value measurements of financial liabilities

Financial guarantee contracts	**Company** HK$'000
At 1 April 2010	55
Fair value of financial guarantee contracts issued	208
Amortisation for the year	(246)
At 31 March 2011	17
Fair value of financial guarantee contracts issued	—
Amortisation for the year	(17)
At 31 March 2012	—

The fair values of cash and cash equivalents, pledged bank deposits, trade and other receivables, trade and other payables are not materially different from the carrying amounts because of the immediate or short term maturity of these financial instruments. The carrying amounts of other financial assets, bank loans and overdrafts and finance lease liabilities approximate to their fair values.

3.4 Estimation of fair values

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments.

(i) *Trading securities*

Fair value is based on quoted market prices at the end of the reporting period without any deduction for transaction costs.

(ii) *Interest-bearing loans and borrowings and finance lease liabilities*

The fair value is estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

(iii) *Financial guarantees*

The fair value of financial guarantees issued is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made.

4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(i) *Write-down for obsolescence of inventories*

The Group determines the write-down for obsolescence of inventories. These estimates are based on the current market condition and the historical experience on selling goods of similar nature. It could change significantly as a result of changes in market conditions. As at 31 March 2012, the carrying amount of inventories is HK$13,627,000 (2011: HK$11,624,000). As at 31 March 2012, the amount of provision for impairment loss on inventories was HK$1,044,000 (2011: HK$1,859,000), if the provision increase/decrease by 10% as at the balance sheet date, with all other variables held constant, the Group's loss before tax would have increase/decrease by HK$104,000 (2011: HK$186,000).

(ii) *Depreciation and impairment loss of property, plant and equipment*

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives, after taking into account the estimated residual value. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation expense to be recovered during the year. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

Internal and external sources of information are reviewed at each of the end of the reporting period to identify indications that assets may be impaired. The Group will review the estimated future cash flows of the assets regularly in order to determine whether impairment loss is required. An impairment loss is recognised in the income statement whenever the carrying amount of an asset exceeds its recoverable amount.

As at 31 March 2012, the carrying amount of property, plant and equipment is HK$8,456,000 (2011: HK$21,896,000).

(iii) *Impairment of trade receivables*

The Group evaluates whether there is any objective evidence that trade receivables are impaired, and determine the amount of impairment loss as a result of the inability of the debtors to make required payments. The Group bases the estimates on the ageing of the trade receivables balance, credit-worthiness, and historical write-off experience. If the financial condition of the debtors were to deteriorate, actual write-offs would be higher than estimated.

4 Critical accounting estimates and judgements (Continued)

4.1 Critical accounting estimates and assumptions (Continued)

(iii) Impairment loss on trade receivables (Continued)

As at 31 March 2012, the carrying amount of trade receivables is HK$14,010,000 (2011: HK$39,020,000). If management's estimate of the recoverable amount of trade receivables decreased by 1% as at the end of the reporting period, with all other variable held constant, the Group's loss before tax would increase by HK$140,000 (2011: HK$390,000).

(iv) Income taxes

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations. Deferred tax assets are recognised for tax losses not yet used and temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilised, management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered. The Group has not recognised deferred income tax assets in respect of estimated tax losses carried forward disclosed in note 34 as there is no evidence that future taxable income will be available. As at 31 March 2012, the carrying amount of deferred tax liabilities is HK$30,585,000 (2011: HK$36,254,000).

(v) Fair value of investment properties and leasehold land and buildings

Investment properties and leasehold land and buildings are carried in the statement of financial position at 31 March 2012 at their fair value. The fair value was based on a valuation on these properties conducted by an independent firm of professional valuers using property valuation techniques which involve certain assumptions of market conditions. Favourable or unfavourable changes to these assumptions would result in changes in the fair value of the Group's investment properties and leasehold land and buildings and corresponding adjustments to the amount of gain or loss reported in the consolidated income statement and revaluation reserve. As at 31 March 2012, the carrying amounts of investment properties and leasehold land and buildings are HK$45,380,000 (2011: HK$51,800,000) and HK$15,631,000 (2011: HK$14,964,000) respectively.

4 Critical accounting estimates and judgements (Continued)

4.1 Critical accounting estimates and assumptions (Continued)

(vi) *Warranty provision*

As explained in note 28, the Group makes provision for the warranty it gives on sales of its railway and metro maintenance equipments and vehicles based on the Group's recent claim experience. As the Group is continually upgrading its product designs and launching new models it is possible that the recent claim experience is not indicative of future claims that it will receive in respect of past sales. Any increase or decrease in the provision would affect profit or loss in future years. As at 31 March 2012, the carrying amount of provision for warranty is HK$4,777,000 (2011: HK$1,979,000).

(vii) *Impairment of intangible assets and operating concessions*

The Group determines whether an asset is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the asset is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Please refer to notes 20 and 21 for details.

4 Critical accounting estimates and judgements (Continued)

4.2 Critical judgements in applying the entity's accounting policies

(i) *Service concession arrangements*

The Group entered into BOT arrangements in respect of its wastewater treatment. The Group concluded that the BOT arrangements are services concession arrangements under HK(IFRIC) — Int 12, because the local government controls and regulates the services that the Group must provide with the infrastructure at a pre-determined service charge. In addition, upon expiry of concession rights agreement, the infrastructure will be transferred to the local government at nil consideration.

Classification for a service concession arrangement between the intangible asset component and the financial asset component, if any, requires the Group to make an estimate of a number of factors, which include, inter alia, expected future wastewater treatment volume of the relevant wastewater treatment plant over its service concession period, future guaranteed receipts and unguaranteed receipts, and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

(ii) *Construction contracts*

Revenue and profit recognition on a uncompleted project is dependent on estimating the total outcome of the construction contract, as well as the work done to date. Based on the Group's recent experience and the nature of the construction activity undertaken by the Group, the Group makes estimates of the point at which it considers the work is sufficiently advanced such that the costs to complete and revenue can be reliably estimated. As a result, until this point is reached, the amounts due from customers for contract work will not include profit which the Group may eventually realise from the work to date. In addition, actual outcomes in terms of total cost of revenue may be higher or lower than estimated at the end of reporting period, which would affect the revenue and profit recognised in future years as an adjustment to the amount recorded to date.

5 Segment reporting

The Group manages its business by division which is organised from the product perspective.

Operating segments are identified on the basis of internal reports which provides information about components of the Group. These information are reported to and reviewed by the executive directors, being the chief operating decision-maker ("CODM") for the purposes of resource allocation and performance assessment. The Group has presented the following six reportable segments, no reportable segment has been aggregated to form following reporting segments:

1. Aviation, metro and railway equipment

This segment derives its revenue from sales of train and track maintenance equipment and airport ground support equipment. At the end of the reporting period, the aviation, metro and railway equipment segment is classified as discontinued operation of the Group.

2. Vehicles and spare parts

This segment derives its revenue from sales of coaches, trucks and spare parts of bus. At the end of the reporting period, the vehicles and spare parts segment is classified as discontinued operation of the Group.

5 Segment reporting (Continued)

3. Dredging equipment

This segment derives its revenue from sales of components of dredging equipment. At the end of the reporting period, the dredging equipment segment is classified as discontinued operation of the Group.

4. Provision of engineering services

This segment provides warranty and maintenance services and after-sales services. At the end of the reporting period, the provision of engineering services segment is classified as discontinued operation of the Group.

5. Wastewater treatment and construction services

This segment engages in the provision of wastewater treatment plants construction and operation services on a Build-Operate-Transfer ("BOT") basis.

6. Wastewater treatment equipment trading

This segment engages in the trading of wastewater treatment facilities and machinery and provision for related services.

(a) Segment results

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment profit/(loss) represents the profit earned by/(loss) from each segment without allocation of central administration costs such as directors' salaries, investment income and finance costs. This is the measure reported to the board of directors for purposes of resource allocation and performance assessment. Taxation charge/(credit) is not allocated to reportable segment.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation and amortisation of assets attributable to those segments.

The revenue from external parties reported to the board of directors is measured in a manner consistent with that in the income statement.

All assets are allocated to reportable segments other than tax recoverable, trading securities, club membership and corporate assets. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments.

All liabilities are allocated to reportable segments other than current and deferred tax liabilities, borrowings not attributable to individual segments and corporate liabilities. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

5 Segment reporting (Continued)

(a) Segment results (Continued)

An analysis of the Group's reportable segment is reported below.

	Discontinued operations									
	Aviation, metro and railway equipment		Vehicles and spare parts		Dredging equipment		Provision of engineering services		Subtotal	
	2012 HK$'000	2011 HK$'000	**2012 HK$'000**	2011 HK$'000	**2012 HK$'000**	2011 HK$'000	**2012 HK$'000**	2011 HK$'000	**2012 HK$'000**	2011 HK$'000
Segment revenue										
Revenue from external customers	**449**	63,805	**6,072**	14,228	**17,417**	10,262	**6,589**	9,645	**30,527**	97,940
Reportable segment (loss)/profit before tax	**(17,206)**	(12,372)	**2,189**	(1,940)	**1,484**	(351)	**(5,215)**	(427)	**(18,748)**	(15,090)
Interest income	**60**	13	**3**	5	**–**	1	**–**	–	**63**	19
Finance costs	**–**	60	**–**	–	**–**	–	**–**	–	**–**	60
Depreciation and amortisation	**944**	1,470	**54**	13	**5**	7	**34**	105	**1,037**	1,595
(Reversal of write-down)/write-down of inventories	**(1,499)**	(506)	**(140)**	(1,363)	**–**	10	**–**	–	**(1,639)**	(1,859)
Loss/(gain) on disposal of property, plant and equipment	**–**	–	**–**	–	**–**	–	**24**	–	**24**	–
Impairment loss on										
– Trade receivables	**3.559**	6,685	**–**	–	**–**	–	**–**	–	**3,559**	6,685
– Retention receivables	**–**	6,362	**–**	–	**–**	–	**–**	–	**–**	6,362
Additions to non-current assets (other than financial assets and deferred tax assets)	**–**	–	**–**	31	**–**	–	**–**	–	**–**	31

5 Segment reporting (Continued)

(a) Segment results (Continued)

An analysis of the Group's reportable segment is reported below (Continued).

	Continuing operations						Unallocated			
	Wastewater treatment and construction services		Wastewater treatment equipment trading		Subtotal				Total	
	2012 HK$'000	2011 HK$'000	**2012 HK$'000**	2011 HK$'000	**2012 HK$'000**	2011 HK$'000	**2012 HK$'000**	2011 HK$'000	**2012 HK$'000**	2011 HK$'000
Segment revenue										
Revenue from external customers	**120,327**	60,769	**24,556**	–	**144,883**	60,769	**–**	–	**175,410**	158,709
Reportable segment (loss)/profit before tax	**18,784**	12,570	**(4,347)**	(3,491)	**14,437**	9,079	**(51,545)**	(36,749)	**(55,856)**	(42,760)
Interest income	**170**	97	**17**	2	**187**	99	**13**	20	**263**	138
Finance costs	**–**	1	**–**	–	**–**	1	**217**	165	**217**	226
Depreciation and amortisation	**2,788**	2,386	**8,938**	1,958	**11,726**	4,344	**1,463**	1,421	**14,226**	7,360
(Reversal of write-down)/write-down of inventories	**–**	–	**2,683**	–	**2,683**	–	**–**	–	**1,044**	(1,859)
Loss/(gain) on disposal of property, plant and equipment	**–**	–	**–**	–	**–**	–	**–**	(269)	**24**	(269)
Impairment loss on										
— Trade receivables	**–**	–	**–**	–	**–**	–	**–**	–	**3,559**	6,685
— Retention receivables	**–**	–	**–**	–	**–**	–	**–**	–	**–**	6,362
Additions to non-current assets (other than financial assets and deferred tax assets)	**100,101**	117,142	**4,692**	60,488	**104,793**	177,630	**517**	4,881	**105,310**	182,542

Note: There were no inter-segment sales in both years.

(b) Segment assets and liabilities

An analysis of the Group's reportable segment is reported below.

	Aviation, metro and railway equipment		Vehicles and spare parts		Dredging equipment		Provision of engineering services		Wastewater treatment and construction services		Wastewater treatment equipment trading		Unallocated		Total	
	2012 HK$'000	2011 HK$'000	**2012 HK$'000**	2011 HK$'000	**2012 HK$'000**	2011 HK$'000	**2012 HK$'000**	2011 HK$'000	**2012 HK$'000**	2011 HK$'000	**2012 HK$'000**	2011 HK$'000	**2012 HK$'000**	2011 HK$'000	**2012 HK$'000**	2011 HK$'000
Reportable segment assets	**–**	135,193	**–**	6,556	**–**	6,104	**–**	2,011	**254,248**	190,992	**86,646**	76,373	**24,204**	40,763	**365,098**	457,992
Assets of disposal group classified as held-for-sale	**87,308**	–	**–**	–	**–**	–	**1,563**	–	**–**	–	**–**	–	**–**	–	**88,871**	–
Reportable segment liabilities	**–**	49,217	**–**	4,833	**–**	4,263	**–**	2,438	**87,639**	44,146	**17,415**	4,934	**48,830**	58,509	**153,884**	168,340
Liabilities of disposal group classified as held-for-sale	**45,766**	–	**–**	–	**–**	–	**5,974**	–	**–**	–	**–**	–	**–**	–	**51,740**	–

5 Segment reporting (Continued)

(c) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities and other items

	2012 HK$'000	2011 HK$'000
Income		
Reportable segments' profit	14,437	9,079
Other losses, net	(8,049)	(10,819)
Depreciation and amortisation	(825)	(345)
Gain on a bargain purchase of subsidiaries	—	1,171
Unallocated head office and corporate expenses	(38,365)	(31,459)
Consolidated loss before tax attributable to continuing operations	(32,802)	(32,373)
Consolidated loss before tax attributable to discontinued operations	(23,054)	(10,387)
	(55,856)	(42,760)
Assets		
Reportable segments' assets	340,894	417,229
Unallocated		
— current income tax recoverable	—	341
— financial assets at fair value through profit or loss	2,828	16,888
— cash and cash equivalents	10,126	10,918
— corporate assets	11,250	12,616
	365,098	457,992
Assets of disposal group classified as held-for-sale	88,871	—
Consolidated total assets	453,969	457,992
Liabilities		
Reportable segments' liabilities	105,054	109,831
Unallocated		
— current tax payable	—	1,171
— deferred tax liabilities	30,585	36,254
— bank loans and overdrafts	—	9,799
— corporate liabilities	18,245	11,285
	153,884	168,340
Liabilities of disposal classified as held-for-sale	51,740	—
Consolidated total liabilities	205,624	168,340

5 Segment reporting (Continued)

(d) Revenue from major product and services

The following is an analysis of the Group's revenue from its major products and services:

	2012 HK$'000	2011 HK$'000
Sales of goods	24,556	—
Construction of wastewater treatment plants	99,715	43,117
Wastewater treatment services	20,612	17,652
Attributable to continuing operations	144,883	60,769
Attributable to discontinued operation *(note 28)*	30,527	97,940
	175,410	158,709

(e) Geographical information

The following is an analysis of geographical location of (i) the Group's revenue from external customers and (ii) the Group's non-current assets. The geographical location of customers refers to the location at which the services were provided or the goods delivered. The Group's non-current assets include interest in leasehold land held for own use under operating leases, property, plant and equipment, investment properties, operating concessions and intangible assets. The geographical location of leasehold land, investment properties and property, plant and equipment is based on the physical location of the asset under consideration. In the case of operating concessions and intangible assets, it is based on the location of operation to which these intangibles are allocated.

	Revenues from external customers	
	2012 HK$'000	2011 HK$'000
Mainland China attributable to continuing operations	144,883	60,769
Attributable to discontinued operations	30,527	97,940
	175,410	158,709

	Non-current assets	
	2012 HK$'000	2011 HK$'000
Hong Kong	724	27,645
Mainland China	282,282	225,415
	283,006	253,060

5 Segment reporting (Continued)

(f) Information about major customers

Revenues from customers contributing 10% or more of the total revenue of the Group are as follows:

	2012 HK$'000	2011 HK$'000
Customer A — revenue from wastewater treatment and construction services — Mainland China	**20,613**	17,652
Customer B — revenue from railway equipment trading — USA	**6,264**	54,644

6 Turnover

The principal activities of the Group are the provision of wastewater treatment, construction services and trading of water treatment machineries.

Turnover represents the sales value of water treatment goods supplied to customers, construction of wastewater treatment plants and wastewater treatment services. The amount of each significant category of revenue recognised in turnover during the year is as follows:

	2012 HK$'000	2011 HK$'000
Sales of goods	**24,556**	—
Construction of wastewater treatment plants	**99,715**	43,117
Wastewater treatment services	**20,612**	17,652
Attributable to continuing operations	**144,883**	60,769
Attributable to discontinued operations	**30,527**	97,940
	175,410	158,709

7 Other income

	2012 HK$'000	2011 HK$'000
Other income		
Interest income on bank deposits	**201**	120
Others	**—**	22
Attributable to continuing operations	**201**	142
Attributable to discontinued operations	**1,127**	2,148
	1,328	2,290

8 Other losses, net

	2012 HK$'000	2011 HK$'000
Net exchange loss	**96**	175
Net loss on disposal of property, plant and equipment	**—**	12
Net unrealised loss on financial assets at fair value through profit or loss	**7,967**	10,663
Others	**10**	—
Attributable to continuing operations	**8,073**	10,850
Attributable to discontinued operations	**(715)**	(1,509)
	7,358	9,341

9 Expenses by nature

	2012 HK$'000	2011 HK$'000
Cost of inventories *(note 25)*	**8,538**	41
Cost of construction contracts	**90,890**	38,512
Amortisation of operating concession *(note 20)*	**2,599**	2,275
Amortisation of intangible asset *(note 21)*	**8,177**	1,934
Employee benefit expense *(note 10)*	**22,479**	17,280
Provision for obsolete stocks *(note 25)*	**2,683**	—
Depreciation	**1,773**	480
Operating lease charge in respect of properties	**3,943**	2,233
Subcontracting charge	**4,876**	4,404
Legal and professional fee	**3,251**	4,778
Motor vehicles	**2,241**	1,203
Trip expense	**3,161**	1,487
Entertainment	**3,871**	2,602
Auditors' remuneration		
— Audit services	**1,550**	1,006
— Non-audit services	**250**	50
Other expenses	**9,531**	5,320
Total cost of sales, distribution costs and administrative expenses attributable to continuing operations	**169,813**	83,605
Total cost of sales, distribution costs and administrative expenses attributable to discontinued operations	**55,642**	117,618
	225,455	201,223

10 Employee benefit expense

	2012 HK$'000	2011 HK$'000
Salaries, wages and other benefits	**16,208**	7,457
Share options granted to directors and employees	**6,156**	8,752
Pension costs — defined contribution plans	**115**	1,071
Attributable to continuing operations	**22,479**	17,280
Attributable to discontinued operations	**13,081**	13,720
	35,560	31,000

(a) Directors' emoluments

The remuneration of every director of the year ended 31 March 2012 is set out below

	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Retirement scheme contributions HK$'000	Sub-total HK$'000	Equity settled share based payment HK$'000 *(note (a))*	Total HK$'000
Executive directors						
Xu Zhong Ping	—	1,950	—	1,950	219	2,169
Zhang Fang Hong	—	1,560	—	1,560	2,187	3,747
Song Xuan	—	—	—	—	—	—
Xu Xiao Yang	—	585	—	585	298	883
Non-executive director						
Ge Ze Min	—	—	—	—	—	—
Fong Sai Mo	—	—	—	—	—	—
Xin Luo Lin	—	—	—	—	—	—
Independent non-executive directors						
Wong Kam Wah	120	—	—	120	—	120
Zhu Nan Wen	120	—	—	120	—	120
Zuo Jiane	120	—	—	120	—	120
	360	4,095	—	4,455	2,704	7,159

10 Employee benefit expense (Continued)

(a) Directors' emoluments (Continued)

The remuneration of every director of the year ended 31 March 2011 is set out below

	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Retirement scheme contributions HK$'000	Sub-total HK$'000	Equity settled share based payment HK$'000 *(note (a))*	Total HK$'000
Executive directors						
Xu Zhong Ping	—	1,650	—	1,650	318	1,968
Zhang Fang Hong	—	1,260	—	1,260	3,183	4,443
Song Xuan	—	—	—	—	—	—
Xu Xiao Yang	—	585	—	585	434	1,019
Non-executive director						
Ge Ze Min	—	—	—	—	—	—
Fong Sai Mo (appointed on 31 July 2010)	—	—	—	—	—	—
Xin Luo Lin (appointed on 17 March 2011)	—	—	—	—	—	—
Independent non-executive directors						
Gao Ling (resigned on 23 March 2011)	120	—	—	120	—	120
Wong Kam Wah	130	—	—	130	—	130
Zhu Nan Wen	130	—	—	130	—	130
Zuo Jiane (appointed on 23 March 2011)	—	—	—	—	—	—
	380	3,495	—	3,875	3,935	7,810

Note:

(a) These represent the estimated value of share options granted to the directors under the Company's share option scheme. The value of these share option is measured according to the Group's accounting policies for share-based payment transactions as set out in note 2.23.

The details of these benefits in kind, including the principal terms and number of options granted, are disclosed under the paragraph "Share option scheme" in the directors' report and note 30.

(b) During both years, no remuneration was paid by the Group to any of the directors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors waived any remuneration during both years.

10 Employee benefit expense (Continued)

(b) Five highest paid individuals

The five individuals who emoluments were the highest in the Group for the year include three (2011: three) directors payable to whose emoluments are included in the disclosure in the analysis presented above. The emoluments of the remaining two (2011: two) individuals are as follows:

	2012 HK$'000	2011 HK$'000
Salaries and other emoluments	2,000	2,024
Discretionary bonuses	75	44
Retirement scheme contributions	12	—
Equity settled share-based payments	278	387
	2,365	2,455

The emoluments of the two (2011: two) individuals with the highest emoluments are within the following bands:

	Number of individuals	
	2012	2011
HK$Nil–HK$1,000,000	1	1
HK$1,000,001–HK$1,500,000	1	—
HK$1,500,001–HK$2,000,000	—	1
	2	2

11 Finance costs

	2012 HK$'000	2011 HK$'000
Interest on bank borrowings wholly repayable within five years	3,877	652
Less: amount capitalised on qualifying assets	(3,877)	(652)
Attributable to continuing operations	—	—
Attributable to discontinued operations *(note 28(b))*	217	226
Total finance cost	217	226

12 Interests in subsidiaries — Company

	Company	
	2012 **HK$'000**	2011 HK$'000
Unlisted shares, at cost	**59,263**	59,263
Amounts due from subsidiaries	**180,938**	174,533
Less: impairment losses	**(21,992)**	(8,778)
	218,209	225,018

Note:

(a) The amounts due from subsidiaries are unsecured, interest-free and not expected to be recovered within one year.

(b) During the year ended 31 March 2012, the Company recognised an impairment loss of HK$21,992,000 (31 March 2011: HK$8,778,000) on the amount due from a subsidiary as the subsidiary was operating at a loss (because of the net unrealised loss on trading securities carried at fair value) and in a net liability position. The directors are of the opinion that the recoverable amount of the balance due was less than its carrying amount.

(c) Movements in the impairment losses

	Company	
	2012 **HK$'000**	2011 HK$'000
At beginning of the year	**8,778**	—
Impairment loss recognised	**13,214**	8,778
At end of the year	**21,992**	8,778

12 Interests in subsidiaries — Company (Continued)

The following is a list of the principal subsidiaries at 31 March 2012:

Name of Company	Place of incorporation and operation	Particulars of issued share capital	Proportion of ownership interest Direct	Proportion of ownership interest Indirect	Principal activity
Yardway Development Limited	British Virgin Islands ("BVI")/Hong Kong	US$10,000	100%	—	Investment holding
Yardway Limited	Hong Kong	HK$10,110 (divided into 10 ordinary shares and 10,100 non-voting deferred shares of HK$1 each *(note (i))*	—	100%	Trading of vehicles, machinery and parts and provision of engineering services
Yardway Motors Limited	Hong Kong	HK$10,000	—	100%	Trading of motor vehicles and spare parts and provision of services
Yardway Logistics Equipment (Zhuhai) Company Limited ("Yardway Zhuhai") 啓帆物流設備(珠海)有限公司	PRC/Mainland China*	Registered capital of HK$10,000,000	—	100%	Trading of transportation and logistics related equipment
Yardway Advance Power Equipment (Beijing) Co Ltd ("Yardway Beijing") 啓帆未來動力設備(北京)有限公司	PRC/Mainland China*	Registered capital of RMB3,000,000	—	100%	Trading of spare parts and provision of services
Yardway Dredging Equipment Limited	Hong Kong	HK$10,000	—	100%	Trading and manufacturing of dredging equipment, components and provision for services in Hong Kong
Well Nation Holdings Limited	BVI/Hong Kong	US$1	100%	—	Investment holding
Winsum Investment Limited	BVI/Hong Kong	US$1	100%	—	Investment holding
Power Score Limited	BVI/Hong Kong	US$50,000	—	100%	Investment holding
Beijing Jingrui Kemai Water Purification Technology Company Limited ("Jingrui Kemai") 北京精瑞科邁淨水技術有限公司	PRC/Mainland China*	Registered capital of RMB10,000,000	—	100%	Development of water purification technology

12 Interests in subsidiaries — Company (Continued)

Name of Company	Place of incorporation and operation	Particulars of issued share capital	Proportion of ownership interest Direct	Indirect	Principal activity
Fanhe (Hulu Island) Water Investment Company Limited ("Fanhe Hulu Island") 凡和(葫蘆島)水務投資有限公司	PRC/Mainland China*	Registered capital of RMB50,000,000	—	100%	Provision of wastewater treatment and construction services
Elite Mix Limited 合俊有限公司	BVI/Hong Kong	US$1	100%	—	Investment holding
Hugh Smart Investments Limited 鉅俊投資有限公司	Hong Kong	HK$1	—	100%	Investment holding
深圳興創富啟環保科技有限公司	PRC/Mainland China*	RMB5,000,000	—	100%	Development of Environmental Protection related Project
New Era Technology Development Limited 年代科技發展有限公司	Hong Kong	HK$1	—	100%	Investment holding
北京金瑞通達科技有限公司	PRC/Mainland China*	HK$5,000,000	—	100%	Investment holding
湖南啟帆環保投資管理有限公司	PRC/Mainland China*	RMB5,000,000	—	80%	Development of Environmental Protection related Project
Rich Channel International Limited 富啟國際有限公司	Hong Kong	HK$1	—	100%	Investment holding
北京興創科技發展有限公司	PRC/Mainland China*	HK$68,000,000	—	100%	Investment holding
凡和(北京)水務投資管理有限公司	PRC/Mainland China*	RMB1,000,000	—	100%	Investment holding

* *a wholly foreign owned enterprise*

Notes:

(i) In accordance with the articles of association of Yardway Limited, holders of non-voting deferred shares are entitled to share profit of Yardway Limited when the profit exceeds HK$1,000,000 million in any financial year. On a return of assets on winding up or otherwise the assets of Yardway Limited to be returned shall be distributed as regards the first HK$5,000,000,000 thereof among the holders of ordinary shares and one half of the balance of such assets shall belong to and be distributed among the holders of the non-voting deferred shares and the other half thereof to and among the holders of the ordinary shares.

The loans to subsidiaries are unsecured, interest free, denominated in HK dollar and repayable on demand. The carrying amounts of the loans approximate to their fair values.

13 Income tax credit — Group

No provision for Hong Kong profits tax has been made as the Group has no assessable profits arising in Hong Kong for the year (2011: nil). Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

	2012 HK$'000	2011 HK$'000
Current tax — PRC corporate income tax	**2,123**	—
Deferred tax *(note 34)*	**(2,510)**	(1,013)
Income tax credit	**(387)**	(1,013)

The tax on the Group's loss before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to losses of the consolidated entities as follows:

	2012 HK$'000	2011 HK$'000
Loss before tax — continuing operations	**(32,802)**	(32,373)
Tax calculated at domestic tax rates applicable to losses	**(6,090)**	(5,009)
Tax effect of		
tax concession	**(5,346)**	(3,711)
non-deductible expenses	**5,704**	1,036
non-taxable income	**(2,180)**	(228)
tax losses for which no deferred income tax amount is recognised	**7,525**	6,899
Tax credit	**(387)**	(1,013)

13 Income tax credit — Group (Continued)

The weighted average applicable tax rate was 19% (2011: 15%). The increase is caused by a change in the profitability of the Group's subsidiaries in the respective countries partially offset by the impact of the reduction in the tax rate of the PRC (see below).

The PRC Corporate Income Tax provision in respect of operations in Mainland China is calculated at the applicable tax rates on the estimated assessable profits for the year based on existing legislation, interpretations and practices in respect thereof. In accordance with the relevant tax rules and regulations of the PRC, Fanhe (Hulu Island) Water Investment Co., Ltd. ("Fanhe Hulu"), a wholly-owned subsidiary of the Company, enjoys Enterprise Income Tax exemptions and reductions, by reason that Fanhe Hulu is engaged in the operations of wastewater treatment.

Yardway Logistics Equipment (Zhuhai) Company Limited ("Yardway Zhuhai") is a foreign investment enterprise entitled to exemption from PRC Corporate Income Tax for two years starting from the first profit-making year, followed by 50% relief for the three years thereafter. Yardway Zhuhai is subject to a preferential tax rate of 20%, 22% and 24% for the calendar years of 2009, 2010 and 2011 respectively, and at a tax rate of 25% starting from calendar year of 2012.

Except for Yardway Zhuhai and Fanhe Hulu, the provision for PRC Enterprise Income Tax for the Company's subsidiaries in the PRC is based on PRC Enterprise Income Tax rate at 25% of the taxable income as determined in accordance with the relevant income tax rules and regulations of the PRC.

Withholding tax (applicable to PRC subsidiaries which pays dividend, interest, rent, royalty to non- resident companies). Pursuant to the new PRC Corporate Income Tax Law which took effect from 1 January 2008, a 10% withholding tax was levied on dividends declared to foreign enterprise investors from Mainland China effective 1 January 2008. A lower withholding tax rate may be applied if there is a tax treaty arrangement between Mainland China and the jurisdiction of the foreign enterprise investors.

The tax charge relating to components of other comprehensive income is as follows:

	2012			2011		
	Before-tax HK$'000	**Tax charge HK$'000**	**After tax HK$'000**	Before-tax HK$'000	Tax charge HK$'000	After tax HK$'000
Currency translation differences	**6,818**	**—**	**6,818**	6,107	—	6,107
Realization of exchange differences transferred to profit or loss upon disposal of a subsidiary	**(175)**	**—**	**(175)**	21	—	21
Revaluation surplus on leasehold land and buildings	**879**	**(184)**	**695**	5,789	(257)	5,532
	7,522	**(184)**	**7,338**	11,917	(257)	11,660

14 Loss per share

(a) Basic

Basic loss per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	2012 HK$'000	2011 HK$'000
Attributable to owners of the Company		
Loss from continuing operations	**(31,991)**	(31,360)
Loss from discontinued operations	**(23,247)**	(12,317)
	(55,238)	(43,677)
Weighted average number of ordinary shares in issue (thousands)	**2,437,800**	2,297,409

(b) Diluted

Diluted loss per share equals to the basic loss per share for the years ended 31 March 2012 as the Company did not take into account for the effect of share options granted during the year ended 31 March 2011 since this would result in a decrease in loss per share.

15 Loss attributable to equity holders of the Company

Loss attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of HK$38,288,000 (2011: HK$34,067,000).

16 Dividends

The Board does not recommend the payment of any dividend for the year ended 31 March 2012 (2011: HK$Nil).

17 Leasehold land — Group

The Group's interests in leasehold land and land use rights represent prepaid operating lease payments and their net book value are analysed as follows:

	2012 HK$'000	2011 HK$'000
Outside Hong Kong, held on leases of between 10 to 50 years	**—**	426

	2012 HK$'000	2011 HK$'000
At beginning of year	**426**	1,075
Transfer to investment properties	**—**	(647)
Amortisation of prepaid operating lease payment	**(10)**	(25)
Exchange realignment	**14**	23
Transferred to disposal group classified as held-for-sale *(note 28)*	**(430)**	—
At 31 March	**—**	426

18 Property plant and equipment

Group	Leasehold Land and Buildings HK$'000	Furniture, Fixtures and Equipment HK$'000	Motor Vehicles HK$'000	Total HK$'000
At 1 April 2010				
Cost	—	13,435	3,169	16,604
Valuation	25,657	—	—	25,657
Accumulated depreciation	—	(8,138)	(2,585)	(10,723)
Net book amount	25,657	5,297	584	31,538
Year ended 31 March 2011				
Opening net book amount	25,657	5,297	584	31,538
Exchange differences	282	110	23	415
Additions	—	1,377	2,187	3,564
Acquisition of subsidiaries	—	245	232	477
Transfer to investment properties *(note 19)*	(11,670)	—	—	(11,670)
Surplus on revaluation	1,215	—	—	1,215
Disposals	–	(428)	(90)	(518)
Depreciation charge	(520)	(2,043)	(562)	(3,125)
Closing net book amount	14,964	4,558	2,374	21,896
At 31 March 2011				
Cost	—	14,141	4,760	18,901
Valuation	14,964	—	—	14,964
Accumulated depreciation	—	(9,583)	(2,386)	(11,969)
Net book amount	14,964	4,558	2,374	21,896

18 Property plant and equipment (Continued)

Group	Leasehold Land and Buildings HK$'000	Furniture, Fixtures and Equipment HK$'000	Motor Vehicles HK$'000	Total HK$'000
At 1 April 2011				
Cost	–	14,141	4,760	18,901
Valuation	14,964	–	–	14,964
Accumulated depreciation	–	(9,583)	(2,386)	(11,969)
Net book amount	14,964	4,558	2,374	21,896
Year ended 31 March 2012				
Opening net book amount	14,964	4,558	2,374	21,896
Exchange differences	89	77	76	242
Additions	–	6,049	338	6,387
Surplus on revaluation	879	–	–	879
Disposals of subsidiaries	–	(116)	–	(116)
Depreciation charge	(301)	(2,613)	(602)	(3,516)
Transferred to disposal group classified as held for sale *(note 28)*	(15,631)	(1,616)	(69)	(17,316)
Closing net book amount	–	6,339	2,117	8,456
At 31 March 2012				
Cost	–	7,899	2,847	10,746
Accumulated depreciation	–	(1,560)	(730)	(2,290)
Net book amount	–	6,339	2,117	8,456

(a) The Group's leasehold land and buildings were revalued as at 31 March 2012 and 31 March 2011 on an open market value basis. The valuations were carried out by an independent firm of surveyors, BMI Appraisal Limited (2011: BMI Appraisal Limited). The revaluation surplus of HK$879,000 (2011: HK$1,215,000) for the Group's leasehold land and buildings has been transferred to the revaluation reserve, net of deferred tax.

The carrying amount of the leasehold land and buildings of the Group at 31 March 2011 would have been HK$10,633,00 had they been carried at cost less accumulated depreciation.

18 Property plant and equipment (Continued)

(b) An analysis of carrying amount of leasehold land and buildings:

	2012 HK$'000	2011 HK$'000
Outside Hong Kong		
— long-term leases	–	12,210
— medium-term leases	–	2,754
	–	14,964

Property, plant and equipment transferred to the disposal group classified as held-for-sale amounts to HK$17,316,000 and relates to assets which are used by the group companies comprising Yardway Limited and Yardway Motors Limited, wholly owned subsidiaries of the Company, have been presented as held-for-sale. See note 28 for further details regarding the disposal group held-for-sale.

Depreciation expense of HK$3,516,000 (2011: HK$3,125,000) has been charged in 'administrative expenses'.

18 Property plant and equipment (Continued)

(b) An analysis of carrying amount of leasehold land and buildings: (Continued)

	Company HK$'000
At 1 April 2010	
Cost	1,055
Accumulated depreciation	(31)
Net book amount	1,024
Year ended 31 March 2011	
Opening net book amount	1,024
Additions	153
Depreciation	(234)
Closing net book amount	943
At 31 March 2011	
Cost	1,208
Accumulated depreciation	(265)
Net book amount	943
Year ended 31 March 2012	
Opening net book amount	**943**
Additions	**26**
Depreciation	**(245)**
Closing net book amount	**724**
At 31 March 2012	
Cost	**1,234**
Accumulated depreciation	**(510)**
Net book amount	**724**

19 Investment properties

	Group	
	2012 **HK$'000**	2011 HK$'000
At fair value		
At beginning of the year	**51,800**	28,630
Exchange adjustments	**510**	419
Transfer from interest in leasehold land held for own use under operating leases *(note (b)(i))*	**—**	5,221
Transfer from leasehold land and buildings *(note 18)*	**—**	11,670
Disposals	**(5,050)**	—
(Loss)/gain on fair value adjustment	**(1,880)**	5,860
Transferred to disposal group classified as held for sale *(note 28)*	**(45,380)**	—
At 31 March	**—**	51,800

(a) The Group's total future minimum lease payments under non-cancellable operating leases are receivables as follows:

	2012 **HK$'000**	2011 HK$'000
Within 1 year	**273**	457

(b) Valuation basis

(i) The fair value of the properties transferred from properties, plant and equipment and interest in leasehold land held for own use under operating leases at the date of transfer had been arrived at on the basis of a valuation carried out on that day by BMI Appraisal Limited, an independent firm of surveyors not connected to the Group, who has among their staff members of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued.

(ii) The Group's investment properties were revalued as at 31 March 2012 and 31 March 2011 on an open market value. The valuations were carried out by BMI Appraisals Limited (2011: BMI Appraisals Limited). The valuation loss of HK$1,880,000 (valuation gain in 2011: HK$5,860,000) for the Group's investment properties has been debited to the consolidated income statement. The investment properties were transferred to disposal group classified as held-for-sales as at 31 March 2012.

19 Investment properties (Continued)

(c) Pledge of investment properties

At 31 March 2011, the investment properties held in Hong Kong with a total carrying amount of HK$25,800,000 were pledged as collateral for the Group's bank loans for disposal group, details of which are set out in note 33. The amount was reclassified to held-for-sales as at 31 March 2012, details of which are set out in note 28.

(d) Investment properties leased out under operating leases

The Group leases out investment properties under operating leases. The leases typically run for an initial period of one to three years, with an option to renew the leases after that date at which time all terms are renegotiated. None of the leases includes contingent rentals.

The analysis of the carrying amount of the Group's investment properties is as follows:

	2012 HK$'000	2011 HK$'000
Hong Kong		
— medium-term leases	**–**	25,800
Outside Hong Kong		
— long-term leases	**–**	5,120
— medium-term leases	**–**	20,880
	–	51,800

20 Operating concessions — Group

During the year ended 31 March 2011, the Group completed the acquisition of 100% equity interest in Fanhe (Beijing) Water Investment Co., Ltd. ("Fanhe Water"). Fanhe (Hulu Island) Water Investment Co., Ltd. ("Fanhe Hulu"), a wholly-owned subsidiary of Fanhe Water had entered into a service concession arrangement with Hulu Island City Wastewater Processing Co., Limited (the "Wastewater Company"), a state-owned enterprise under the Municipal Government of Hulu Island City, on a Build-Operate-Transfer ("BOT") basis.

The service concession agreement involves the Fanhe Hulu as an operator to construct and upgrade a wastewater treatment plant for the arrangement on a BOT basis and to operate and maintain the wastewater treatment plant at a specified level of serviceability on behalf of Wastewater Company for a period of 30 years from April 2010. The Group will be paid for its services over the period of service concession arrangement at price stipulated through a pricing mechanism. Fanhe Hulu is entitled to use all the property, plant and equipment of the wastewater treatment plant whereas the Wastewater Company as a grantor will control and regulate the scope of services. At the end of the concession period, the Fanhe Hulu must surrender to the grantor the wastewater plant together with the property, plant, and equipment at a specified serviceability.

The service concession arrangement is governed by a contract and, where applicable, supplementary agreements entered into between the Group and the Wastewater Company that set out, interalia, performance standards, mechanisms for adjusting prices for the services rendered by the Group, specific obligations levied on the Group to restore the infrastructures to a specified level of serviceability at the end of the concession period, and arrangement for arbitrating disputes.

20 Operating concessions — Group (Continued)

In accordance with the accounting policy for service concession arrangement as set out in note 2.7 (b), the consideration paid by the Group for a service concession arrangement is accounted for as an intangible asset (operating concessions). The carrying amount of the Group's operating concession is as follows:

	HK$'000
At 1 April 2010	
Cost	—
Accumulated amortisation	—
Net book amount	—
Year ended 31 March 2011	
Opening net book amount	—
Additions	—
— business combination	72,688
— construction costs#	44,042
Amortisation charge *(note 9)*	(2,275)
Exchange realignment	3,304
Closing net book amount	117,759
At 31 March 2011	
Cost	120,083
Accumulated amortisation	(2,324)
Net book amount	117,759
Year ended 31 March 2012	
Opening net book amount	117,759
Additions — construction costs#	100,532
Amortisation charge *(note 9)*	(2,599)
Exchange realignment	3,938
Closing net book amount	219,630
At 31 March 2012	
Cost	224,651
Accumulated amortisation	(5,021)
Net book amount	219,630

\# Included in additions are capitalised interest expenses of HK$3,877,000 (2011: HK$652,000). The amount has been included in "payment for the construction cost of operating concessions" in the consolidated statement of cash flows within investing activities.

20 Operating concessions — Group (Continued)

Additions of operating concessions are analysed as follows:

	2012 HK$'000	2011 HK$'000
Construction cost of operating concessions *(note 9)*	**90,890**	38,512
Fair value of contribution margin received from grantor	**8,825**	4,605
Exchange differences	**817**	925
Additions of operating concessions	**100,532**	44,042

Included in additions are capitalised interest expenses of HK$3,877,000 (2011: HK$652,000). The amount has been included in "payment for the construction cost of operating concessions" in the consolidated statement of cash flows within investing activities.

The fair value of the wastewater treatment concession right of HK$72,688,000 acquired through business combination was independently valued by Cushman & Wakefield Valuation Advisory Services (HK) Limited ("Cushman"), an independent qualified professional valuer, at the date of acquisition. Cushman, has adopted an excess earnings method at a pre-tax discount rate of 13.99% (2011: 11.76%) to value the operating concessions which is based on the financial projection over the period of service concession arrangement of 30 years approved by management. Management estimated the financial projection based on their experience. As at 31 March 2012, the management has prepared the impairment test to determine the recoverable amount of the operating concessions based on value in use calculation. This test was based on the financial projections covering a period of 30 years. Growth rates used in the cash flow projections for the forecasting 1st, 2nd, 3rd and 4th year are 38%, 35%, 15% and 14% respectively. From the 5th year, the Group adopted with 0% growth rate.

Amortisation has been provided on a straight-line basis over the period of the operating concessions granted to the Group of 30 years from April 2010 to March 2040. The amortization charge for the year is included in "cost of sales" in the consolidated income statement.

At 31 March 2012, the wastewater treatment concession right of the Group in a carrying amount of approximately HK$219,630,000 (2011: HK$117,759,000) was pledged to secure certain bank loans granted to the Group (note 33).

21 Intangible assets — Group

	Goodwill HK$'000 *(note i)*	Club membership HK$'000 *(note ii)*	Patent HK$'000 *(note iii)*	Total HK$'000
At 1 April 2010				
Cost	332	—	—	332
Accumulated amortisation and impairment	(332)	—	—	(332)
Net book amount	—	—	—	—
Year ended 31 March 2011				
Opening net book amount	—	—	—	—
Additions through acquisition of subsidiaries	—	—	60,399	60,399
Additions	—	1,849	—	1,849
Amortisation charge *(note 9)*	—	—	(1,934)	(1,934)
Exchange differences	—	—	865	865
Closing net book amount	—	1,849	59,330	61,179
At 31 March 2011				
Cost	332	1,849	61,305	63,486
Accumulated amortisation and impairment	(332)	—	(1,975)	(2,307)
Net book amount	—	1,849	59,330	61,179

21 Intangible assets — Group (Continued)

	Goodwill HK$'000 *(note i)*	Club membership HK$'000 *(note ii)*	Patent HK$'000 *(note iii)*	Total HK$'000
Year ended 31 March 2012				
Opening net book amount	–	1,849	59,330	61,179
Amortisation charge *(note 9)*	–	(77)	(8,100)	(8,177)
Exchange differences	–	61	1,857	1,918
Closing net book amount	–	1,833	53,087	54,920
At 31 March 2012				
Cost	–	1,911	62,323	64,234
Accumulated amortisation and impairment	–	(78)	(9,236)	(9,314)
Net book amount	–	1,833	53,087	54,920

Note:

(i) Goodwill is allocated to the Group's cash-generating unit identified according to others segment.

On 22 April 2008, the Group acquired the remaining 25% equity interest from a minority shareholder for a consideration of HK$900,000. Goodwill was arising from the management's expectation of future profits of the subsidiary. The subsidiary was dissolved during the year ended 31 March 2012.

(ii) The Group holds a membership in Sand River Golf Club with a useful life of 23 years. The club membership is measured at cost less amortisation and impairment losses.

(iii) The patent has a finite life and will expire on 16 October 2018. The patent was valued by Cushman, with a fair value of RMB51,460,000 (equivalent to HK$60,399,000) at the date of acquisition. Cushman adopted a premium profit method at a pre-tax discount rate of 17.97% to determine the recoverable amount of the patent based on valuation in use calculation. The calculation is based on a financial projection covering a period of approximately 8 years. Management estimated the financial projection based on management approved budget forecast which is based on their experience for first 5 years with negative growth rate of 14%, 16% and 24% for the remaining years. This growth rate does not exceed the long term average growth rate for the industry within the CGU operates.

Amortisation has been provided on a straight-line basis over the remaining useful life of approximately 8 years from the date of acquisition to 16 October 2018. The amortisation charge for the year is included in "Cost of sales" in the consolidated income statement.

Amortisation of HK$8,100,000 (2011: HK$1,934,000) is included in the 'cost of goods sold' the consolidated income statement.

22 Interests in jointly controlled entities

	Group 2012 HK$'000	Group 2011 HK$'000
Share of net assets	—	—

Details of the Group's interest in the jointly controlled entities are as follows:

Name of joint venture	Place of incorporation	Particulars of issued share capital	Proportion of ownership interest held by the Group Direct	Proportion of ownership interest held by the Group Indirect	Principal activity and place of operation
Beijing Capital Environment Construction Company Limited	Cayman Islands	2 ordinary share of HK$1 each	—	50%	Investment holding
Beijing Capital Environment Construction (BVI) Company Limited	BVI	1 ordinary share of USD 1 each	—	50%	Investment holding
Beijing Capital Environment Construction (Hong Kong) Company Limited	Hong Kong	1 ordinary share of HK$1 each	—	50%	Inactive
Beijing Shouqiang Innovative Environmental Protection Technology Co., Ltd ('Beijing Shouqiang')*	PRC	Registrated capital of HK$6,000,000 *(note i)*	—	50%	Provision of environmental consultancy services

* established during the year

22 Interests in jointly controlled entities (Continued)

The summarised financial information in respect of the Group's effective interest in the jointly controlled entities was as follows:

	2012 HK$'000	2011 HK$'000
(i) Operating results		
Income	—	—
Expenses	(1,012)	(50)
Loss for the year *(note)*	(1,012)	(50)
(ii) Statement of financial position		
Non-current assets		
Current assets	—	—
Current liabilities	(1,062)	(50)
Net liabilities *(note)*	(1,062)	(50)

Note:

The Group's share of losses of HK$1,012,000 (2011: HK$50,000) exceeded the Group's interest of HK$1 in the jointly controlled entities, therefore, the Group's interest in jointly controlled entities was reduced to nil and recognition of further losses was discontinued.

23 Financial instruments by category — Group and Company

(a) Group

	Loans and receivables HK$'000	Assets at fair value through the profit & loss HK$'000	Total HK$'000
31 March 2012			
Assets as per statement of financial position			
Trade and other receivables excluding prepayments *(note 26)*	21,545	—	21,545
Financial assets at fair value through profit or loss	—	2,828	2,828
Cash and cash equivalents *(note 27)*	38,592	—	38,592
Total	60,137	2,828	62,965

23 Financial instruments by category — Group and Company (Continued)

(a) Group (Continued)

	Other financial liabilities at amortised cost HK$'000
Liabilities as per statement of financial position	
Borrowings	**61,500**
Trade and other payables excluding non-financial liabilities *(note 32)*	**42,021**
Total	**103,521**

	Loans and receivables HK$'000	Assets at fair value through the profit & loss HK$'000	Total HK$'000
31 March 2011			
Assets as per statement of financial position			
Trade and other receivables excluding prepayments *(note 26)*	55,553	—	55,553
Financial assets at fair value through profit or loss	—	16,888	16,888
Cash and cash equivalents *(note 27)*	104,965	—	104,965
Total	160,518	16,888	177,406

	Other financial liabilities at amortised cost HK$'000
Liabilities as per statement of financial position	
Borrowings	45,499
Trade and other payables excluding non-financial liabilities *(note 32)*	77,687
Total	123,186

23 Financial instruments by category — Group and Company (Continued)

(b) Company

	Loans and receivables	
	2012	2011
	HK$'000	HK$'000
Assets as per statement of financial position		
Cash and cash equivalents	**8,063**	5,563
Total	**8,063**	5,563

	Financial liabilities at amortised cost	
	2012	2011
	HK$'000	HK$'000
Liabilities as per statement of financial position		
Other payables and accruals	**3,255**	1,585
Amount due to a subsidiary	**—**	786
	3,255	2,371

24 Financial assets at fair value through profit or loss

	Group	
	2012	2011
	HK$'000	HK$'000
Listed equity securities in Hong Kong, at fair value	**2,828**	16,888

Changes in fair values of financial assets at fair value through profit or loss are recorded in "other losses, net" in the income statement (note 8).

The fair value of listed equity securities is based on their quoted prices at the end of the reporting period.

25 Inventories

	Group	
	2012 **HK$'000**	2011 HK$'000
Raw material	**275**	77
Work-in-progress	**—**	499
Finished goods	**13,352**	11,048
	13,627	11,624
Reclassified as held-for-sale *(note 28)*	**17**	—
	13,644	11,624

The cost of inventories recognised as expense and included in 'cost of sales' amounted to HK$8,538,000 (2011: HK$41,000), which included inventory write-down of HK$2,683,000 (2011: nil).

The analysis of the amounts of inventories recognised as expenses are as follows:

	Group	
	2012 **HK$'000**	2011 HK$'000
Carrying amount of inventories sold	**8,538**	41
Provision for obsolete stocks	**2,683**	—
	11,221	41

26 Trade and other receivables

	Note	Group 2012 HK$'000	Group 2011 HK$'000	Company 2012 HK$'000	Company 2011 HK$'000
Trade receivables	(a)	**14,010**	39,020	**—**	—
Retentions receivable	(b)	**—**	10,222	**—**	—
Trade receivables — net		**14,010**	49,242	**—**	—
Other receivables		**7,215**	6,261	**—**	—
Amounts due from a jointly controlled entity		**320**	50	**—**	—
Financial assets measured at amortised cost		**21,545**	55,553	**—**	—
Trade deposits paid		**1,944**	—		
Prepayments and deposits		**3,556**	15,359	**1,113**	941
		27,045	70,912	**1,113**	941
Reclassified as held-for-sale *(note 28)*		**6,665**	—	**—**	—
		33,710	70,912	**1,113**	941

All of the trade and other receivables apart from certain retentions receivable are expected to be recovered within one year.

The amounts due from jointly controlled entity are unsecured, interest-free and repayable on demand. Movements in amounts due from jointly controlled entity are as follows:

	Group 2012 HK$'000	Group 2011 HK$'000
At beginning of the year	**50**	—
Fund advanced	**1,270**	50
Impairment loss recognised	**(1,000)**	—
At end of the year	**320**	50

26 Trade and other receivables (Continued)

(a) Trade and other receivables

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	2012 HK$'000	2011 HK$'000
HK dollar	**4,775**	7,360
Reminbi	**22,270**	29,412
US dollar	**—**	32,213
Euro	**—**	1,854
Pound Sterling	**—**	73
	27,045	70,912

The Company's trade and other receivables are denominated in Hong Kong dollars.

At 31 March 2012 and 2011, the ageing analysis of the trade receivable based on invoice date were as follows:

	2012 HK$'000	2011 HK$'000
1 to 2 months	**9,296**	7,529
3 months	**1,781**	1,068
more than 3 months	**2,933**	30,423
	14,010	39,020

The ageing analysis of the Group's trade receivables that are neither individually nor collectively considered to be impaired are as follows:

	2012 HK$'000	2011 HK$'000
Current	**4,818**	8,783
1 to 3 months past due	**9,170**	7,185
More than 3 months but less than 12 months past due	**22**	22,864
More than 12 months past due	**—**	188
	14,010	39,020

Trade receivables are due in accordance with contract terms or within 2 months from the date of billing. Further detail of the Group's credit policy is set out in note 3.1b(i).

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security.

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believed that no impairment allowance was necessary in respect of these balances as there had not been a significant change in credit quality and the balances were still considered fully recoverable. The Group did not hold any collateral over these balances.

(b) Retentions receivable

Retentions receivable are amounts which are not paid until the satisfaction of conditions specified in the contract for the payment of such amounts. The amount of retentions expected to be recovered through its normal operating cycle.

27 Pledged bank deposits and cash and cash equivalents

	Group		Company	
	2012 **HK$'000**	2011 HK$'000	**2012** **HK$'000**	2011 HK$'000
Pledged bank deposits	**—**	202	**—**	—
Cash and bank balances	**38,592**	104,965	**8,063**	5,563
	38,592	105,167	**8,063**	5,563
Less: Pledged bank deposits	**—**	(202)	**—**	—
Cash and cash equivalents	**38,592**	104,965	**8,063**	5,563
Reclassified as held-for-sale *(note 28)*	**21,663**	—	**—**	—
	60,255	104,965	**8,063**	5,563

At 31 March 2012, the bank deposits and cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$30,505,000 (2011: HK$77,743,000). The RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

As at 31 March 2011, the pledged bank deposits of HK$202,000 carried interest at market rate of 0.36% per annum was pledged as collateral for the bank loan. Bank balances carry interest at market rates which range from 0.0001% to 0.36% per annum. The bank balances and bank deposits are deposited with creditworthy banks with no recent history of default.

28 Non-current assets held-for-sale and discontinued operations — Group

(a) Non-current assets held-for-sale

The assets and liabilities related to the group companies comprising Yardway Limited and Yardway Motors Limited, wholly owned subsidiaries of the Company, have been presented as held-for-sale following the approval of the Group's management on 16 February 2012 to sell the group companies. The transaction was completed on 6 June 2012, details of which are set out in note 43.

	2012 **HK$'000**	2011 HK$'000
Operating cash flows	**(5,915)**	(17,367)
Investing cash flows	**4,776**	1,901
Financing cash flows	**(419)**	5,869
Total cash flows	**(1,558)**	(9,597)

28 Non-current assets held-for-sale and discontinued operations — Group (Continued)

(a) Non-current assets held-for-sale (Continued)

(i) *Assets of disposal group classified as held-for-sale*

	2012 HK$'000
Leasehold land *(note 17)*	430
Property, plant and equipment *(note 18)*	17,316
Less: Impairment loss on property, plant and equipment	(2,600)
Investment properties *(note 19)*	45,380
Inventories *(note 25)*	17
Trade and other receivables *(note 26)*	6,665
Cash and cash equivalents *(note 27)*	21,663
Total	88,871

At 31 March 2012, the investment properties held in Hong Kong with a total carrying amount of HK$26,100,000 were pledged as collateral for the bank loans of the disposal group.

The gross carrying amounts of investment properties of the Group held for use in operating leases were HK$45,380,000 as at 31 March 2012.

(ii) *Liabilities of disposal group classified as held-for-sale*

	2012 HK$'000
Trade and other payables *(note 32)*	32,068
Current income tax payable	1,052
Borrowings *(note 33)*	9,395
Deferred income tax liabilities *(note 34)*	4,448
Provision for warranty *(note 35)*	4,777
Total	51,740

(iii) There are no cumulative income or expense recognised in other comprehensive income relating to disposal group classified as held-for-sale.

28 Non-current assets held-for-sale and discontinued operations — Group (Continued)

(b) Discontinued operations

Analysis of the result of discontinued operations is as follows:

	2012 **HK$'000**	2011 HK$'000
Revenue	**30,527**	97,940
Cost of sales	**(25,609)**	(79,742)
Other income	**1,127**	2,148
Other gains	**715**	1,509
Distribution costs	**(7,698)**	(6,275)
Administrative expenses	**(22,335)**	(31,601)
Valuation (loss)/gain on investment properties	**(1,880)**	5,860
Loss from operations of discontinued operations	**(25,153)**	(10,161)
Finance costs *(note 11)*	**(217)**	(226)
Loss before tax of discontinued operations	**(25,370)**	(10,387)
Income tax expense	**(193)**	(1,930)
Loss for the year from discontinued operations	**(25,563)**	(12,317)

29 Share capital

Authorised and issued share capital

	Number of ordinary shares of HK$0.025 per share '000	HK$'000
Authorised		
At 1 April 2010, 31 March 2011 and at 31 March 2012	8,000,000	200,000
Issued and fully paid		
At 1 April 2010	2,232,992	55,825
Consideration shares issued for business combination *(note (i))*	37,500	937
Issue of new shares *(note (ii))*	143,022	3,576
Consideration shares issued for acquisition of subsidiaries *(note (iii))*	17,467	437
At 31 March 2011	2,430,981	60,775
Consideration shares issued for acquisition of subsidiaries *(note (iv))*	69,322	1,733
At 31 March 2012	2,500,303	62,508

Notes:

(i) On 29 September 2010, the Company allotted and issued 37,500,000 ordinary consideration shares with par value of HK$0.025 each as part of the consideration for the acquisition of Fanhe Water Group, details of which are set out in note 37. The premium of HK$14,625,000 upon issuance of the ordinary consideration shares was credited to the share premium account.

(ii) On 7 December 2010, the Company entered in a subscription agreement with 3 subscribers, an aggregate 143,021,914 new shares having a par value of HK$0.025 in the share capital of the Company at a subscription price of HK$0.4335 were issued for cash consideration. The premium of HK$58,424,000 upon issuance of the ordinary shares was credited to the share premium account.

(iii) On 5 January 2011, the Company allotted and issued 17,467,066 ordinary consideration shares with par value of HK$0.025 each as part of the consideration for the acquisition of Power Score Group, details of which are set out in note 37. The premium of HK$7,249,000 upon issuance of the ordinary consideration shares was credited to the share premium account.

(iv) On 16 February 2012, the Company allotted and issued 69,321,781 ordinary consideration shares with par value of HK$0.025 each as part of the consideration for the acquisition of Power Score Group, details of which are set out in note 37. The premium of HK$25,541,000 upon issuance of the ordinary consideration shares was credited to the share premium account.

30 Equity settled share-based transactions

2002 share option scheme

The Company had a share option scheme which was adopted on 28 March 2002, whereby the directors of the Company are authorised, at their discretion, to invite eligible participants, to take up options at a nominal consideration to subscribe for shares of the Company. The purpose of the share option scheme is to enable the Group to grant options to the eligible participants including employees, executive and non-executive directors, suppliers and customers and shareholders of any members of the Group and any persons or entities that provided research, development or other technical support to the Group or any other group or classes of participants determined by the directors as incentive or rewards for their contribution to the Group. The total number of shares which may be issued upon exercise of all options to be granted under the scheme shall not in aggregate exceed 30% to the total number of shares of the Company from time to time.

The exercise price of options is the highest of the nominal value of the shares, the closing price of the shares on the Stock Exchange on the date of offer and the average closing price of the shares on the Stock Exchange for the five business days immediately preceding the date of offer. The options vest in four equal instalments with the first instalment vesting from the date of grant. The second, third and fourth instalments vest from one, two and three years after the date of grant respectively. The options are exercisable after the vesting date but within a period of five years from the date of grant. Each option gives the holder the right to subscribe for one ordinary share in the Company. On 20 September 2007, share offer was made to all the holders of the shares, 10,424,000 shares under the share offer were accepted by the offer or parties. Taking into account the 10,424,000 shares accepted under the share offer and the 133,732,000 shares already held by the offer or parties, the offer parties in aggregate held 144,156,000 shares, represent 51.5% of the issued share capital of the Company. Accordingly, the condition of the offers has been fulfilled and the offers have become unconditional. The share offer was closed on 25 October 2007.

According to the share option scheme adopted on 28 March 2002, as the share offer made on 20 September 2007 to all the holders of the shares became unconditional, the option holders were, notwithstanding any other terms on which his options were granted, be entitled to exercise the option (to the extent not already exercised) to its full extent at any time thereafter and up to the close of the offer, on 25 October 2007.

2002 share option scheme was terminated pursuant to a special resolution passed at the extraordinary general meeting held on 10 September 2010.

30 Equity settled share-based transactions (Continued)

2010 share option scheme

On 10 September 2010, the Company adopted a new share option scheme and which replaced 2002 share option scheme.

The new share option scheme was adopted whereby the directors of the Company are authorised, at their discretion, to invite employees of the Group, including directors of any company in the Group, shareholders, consultant and potential business parties to take up options for a consideration of HK$1 to subscribe for shares of the Company. The exercise period of the share options granted is determined by the directors of the Company, but no later than 10 years from the date of the offer. Each option gives the holder the right to subscribe for one ordinary share in the Company.

At 31 March 2011, the number of shares in respect of which options had been granted and remained outstanding under 2010 share option scheme was 64,500,000, representing 2.65% of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under 2010 share option scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to 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.

A consideration of HK$1 is payable on the grant of an option. 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 shares.

30 Equity settled share-based transactions (Continued)

2010 share option scheme (Continued)

(a) The terms and conditions of the grants are as follows:

	Option Type	Number of Instruments	Exercisable period	Contractual life of options	Fair value at grant date
Options granted to directors					
— on 17 September 2010	2010A	6,800,000	from 17 September 2010 to 16 September 2020	10 years	0.282
	2010B	6,800,000	from 17 September 2011 to 16 September 2020		0.291
	2010C	6,800,000	from 17 September 2012 to 16 September 2020		0.309
	2010D	6,800,000	from 17 September 2013 to 16 September 2020		0.325
		27,200,000			
Options granted to employees of the company					
— on 17 September 2010	2010E	2,875,000	from 17 September 2010 to 16 September 2020	10 years	0.243
	2010F	2,875,000	from 17 September 2011 to 16 September 2020		0.263
	2010G	2,875,000	from 17 September 2012 to 16 September 2020		0.289
	2010H	2,875,000	from 17 September 2013 to 16 September 2020		0.311
		11,500,000			
Options granted to consultants and other qualified participants:					
— on 17 September 2010	2010E	6,450,000	from 17 September 2010 to 16 September 2020	10 years	0.243
	2010F	6,450,000	from 17 September 2011 to 16 September 2020		0.263
	2010G	6,450,000	from 17 September 2012 to 16 September 2020		0.289
	2010H	6,450,000	from 17 September 2013 to 16 September 2020		0.311
		25,800,000			
Total share options granted		64,500,000			

30 Equity settled share-based transactions (Continued)

2010 share option scheme (Continued)

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

	2012 Weighted average exercise price	2012 Number of options	2011 Weighted average exercise price	2011 Number of options
Outstanding at the beginning of the year	**HK$0.46**	**64,500,000**	—	—
Granted during the year	**—**	**—**	HK$0.46	64,500,000
Outstanding at the end of the year	**HK$0.46**	**64,500,000**	HK$0.46	64,500,000
Exercisable at the end of the year	**HK$0.46**	**32,250,000**	HK$0.46	16,125,000

The options outstanding at 31 March 2012 had exercise price of HK$0.46 and a weighted average remaining contractual lives of 8.5 years.

(c) Fair value of share options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on a binomial lattice model. The contractual life of the share option is used as an input into this model. Expectations of early exercise are incorporated into the binomial lattice model.

	Option type 2010A, 2010B, 2010C, 2010D	2010E, 2010F, 2010G, 2010H
Share prices on grant date	HK$0.46	HK$0.46
Exercise price	HK$0.46	HK$0.46
Expected volatility (expressed as weighted average volatility used in the modeling under binomial lattice model)	80.71%	80.71%
Option life (expressed as weighted average life used in the modeling under binomial lattice model)	10 years	10 years
Expected dividends	0%	0%
Risk-free interest rate (based on Exchange Fund Notes)	2.204%	2.204%
Exercise multiple	2.8	2.2

30 Equity settled share-based transactions (Continued)

2010 share option scheme (Continued)

(c) Fair value of share options and assumptions (Continued)

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility based on publicly available information. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share option grants.

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.

31 Reserves

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of change in equity.

The Tranche II Consideration Shares of the Group arose as a result of the acquisition of Power Score Group on 9 November 2010 (note 37). The fair value of Tranche II Consideration Shares to be issued by the Company of HK$27,274,000 was valued by Cushman based on income approach. The Tranche II Consideration Shares at all time rank equally themselves and pari passu with other shares of the Company in issue with respect of the right to any dividends or distributions declared.

31 Reserves (Continued)

(b) The Company

	Note	Share premium HK$'000	Share option reserve HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2010		58,833	—	59,063	(2,083)	115,813
Total comprehensive loss						
Loss for the year		—	—	—	(34,067)	(34,067)
Transactions with owners						
Issue of new shares	*29(ii)*	58,424	—	—	—	58,424
Share issue expenses		(1,494)	—	—	—	(1,494)
Shares issued for business combination	*29(i)*	14,625	—	—	—	14,625
Shares issued for acquisition of subsidiaries	*29(iii)*	7,249	—	—	—	7,249
Equity-settled share-based transactions		—	8,752	—	—	8,752
Total transactions with owners		78,804	8,752	—	—	87,556
At 31 March 2011		137,637	8,752	59,063	(36,150)	169,302
At 1 April 2011		**137,637**	**8,752**	**59,063**	**(36,150)**	**169,302**
Total comprehensive loss						
Loss for the year		**—**	**—**	**—**	**(38,288)**	**(38,288)**
Transactions with owners						
Issue of new shares	*29(iv)*	**25,541**	**—**	**—**	**—**	**25,541**
Share issue expense		**(365)**	**—**	**—**	**—**	**(365)**
Equity-settled share-based transactions		**—**	**6,156**	**—**	**—**	**6,156**
Total transactions with owners		**25,176**	**6,156**	**—**	**—**	**31,332**
At 31 March 2012		**162,813**	**14,908**	**59,063**	**(74,438)**	**162,346**

Notes:

(i) Share premium and contributed surplus

Under the Companies Law (Revised) of the Cayman Islands, the share premium account and contributed surplus account of the Company are distributable to the owners of the Company provided that immediately following the date on which a dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

The contributed surplus of the Company arose from the difference between the consolidated net assets of the Group's subsidiaries acquired and the nominal value of the Company's ordinary shares issued pursuant to the Group reorganisation in 2002.

31 Reserves (Continued)

(b) The Company (Continued)

Notes: (Continued)

(ii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 2.23.

(iii) Share option reserve

The share option reserve comprises the portion of the grant date fair value of unexercised share options granted to directors, employees, consultants and other qualified participants of the Group that has been recognised in accordance with the accounting policy adopted for share-based payments in note 2.24.

(iv) Other reserves

The other reserves comprise:

(a) Subsidiaries of the Group in Mainland China, which are wholly foreign-owned enterprises, follow the accounting principles and relevant financial regulations of Mainland China applicable to wholly foreign-owned enterprises ("PRC GAAP — WFOE"), in the preparation of their accounting records and financial statements. Pursuant to the accounting regulations for business enterprises, the subsidiaries are required to appropriate 10% of the profit arrived at in accordance with PRC GAAP — WFOE for each year to a statutory reserve. The profit arrived at must be used initially to set off against any accumulated losses. The appropriations to statutory reserve, after offsetting against any accumulated losses, must be made before the distribution of dividends to shareholders. The appropriation is required until the statutory reserve reaches 50% of the registered capital. This statutory reserve is not distributable in the form of cash dividends, but may be used to set off losses or be converted into paid-in capital; and

(b) the excess of fair value of identifiable assets and liabilities of Power Score Group (note 37) acquired over the fair value of consideration transferred of HK$6,785,000 accounted for as a deemed contribution from the owners.

(v) Revaluation reserve

The revaluation reserve has been set up and is dealt with in accordance with the accounting policies adopted for leasehold land and buildings in note 2.5. The revaluation reserve is not distributable to shareholders.

32 Trade and other payables

	Group		Company	
	2012 **HK$'000**	2011 HK$'000	**2012** **HK$'000**	2011 HK$'000
Trade and bills payables	**26,856**	52,201	**—**	—
Other payables and accruals	**15,165**	25,486	**3,255**	1,585
Amount due to a subsidiary	**—**	—	**—**	786
Financial liabilities measured at amortised cost	**42,021**	77,687	**3,255**	2,371
Sales deposits received	**19,778**	5,750	**—**	—
	61,799	83,437	**3,255**	2,371
Reclassified as held-for-sale *(note 28)*	**32,068**	—	**—**	—
	93,867	83,437	**3,255**	2,371

All trade and other payables apart from certain retentions payable are expected to be settled within 12 months.

The amount due to a subsidiary is unsecured, interest-free and repayable on demand.

At 31 March 2012, the ageing analysis of trade and bill payables based on invoice date were as follows:

	Group	
	2012 **HK$'000**	2011 HK$'000
Due within 1 month or on demand	**8,417**	45,637
Due after 1 month but within 3 months	**327**	588
Due after 3 months but within 6 months	**18,112**	—
	26,856	46,225
Retentions payable	**—**	5,976
	26,856	52,201

Retentions payable are amounts which are not paid until the satisfaction of conditions specified in the contract for the payment of such amounts. All retentions payable are expected to be settled within one year.

33 Bank loans — Group

The analysis of the carrying amount of bank loans are as follows:

	2012 HK$'000	2011 HK$'000
Non-current liabilities		
Bank loans	**48,708**	23,324
Current		
Portion of bank loans due for repayment within one year	**12,792**	12,780
Portion of bank loans due for repayment after one year which contain a repayment on demand clause *(note i)*	**—**	9,395
	12,792	22,175
	61,500	45,499
Reclassified as held-for-sale *(note 28)*	**9,395**	—
Total borrowings	**70,895**	45,499

At 31 March 2012, total bank loans of HK$61,500,000 (2011: HK$45,499,000) were due for repayment as follows:

	2012 HK$'000	2011 HK$'000
Portion of bank loans due for repayment within one year	**12,792**	12,780
Bank loans due for repayment after one year *(note ii)*:		
After 1 year but within 2 years	**24,108**	12,791
After 2 years but within 5 years	**24,600**	12,248
After 5 years	**—**	7,680
	48,708	32,719
	61,500	45,499

Note:

(i) None of the portion of bank loans due for repayment after one year with a repayment on demand clause, which are classified as current liabilities, are expected to be settled within one year.

(ii) The amounts due are based on scheduled repayment dates as stipulated in the respective loan agreements.

33 Bank loans — Group (Continued)

The effective interest rates (which are also equal to contracted interest rates) on the Group's bank loans are fixed interest rate ranged from 2.25% to 10.35% (2011: 2.25% to 7.63%) per annum.

The total banking facilities granted to the Group amounted to HK$133,000,000 (2011: HK$75,450,000) of which HK$70,895,000 (2011: HK$45,499,000) were utilised as at 31 March 2012.

As at 31 March 2012, secured bank loans were secured by

(i) mortgages over the Group's investment properties with an aggregate carrying value of HK$26,100,000 (2011: HK$25,800,000) (note 19);

(ii) the pledge over bank deposits of HK$nil (2011: HK$202,000) (note 27);

(iii) the pledge over the operating concession in an aggregate carrying amount of approximately HK$219,630,000 (2011: HK$117,759,000) (note 20); and

(iv) the Company has undertaken to guarantee certain banking facilities to the extent of HK$96,100,000 (2011: HK$28,075,000) granted to certain subsidiaries of which HK$70,895,000 (2011: HK$14,206,000) have been utilised as at 31 March 2012 (note 40).

The carrying amounts of short-term borrowings approximate to their fair values.

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	2012 HK$'000	2011 HK$'000
HK dollar	**—**	9,799
Renminbi	**61,500**	35,700
	61,500	45,499

34 Deferred taxation — Group

(a) Deferred tax assets and liabilities recognised:

The analysis of deferred tax liabilities is as follows:

	2012 HK$'000	2011 HK$'000
Deferred tax liabilities:		
— Deferred tax liability to be recovered after more than 12 months	**30,585**	36,254
— Deferred tax liability to be recovered within 12 months	**—**	—
	30,585	36,254

34 Deferred taxation — Group (Continued)

(a) Deferred tax assets and liabilities recognised: (Continued)

The components of deferred tax (assets)/liabilities recognised in the consolidated statement of financial position and the movements during the year were as follows:

	Revaluation of investment properties	Depreciation allowances in excess of related depreciation	Revaluation of other properties	Tax losses	Operating concession	Intangible assets	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Deferred tax arising from:							
At 1 April 2010	247	69	3,686	(703)	—	—	3,299
Acquisition of subsidiaries	—	—	—	—	18,172	13,870	32,042
Charged/(credited) to profit or loss *(note 13)*	3,315	(1,595)	—	(1,122)	(569)	(444)	(415)
Charged to reserve	—	—	257	—	—	—	257
Exchange adjustments	42	(31)	50	—	826	184	1,071
At 31 March 2011	3,604	(1,557)	3,993	(1,825)	18,429	13,610	36,254
At 1 April 2011	**3,604**	**(1,557)**	**3,993**	**(1,825)**	**18,429**	**13,610**	**36,254**
Reclassified as held for sale *(note 28)*	**(3,854)**	**1,647**	**(4,206)**	**1,965**	**—**	**—**	**(4,448)**
Charged/(credited) to profit or loss *(note 13)*	**182**	**(42)**	**—**	**(140)**	**(650)**	**(1,860)**	**(2,510)**
Charged to reserve	**—**	**—**	**184**	**—**	**—**	**—**	**184**
Exchange adjustments	**68**	**(48)**	**29**	**—**	**615**	**441**	**1,105**
At 31 March 2012	**—**	**—**	**—**	**—**	**18,394**	**12,191**	**30,585**

(b) Deferred tax assets not recognised:

As at 31 March 2012, tax losses of HK$42,788,000 (2011: HK$21,050,000) attributable to the continuing operations in Hong Kong are available for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised as it is not probable that future taxable profits against which the losses can be utilised will be available for the companies in which losses arose. The tax losses do not expire under the current tax legislation. Tax losses of approximately HK$19,487,000 (2011: HK$3,734,000) attributable to the continuing operations in the PRC are available for offseting against future profits that may be carried forward for five years from 2009 for PRC corporate income tax purpose. Not included in the above are tax losses of HK$54,076,000 (2010: HK$35,872,000) relating to the discontinued operations which will no longer be available following the completion of the disposal of discontinued operations, please refer to note 28 for further details.

As at 31 March 2012 and 2011, deferred tax liabilities of HK$4,009,000 (2011: HK$1,223,000) have not been recognised in respect of the tax that would be payable on the distribution of the retained profits of the Group's foreign-invested enterprises as the Company controls the dividend policy of these foreign-invested enterprises and it is probable that such differences will not be reversed in the foreseeable future.

35 Provision for warranty — Group

	The Group	
	2012	2011
	HK$'000	HK$'000
At beginning of the year	**514**	2,403
Additional provisions made	**4,263**	269
Reclassified to disposal group classified as held for sale *(note 28)*	**(4,777)**	—
Provision utilised	**—**	(693)
At end of the year	**—**	1,979
Less: Amount included under "current liabilities"	**—**	(1,465)
Non-current liabilities	**—**	514

The Group is required rectify any product defects arising within one to three years of the delivery of railway and metro maintenance equipments and vehicles to customers. The provision is therefore made for the best estimate of the expected settlement. The amount of provision is estimated by directors who take into account the Group's recent claim experience and is only made where a warranty claim is probable from historical warranty date associated with similar products.

36 Cash generated from operations — Group

	Note	2012 HK$'000	2011 HK$'000
Operating activities			
Loss before tax:			
From continuing operations		**(32,802)**	(32,373)
From discontinued operations	*28(b)*	**(23,054)**	(10,387)
Adjustments for:			
Valuation loss/(gain) on investment properties	*19*	**1,880**	(5,860)
Depreciation	*18*	**3,516**	3,125
Amortisation of interest in leasehold land held for own use under operating leases	*17*	**10**	25
Amortisation of operating concessions	*20*	**2,599**	2,275
Amortisation of intangible assets	*21*	**8,177**	1,934
Impairment losses on trade receivables		**3,559**	13,047
Impairment loss on property, plant and equipment	*28*	**2,600**	—
Write-down/(reversal of write-down) of inventories		**1,044**	(1,859)
Finance costs	*11*	**217**	226
Interest capitalised in operating concessions	*11*	**3,877**	652
Interest income		**(263)**	(139)
Net gain on disposal of subsidiaries	*38*	**(2,316)**	—
Net gain on disposal of investment properties		**(362)**	—
Net (gain)/loss on disposal of property, plant and equipment		**(24)**	269
Net loss/(gain) on sale of financial assets at fair value through profit or loss		**2,337**	(267)
Net unrealised loss on financial assets not at fair value through profit or loss		**5,628**	10,930
Fair value of contribution margin received from grantor	*20*	**(8,825)**	(4,605)
Gain from a bargain purchase of subsidiaries		**—**	(1,171)
Write back of trade payables		**—**	(1,299)
Equity-settled share-based payments	*10*	**6,156**	8,752
Foreign exchange gain		**(151)**	(287)
		(26,197)	(17,012)
Changes in working capital			
— inventories		**(4,533)**	4,456
— trade and other receivables		**28,358**	(22,451)
— trade and other payables		**19,330**	7,377
— provision for warranty		**2,771**	(424)
Cash generated from/(used in) operations		**19,729**	(28,054)

37 Acquisition of assets and liabilities through acquisition of subsidiaries

On 9 November 2010, Winsum Investment Limited, a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Mr. Xu Zhongping, who is a director and a substantial shareholder of the Company, and Mr. Lee Ho Fu Honcy, an independent third party, to acquire the 100% equity interest in Power Score Limited ("Power Score") and its subsidiaries ("Power Score Group") at an initial consideration of RMB10,000,000 (equivalent to HK$11,668,000) and an upward adjustment of up to HK$46,672,000 (calculated based on 69,868,263 ordinary shares at HK$0.668 per share) ("Tranche II Consideration Shares"). The initial consideration of RMB10,000,000 shall be satisfied by the allotment and issuance of 17,467,066 ordinary shares with par value of HK$0.025 each at an issue price of HK$0.668 per share ("Tranche I Consideration Shares") upon completion of the acquisition. Details of the Tranche II Consideration Shares are set out in note 31(a) to the financial statements. Power Score Group holds patents for water purification system. The acquisition was accounted for as an acquisition of assets and liabilities because except for holding of the patents, Power Score Group has minimal business activities. The acquisition was completed on 5 January 2011.

The Group takes the view that the acquisition of Power Score Group allows the Group to use the patents, which enable the Group to have a solid technology foundation to capture the rapid growth of wastewater treatment business in the PRC.

Consideration transferred

	HK$'000
Fair value of Tranche I Consideration Shares issued *(note i)*	7,686
Contingent consideration arrangement	
— Fair value of Tranche II Consideration Shares to be issued *(note 31(a))*	27,274
	34,960

37 Acquisition of assets and liabilities through acquisition of subsidiaries (Continued)

Details of the identifiable assets and liabilities acquired

	HK$'000
Plant and equipment	286
Intangible assets	60,399
Trade and other receivables	3,434
Inventories	5,162
Cash and cash equivalents	5,138
Other payables and accruals	(11,640)
Due to a related company	(1,688)
Trade payables	(354)
Due to former shareholders	(5,122)
Deferred tax liabilities	(13,870)
	41,745

Deemed contribution from owners

	HK$'000
Total consideration transferred	34,960
Identifiable assets and liabilities acquired	(41,745)
Deemed contribution from owners *(note ii)*	6,785

Net cash inflow arising on acquisition:

	HK$'000
Cash consideration paid	—
Cash and cash equivalents acquired	5,138
Net cash inflow of cash and cash equivalents in respect of the acquisition of subsidiaries	5,138

Note:

(i) The fair value of Tranche I Consideration Shares represented 17,467,066 ordinary shares issued with a published share price of HK$0.44 per share as at 5 January 2011.

(ii) Mr. Xu Zhongping held the majority equity interest in Power Score Group, therefore, the directors considered that the excess of fair value of identifiable assets and liabilities of Power Score Group acquired over the fair value of consideration transferred of HK$6,785,000 shall be accounted for as a deemed contribution from the owners and recorded as a transaction with owners and charged to the other reserve account.

37 Acquisition of assets and liabilities through acquisition of subsidiaries (Continued)

Deemed contribution from owners (Continued)

Power Score Group did not generate any revenue but contributed a loss of approximately HK$1,895,000 to the Group's loss for the period between the date of acquisition to 31 March 2012.

Acquisition related costs amounting to HK$982,000 have been excluded from the consideration transferred and have been recognised as an expense in the year, within the "administrative expenses" line item in the consolidated income statement.

The receivables acquired in this transaction with a fair value of HK$3,434,000 had gross contractual amounts of HK$3,434,000. None of the receivables was expected to be uncollectible at the date of completion of the acquisition.

If the acquisition had been completed on 1 April 2010, the Group's total revenue and loss for the year ended 31 March 2012 would have been HK$158,709,000 and HK$48,405,000 respectively. The pro-forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisitions been completed on 1 April 2010, nor is it intended to be a projection of future results.

In determining the pro-forma revenue and loss of the Group had Power Score Group been acquired at the beginning of the current year, the directors have calculated amortisation of patents acquired on the basis of the fair values arising in the initial accounting for the acquisition of assets and liabilities through acquisition of subsidiaries rather than the carrying amounts recognised in the pre-acquisition financial statements.

38 Disposal of subsidiaries

(a) On 21 September 2011, the Group completed the disposal of the entire 100% equity interest in Qifan Future Power Equipment (Beijing) Co., Ltd, an inactive subsidiary established in the PRC, for a cash consideration of HK$567,000. There is gain of HK$1,613,000 arising from the disposal.

Details of the net liabilities disposed of in respect of Qifan Future Power Equipment (Beijing) Co., Ltd are summarised below:

	HK$'000
Net assets disposed of	
Bank balances and cash	1,499
Prepayment, deposit and other receivables	130
Trade and bill receivables	2,379
Inventories	1,624
Property, plant and equipment	116
Trade and bill payables	(1,607)
Trade deposit receipts	(21)
Other payable and accruals	(562)
Amounts due to related companies	(1,584)
Amount due to immediate holding company	(2,895)
Release of exchange reserve upon disposal	(175)
Net liabilities disposed of	(1,096)
Cash consideration received	517
Gain on disposal of subsidiary	1,613
Net cash outflow arising on disposal of a subsidiary	
Cash consideration received	517
Bank balances and cash disposed of	(1,499)
Net outflow of cash and cash equivalents in respect of the disposal of a subsidiary	(982)

38 Disposal of subsidiaries (Continued)

(b) On 21 February 2012, the Group completed the disposal of the entire 100% equity interest in Yardway Dredging Equipment Limited, an inactive subsidiary established in the PRC, for a cash consideration of HK$500,000. There is a gain of HK$703,000 arising from the disposal.

Details of the net liabilities disposed of in respect of Yardway Dredging Equipment Limited are summarised below:

	HK$'000
Net assets disposed of	
Bank balances and cash	396
Prepayment, deposit and other receivables	915
Trade and bill receivables	1,147
Property, plant and equipment	1
Trade and bill payables	(286)
Trade deposit receipts	(2,338)
Other payable and accruals	(38)
Net liabilities disposed of	(203)
Cash consideration received	500
Gain on disposal of subsidiary	703
Net cash inflow arising on disposal of a subsidiary	
Cash consideration received	500
Bank balances and cash disposed of	(396)
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	104

39 Related party transactions

The Group has entered into the following material related party transactions:

(a) Key management personnel remuneration

Remuneration for key management personnel including amounts paid to the Company's directors as disclosed in note 10(b) and certain of the highest paid employees as disclosed in note 10(c), is as follows:

	2012 HK$'000	2011 HK$'000
Short-term employee benefits	**9,197**	10,364
Retirement scheme contributions	**12**	—
	9,209	10,364

Total remuneration is included in "staff costs".

(b) Other related party transactions

(i) On 5 January 2011, the Group completed the acquisition of Power Score and the details of which have been disclosed in note 37. The fair value of the Tranche I Consideration Shares represented 17,467,066 ordinary shares issued with a published share price of HK$0.44 per share as at 5 January 2011 of which 9,606,886 ordinary shares with fair value of HK$4,227,000 were issued to Mr. Xu Zhongping, a director and shareholder of the Company. The fair value of the Tranche II Consideration Shares was HK$27,274,000 of which HK$15,001,000 was attributable to a director and a substantial shareholder of the Company.

(ii) The Group purchased vehicle spare parts of HK$130,600 (2011: HK$2,101,000) from and sold vehicle spare parts of HK$189,000 (2011: HK$223,000) to a related company, of which a common senior management able to exercise significant influence over the related company and the Group in making financial and operating policy decision.

40 Financial guarantee liability — Company

Financial guarantee contracts

	2012 HK$'000	2011 HK$'000
Carrying amount		
At beginning of the year	**17**	55
Fair value of financial guarantee contracts issued	**—**	208
Amortisation for the year	**(17)**	(246)
At end of the year	**—**	17

For the year ended 31 March 2012, the Company recognised financial guarantee income of HK$17,000 (2011: HK$246,000).

As at 31 March 2012, the Company has undertaken to guarantee certain banking facilities to the extent of HK$96,100,000 (2011: HK$28,075,000) granted to certain subsidiaries of which HK$70,895,000 (2011: HK$14,206,000) have been utilised as at 31 March 2012. The directors do not consider is probable that a claim will be made against the Company.

41 Commitments

(a) At the end of the reporting period, the Group had the following capital commitments:

	Group		Company	
	2012 HK$'000	2011 HK$'000	2012 HK$'000	2011 HK$'000
Upgrade and construction of wastewater treatment plants under a service concession arrangement on a BOT basis:				
— contracted, but not provided for	**82,558**	88,030	**—**	—
— authorised but not contracted for	**—**	68,192	**—**	—
	82,558	156,222	**—**	—
Purchase of equipment and motor vehicle				
— contracted, but not provided for	**—**	828	**—**	—
Total commitments	**82,558**	157,050	**—**	—

41 Commitments (Continued)

(b) At 31 March 2012, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within 1 year	**6,240**	4,721	**1,916**	1,014
After 1 year but within 5 years	**6,052**	2,202	**1,596**	—
	12,292	6,923	**3,512**	1,014

The Group is a lessee in respect of a number of properties held under operating leases. The leases typically run for an initial period of one to three years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

42. Comparative amounts

The comparative consolidated income statement has been re-presented as if operation discontinued during the current year had been discontinued at the beginning of the comparative period (note 28).

43 Events after the balance sheet date

Pursuant to the sale and purchase agreement dated 9 March 2012, the Group disposed of the entire issued share capital of Yardway Limited and Yardway Motors Limited and its subsidiary (the "Yardway Group") engaged in the trading of transportation and logistics related equipment in the PRC for total consideration of HK$36,000,000 with HK$17,500,000 in cash and HK$18,500,000 in the form of two investment properties stated at their fair value. The transaction was approved by shareholders on 31 May 2012 and completed on 6 June 2012. The disposal is considered not to have a material impact on a financial performance of the Group for the year ending 31 March 2013.

SUMMARY OF PROPERTIES

For the year ended 31 March 2012

The following is a list of the Group's properties at 31 March 2012:

Investment properties in the PRC

	Location	Lease term	Purpose	Gross area (sq. m.)
(1)	Rooms 1227 and 1228 on Level 12 of Block 1, Junefield Plaza Xuanwumenwaidajie East Xuanwu District Beijing The PRC	Medium	Commercial	190.97
(2)	Room 6B on level 6 and Car Parking Spacing No. 138 on Basement Level Beijing Regent Court No. Yi 8 Jiangguomenwaidajie Chaoyang District Beijing The PRC	Long	Residential	150.57
(3)	Portion of Building No. 1 and Building No. 2 located at Phase 2 of Science and Technology Innovation Coast Zhuhai City Guangdong Province The PRC	Medium	Industrial	5,584.95
(4)	Two parcels of land (Nos. 1–40 and 1–41) located at Phase 2 of Science and Technology Innovation Coast Zhuhai City Guangdong Province The PRC	Medium	Industrial	6,618.62

The following is a list of the Group's properties at 31 March 2012:

Investment properties in the Hong Kong

Location		Lease term	Purpose	Gross area (sq. m.)
(1)	House F25 of Stage IV Marina Cove 380 Hiram's Highway Hebe Haven Sai Kung New Territories Hong Kong	Medium	Residential	2,064

Leasehold properties in the PRC

Location		Lease term	Purpose	Gross area (sq. m.)
(1)	Room 5E on level 5 and Car Parking Spacing No. 137 on Basement Level Beijing Regent Court No. Yi 8 Jiangguomenwaidajie Chaoyang District Beijing The PRC	Long	Residential	150.57
(2)	Flat A on Level 2 of Block D President Mansion No. 868 Hua Shan Road Shanghai The PRC	Long	Residential	151.27
(3)	Two parcels of land (Nos. 1–40 and 1–41) located at Phase 2 of Science and Technology Innovation Coast Zhuhai City Guangdong Province The PRC	Medium	Industrial	4,205.83
(4)	Portion of Building No. 1 located at Phase 2 of Science and Technology Innovation Coast Zhuhai City Guangdong Province The PRC	Medium	Industrial	3,548.98

FIVE YEAR FINANCIAL SUMMARY

	2012 HK$'000	2011 HK$'000	2010 HK$'000	2009 HK$'000	2008 HK$'000
RESULTS					
Turnover	**175,410**	158,709	147,311	189,357	298,865
(Loss)/profit from operations	**(55,639)**	(43,534)	7,240	(13,636)	11,378
Finance costs	**(217)**	(226)	(262)	(1,019)	(2,347)
(Loss)/profit before taxation	**(55,856)**	(42,760)	6,978	(14,655)	9,031
Taxation	**194**	(917)	(3,238)	(172)	(2,241)
(Loss)/profit for the year	**(55,662)**	(43,677)	3,740	(14,827)	6,790
Attributable to:					
— Equity shareholders of the Company	**(55,238)**	(43,677)	3,740	(14,810)	7,104
— Non-controlling interests	**(424)**	—	—	(17)	(314)
(Loss)/profit for the year	**(55,662)**	(43,677)	3,740	(14,827)	6,790
ASSETS AND LIABILITIES					
Non-current assets	**283,006**	253,060	61,243	54,840	55,735
Net current assets	**44,632**	96,684	137,689	135,585	72,592
Non-current liabilities	**(79,293)**	(60,092)	(3,828)	(2,516)	(6,639)
	248,345	289,652	195,104	187,909	121,688
Share capital	**62,508**	60,775	55,825	55,825	28,825
Reserves	**185,035**	228,877	139,279	132,084	92,278
Total equity attributable to equity shareholders of the company	**247,543**	289,652	195,104	187,909	121,103
Non-controlling interests	**802**	—	—	—	585
Total equity	**248,345**	289,652	195,104	187,909	121,688
(Loss)/earnings per share					
Basic	**(2.27) cents**	(1.90) cents	0.17 cents	(0.94) cents	1.25 cents
Diluted	**(2.27) cents**	(1.90) cents	0.17 cents	(0.94) cents	1.23 cents