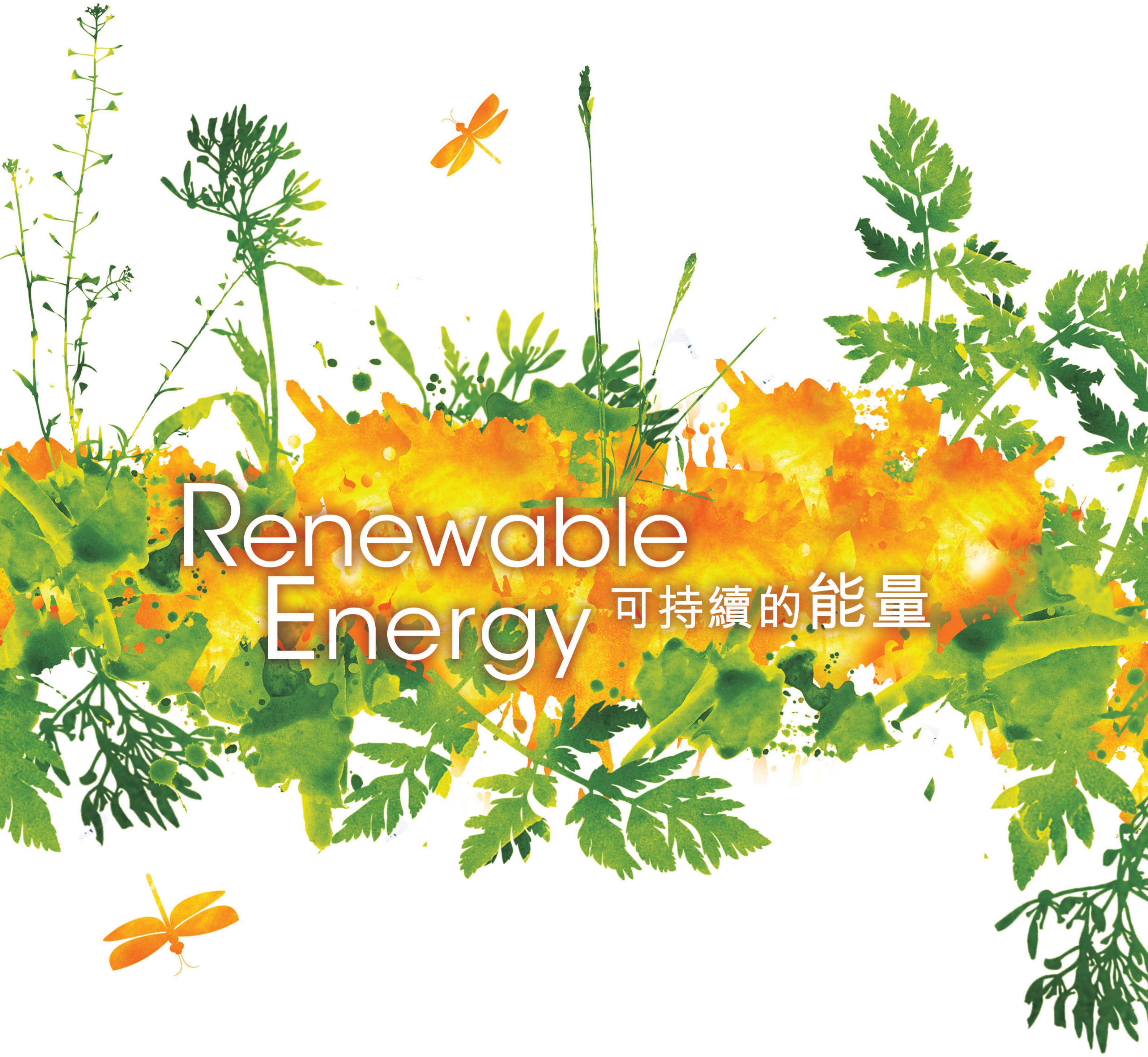
NEW ENVIRONMENTAL ENERGY HOLDINGS LIMITED
新環保能源控股有限公司

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



2012 年報
Annual Report

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BOARD OF DIRECTORS

Executive Directors

Mr. Yu Chang Jian *(Chairman)*
Mr. Cao Guo Xian *(Chief Executive Officer)*
Mr. Liu Xiao Guang
Mr. Marcello Appella
Mr. Tang Zhi Bin
Mr. Xue Huixuan
(Appointed on 1 July 2012)

Non-executive Director

Mr. Lim Jui Kian

Alternate Non-executive Director

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

Independent Non-executive Directors

Mr. Pao Ping Wing
Mr. Cheng Kai Tai, Allen
Mr. Li Baochun
(Appointed on 1 July 2012)
Ms. Chan Yee Wah, Eva
(Appointed on 1 July 2012)

COMMITTEES

Audit Committee

Ms. Chan Yee Wah, Eva
(Chairman, appointed on 1 July 2012)
Mr. Pao Ping Wing
Mr. Cheng Kai Tai, Allen
(Appointed on 25 April 2012)
Mr. Lim Jui Kian

Nomination Committee

Mr. Yu Chang Jian *(Chairman)*
Mr. Pao Ping Wing
Mr. Cheng Kai Tai, Allen
(Appointed on 25 April 2012)
Ms. Chan Yee Wah, Eva
(Appointed on 1 July 2012)

Remuneration Committee

Mr. Pao Ping Wing *(Chairman)*
Mr. Cheng Kai Tai, Allen
(Appointed on 25 April 2012)
Mr. Yu Chang Jian

COMPANY SECRETARY

Ms. Wong Bing Ni

AUTHORIZED REPRESENTATIVES

Mr. Yu Chang Jian
Ms. Wong Bing Ni

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

AUDITORS

Deloitte Touche Tohmatsu

LEGAL ADVISER

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

PRINCIPAL BANKERS

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

SHARE REGISTRARS AND TRANSFER OFFICES

Principal Registrar in Cayman Islands

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

Branch Registrar in Hong Kong

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

CORPORATE WEBSITE

www.neeh.com.hk

STOCK CODE

03989

Chairman's Statement

The world is suffering from serious problems such as abundant waste in cities, air pollution, global warming and energy shortage. With the accelerating of urbanization in China, the existing waste treatment facilities are unable to satisfy the increasing waste treatment needs. According to the "National Plan for Establishing Facilities for Treatment of Urban Household Waste in a Non-Hazardous Way under the 12th Five-Year Plan" (hereinafter referred to as the "Plan") officially issued by the General Office of the State Council on 19 April 2012, it was stated in the Plan that, the household waste harmless treatment rate amounted to over 90% in municipalities and provincial capitals, and the total investment in the construction of facilities was approximately RMB263.6 billion during the 12th Five-Year period.

The environmental industry is emerging and should keep a rapid and comprehensive development pace, benefiting from the national policies and financial support as well as the needs from the governments and the public.

New Environmental Energy Holdings Limited ("New Environmental Energy or the Group") strives to become a leading provider of comprehensive waste treatment solutions and environmental infrastructure services in China. Following successfully introducing Beijing Capital (Hong Kong) Limited ("Beijing Capital HK") as its strategic investor in 2011, New Environmental Energy has more powerful and sound shareholder background. Beijing Capital Co., Ltd. ("Beijing Capital", its shares listed in Shanghai Stock Exchange (Stock Code: 600008)), the parent company of Beijing Capital HK, is a listed company controlled by Beijing Capital Group Co., Ltd. As a state-owned listed company, Beijing Capital is a reputable and leading water service enterprise in China, which currently owns and participates in controlling various water service projects in 15 provinces and autonomous regions and 36 cities including Beijing, Tianjin, Hunan, Shanxi and Anhui. Beijing Capital's water treatment capacity has reached about 14 million tonnes per day, covering a population of approximately 30 million.

Through the synergistic effect of businesses between New Environmental Energy and Beijing Capital, the Group is capable of grasping first-hand information on waste treatment needs from most of major provinces and cities in China by leveraging on Beijing Capital's vast project network, so as to identify potential projects in a more effective manner. Under the leadership of Mr. Cao Guo Xian (Chief Executive Officer), New Environmental Energy keeps enhancing its comprehensive ability through internal restructuring, and is able to design solid waste treatment solutions in line with China's practical conditions.

New Environmental Energy also achieved satisfactory progress in developing new projects. On 22 August 2012, the Group successfully tendered for a waste treatment project located in Xingtai, Hebei Province, the PRC. The Group was responsible for investing, building and operating the project on a build-operate-transfer ("BOT") basis with a concessionary period of 30 years, the total investment was RMB330,000,000 and the waste treatment fee was RMB79.8 per tonne. It was anticipated that the project would continuously bring stable and considerable income for the Group. Furthermore, the Group also announced on 24 August 2012 to acquire two waste treatment companies located in Guizhou, the PRC, namely Duyun Kelin Environmental Company Limited in Duyun city and Weng'an Kelin Environmental Company Limited in Weng'an county, at a consideration of RMB33,000,000 and RMB21,000,000, respectively. The acquisitions would further expand the Group's business network.

After one year's efforts, New Environmental Energy was awarded as the "2012 Top Ten Influential Enterprises in China's Solid Waste Industry" in the "2012 Solid Waste Industry's Enterprise Selection" sponsored by China Solid Waste Network, Tsinghua University and China Urban Construction Institute, owing to clear development strategy, strong social commitment, advanced waste treatment technology and excellent human resources team. In the light of its participation in the selection for the first time, New Environmental Energy received this award, demonstrating that its brand and reputation are well recognized in the industry.

Looking forward, the Group will further consolidate and improve its existing businesses and technologies, constantly seeking projects with growth potential and good opportunities for acquisitions and mergers, thereby making continuous contribution to the construction of beautiful China and global environmental protection.

Chairman
Mr. Yu Chang Jian

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BUSINESS OUTLOOK AND PROSPECTS OF THE GROUP

The economic outlook for 2013 remains uncertain. Sovereign debt problems in Europe, the fiscal cliff conundrum in the United States are amongst the main factors posing continual risks and uncertainties to the recovery and stability of major economies and financial markets around the world, despite the loose monetary measures taken by major central banks globally.

In respect of the Group's waste treatment and waste-to-energy business, the Group is conservatively optimistic about the future development of the green energy industry. According to the "National Plan for Establishing Facilities for Treatment Of Urban Household Waste in a Non-Hazardous Way under the 12th Five-Year Plan" of the PRC issued in May 2012, the daily waste processing capacity of waste-to-energy shall be substantially increased from 89,625 tonnes at the end of 2010 to approximately 307,155 tonnes by the end of 2015 at an annual compound growth rate of 28%.

In 2012, the PRC government ranked energy conservation and environmental protection first among the seven "Strategic Emerging Industries" under its "Twelfth Five-Year Plan". The National Development and Reform Commission has also refined the waste-to-energy tariff policy and provided concrete support to the environmental protection industry through special subsidies. In expectation of the great market potential underscored by favourable national policies, the Group will endeavour to seize opportunities in the environmental protection and alternative energy industries to deliver stronger results for its shareholders.

During the year under review, the Group achieved growth in scale and effectiveness together. The Group succeeded in securing a waste-to-energy project in Xingtai, Hebei Province, China, that are designed with an annual waste treatment capacity of approximately 340,000 tonnes. The facility commanded a total investment of approximately RMB330 million. Besides, the Group acquired two landfill projects in Guizhou, that are designed with an annual waste treatment capacity of approximately 335,000 tonnes. These have not only expanded the Group's market presence across the country, but also laid a solid foundation for its next round of development. It is expected that the new projects will contribute more revenue to the Group following kicking-off of construction and commencement of commercial operation of projects.

As at 31 December 2012, the Group had eight waste treatment projects that commanded a total investment of approximately RMB2,268 million. The facilities were designed with the annual capacity to process waste of approximately 2,008,050 tonnes which can generate on-grid electricity of approximately 377 million kWh annually.

The Group's future prospects would depend primarily on the commencement of commercial operation of the Beijing Dongcun Sorting Comprehensive Treatment Plant, which is the first waste-to-energy project in the PRC applying the technology of anaerobic digestion. The Group is still under negotiation with the local government to extend the service concession period and increase the waste treatment fee of such plant. In 2012, the local government preliminarily agreed to revisit the service concession period and the waste treatment price. The outcome of the negotiation with the local government for the revised terms is expected to be finalised in the first half of 2013. The progress of the construction of the Beijing plant is currently underway and is progressing in line with plan generally. The coming few months will be critical as far as completion of the construction of the Beijing plant is concerned and the Group is continuously monitoring the ongoing progress closely such that the trial run operation can be successfully launched within the Group's anticipated timing in the first half of 2013.

The waste-to-energy project in Xingtai is still pending for the final approval from the relevant PRC government authority. The transformation of Phase 1 construction is expected to complete and entered into the trial run stage in 2013. The construction of Phase 2 will be started in 2013 and expected to enter into the trail run stage in 2015.

The Nanchang Solid Waste Incineration Power Generation Plant located in Nanchang Quanling will continue to be under construction in 2013 and expected to enter into the trial run stage in 2014.

The projects located in Shenzhen Pinghu and Guizhou Duyun and Weng'an are all in normal commercial operation.

During the year under review, the Group has successfully disposed of its apparel and accessories trading business, its only non-core business. This records a net gain on disposal of approximately HK$4.6 million and also completely transforms the Group towards comprehensive waste treatment enterprise.

In order to ensure sustainable development of the Group in the face of volatility in the international capital markets, the Group entered into a loan agreement with Beijing Capital Co., Ltd. ("Beijing Capital") for a RMB101.0 million loan, from which RMB97.0 million has been drawn down. In addition, the Company raised about HK$129.6 million (net of expenses) in August and October 2012 through the placement of 310 million shares of the Company and about HK$100.0 million through issuance of convertible bonds to Beijing Capital (Hong Kong) Limited ("Beijing Capital HK"), which provided adequate working capital and broadened our shareholder base and equity base. As at 31 December 2012, the Group had cash on hand of HK$263.2 million.

The Group's available financial resources have been stretched given the requirements of the ongoing projects and the debt maturity profile of the Group. The Company has been exploring various initiatives to seek new funding as demonstrated by the recent fund raising activities of the Company. Efforts to explore new financing including the Rights Issue as well as the proposed debt restructuring are ongoing with a view to improve the Group's financial position and to avail the Group with financial resources for potential investments in due course.

Looking ahead, with stronger supporting policies from the PRC government and the continued comprehensive support from the substantial shareholder, Beijing Capital HK, the Company is confident that the Company can realise the full potential of all the exciting opportunities for future development. With rising growth momentum and strong competitive edge in the waste treatment industry, the management of the Group believes that once most of the existing projects commence operation, they will provide contribution to the Group. Thus, the management of the Group is confident of achieving sustained growth in the medium-to-long term.

OVERVIEW

The net loss attributable to the owners of the Company amounted to approximately HK$147.1 million for the year under review.

WASTE TREATMENT AND WASTE-TO-ENERGY BUSINESS

During the year under review, the Group's revenue from its waste treatment and waste-to-energy business reached approximately HK$17.6 million, representing decrease of approximately 12.4%, as compared to last year.

For the year under review, its gross loss is approximately 2.7%.

OPERATING EXPENSES

The Group's administrative expenses of the continuing operations increased by 79.2% from HK$38.0 million to HK$68.1 million during the year under review, the increase is mainly attributable to the enlargement of operation scale.

FINANCE COSTS

Finance costs, for the Group's continuing operations, decreased by 15.6% to HK$50.8 million, as compared to last year. The decrease is mainly attributable to the decrease in the interests on promissory notes and convertible notes.

FINANCIAL POSITION

As at 31 December 2012, the Group had total assets amounting to HK$1,057.3 million, with HK$60.7 million of net assets attributable to equity shareholders of the Company. The net gearing ratio, which is calculated on the basis of total borrowings (net of cash and bank balances) over the Group's total shareholders' equity, was 0.05 as at 31 December 2012. Net gearing ratio has not been calculated as at 31 December 2011 as cash and cash equivalent exceeded borrowings as at 31 December 2011. The current ratio, which is calculated on the basis of current assets over current liabilities, increased from 0.44 as at 31 December 2011 to 1.08 as at 31 December 2012.

FINANCIAL RESOURCES

The Group finances its operations primarily with internally generated cash flow and loan facilities from shareholders. As at 31 December 2012, the Group had cash and bank balances of HK$263.2 million, representing an increase of HK$208.3 million as compared to HK$54.9 million at the end of 2011. The increase was mainly due to the placement of shares of the Company, the new borrowings raised and the disposal of the Group's equity interest in Hembly Garment during the year under review. Currently, most of the Group's cash is denominated in HK dollars and RMB.

BORROWINGS

As at 31 December 2012, the Group had outstanding borrowings of HK$266.5 million, representing an increase of HK$214.2 million as compared to HK$52.3 million at the end of 2011. The borrowings comprised secured loans of HK$193.1 million and unsecured loans of HK$73.4 million. The borrowings are denominated in HK dollars and RMB. 64.9% and 35.1% of the borrowings are at fixed rate and variable rate.

FOREIGN EXCHANGE EXPOSURE

The majority of the Group's sales, purchase and operating expenses were denominated in RMB, HK dollars and US dollars. Although the Group has been and will continue to be exposed to foreign currency exchange risks, the Board does not expect future currency fluctuations to materially impact the Group's operations. During the year, the Group has adopted no formal hedging policies and no instruments have been applied for foreign currency hedging purposes. The management will continue to monitor the foreign exchange exposure flexibly and engage in timely and appropriate hedging activities when needed.

CHARGES ON ASSETS

As at 31 December 2012, the Group has no asset pledged.

CAPITAL COMMITMENT

As at 31 December 2012, the Group had capital commitment of HK$518.4 million in respect of the construction work under service concession arrangements, which were contracted but not provided for in the consolidated financial statements.

CONTINGENT LIABILITIES

As at 31 December 2012, the Group provide guarantees of HK$18.1 million to a bank in respect of banking facilities granted to an associate.

EMPLOYMENT INFORMATION

As at 31 December 2012, the Group had about 135 employees in total, stationed mainly in the PRC, Hong Kong and Europe. The Group's emolument policies, which are reviewed periodically, are linked to the performance of individual employee and are based on salary trends prevailing in the aforesaid regions.

In addition, the Group maintains a share option scheme for the purpose of providing incentives and rewards to eligible participants based on their individual contributions to the Group.

DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2012.

EXECUTIVE DIRECTORS

Mr. Yu Chang Jian, aged 57, a senior accountant, was appointed as an executive director and chairman of the Company in May 2011. Mr. Yu was the section chief of Beijing Chemical Equipment Plant's Finance Department, deputy chief accountant of Supply and Marketing Company of Beijing Chemical Industry Corporation, manager of Planning & Finance Department of Beijing Capital Group Co., Ltd., the chairman of Beijing Capital Securities Co., Ltd., the chairman of China Post & Capital Fund Management Co., Ltd. and chief financial officer of Beijing Capital Group Co., Ltd.. Mr. Yu is serving as a director and the general manager of Beijing Capital Co., Ltd..

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

Mr. Cao Guo Xian, aged 49, is a postgraduate, he was appointed as an executive director and chief executive officer of the Company in July 2011. Mr. Cao served in the foreign language department of Henan Normal University and Bureau of International Cooperation under the Chinese Academy of Sciences. Mr. Cao worked as manager of oversea business department of Beijing Jingfang Economic Development Corporation, assistant to the chairmen of Capital Land Ltd. and deputy officer of the office of Beijing Capital Group Co., Ltd., and he is currently the deputy general manager of Beijing Capital Co., Ltd..

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

Mr. Liu Xiao Guang, aged 58, was appointed as an executive director of the Company in May 2011. Mr. Liu is a senior economist, and guest professor and tutor for M.A and Ph.D students of Tsinghua University, Beijing Technology and Business University and Chinese Academic of Social Sciences. He was chief economist and deputy director of the Beijing Municipal Planning Committee. Mr. Liu serves as the chairman and Secretary of the Party Committee of Beijing Capital Group Co., Ltd., the chairman of the board of directors of Beijing Capital Co., Ltd., a standing director of China Enterprise Confederation and Chinese Enterprise Directors Association, and the vice-chairman of Beijing Enterprise Directors Association. Moreover, Mr. Liu has been appointed as an executive director and the chairman of Beijing Capital Land Limited since 5 December 2002 and an executive director and the chairman of New Capital International Investment Limited since 14 April 2004. These two companies are listed on the Stock Exchange.

Mr. Marcello Appella, aged 58 is an executive director of the Company and he joined the Group in 2001 and is responsible for sales and marketing of the Group in France. He has over 30 years of experience in the apparel industry and has accumulated substantial business knowledge in both the European and Asian markets. Prior to joining the Group, Mr. Appella had assumed various positions from technical advisor to general manager for international brand names such as Eminence, New Man, Adidas and Jockey International. He obtained a Diploma in Textile Engineering from the National College of Textile Industries of Mulhouse, France in July 1980 and a Master degree in Strategy and Finance from an International Business school EML Lyon in France in 2011.

Mr. Tang Zhi Bin, aged 48, was appointed as an executive director of the Company in May 2011. Mr. Tang has over 20 years of experience in the accounting industry. He has been employed at Biomax Environment Holdings Limited (a subsidiary of the Company) as its investment and strategic consultant, since February 2009. Prior to that, Mr. Tang has been working in senior management and senior financial roles within conglomerates within the People's Republic of China.

Mr. Xue Huixuan, aged 45, holder of a Bachelor's Degree, was appointed as an executive director of the Company in July 2012. He was an engineer of the Design Management Department of Sinopec International Petroleum Engineering Company, and took up duties in EDS department of Maison Worley Parsons E&C Co., Ltd. in Beijing as a professional person-in-charge and a project manager. He previously served as the Vice Chairman of Zhong Yuan Guo Xin Credit Guarantee Co., Ltd.. He is presently an Executive Director of Sino-Union Trust Co., Ltd..

Mr. Xue has been engaged in engineering design, technology introduction, international cooperation, investment and financing as well as guarantee operations for a number of years. He has extensive experience in project management, technology management, financial management and actual operation.

NON-EXECUTIVE DIRECTORS

Mr. Lim Jui Kian, aged 41, was appointed as a non-executive director of the Company in April 2010. He is the Managing Director & Head of Asia Environment Group of FourWinds Capital Management since February 2008. FourWinds Capital Management is the investment manager of the Waste Resources Fund L.P.. Mr. Lim has more than 15 years experience in the Asian infrastructure and environment sectors. He began his career in equity research in 1994 with Morgan Grenfell/Deutsche Securities and later, Peregrine Securities covering infrastructure, construction and building materials sector in Malaysia, Thailand and Singapore. In 1998, he joined Veolia Water Asia-Pacific where he spent 8 years helping Veolia Water Asia-Pacific build its Asian franchise and worked on acquisitions, joint-ventures, privatisations and project financing transactions. In 2006, Mr. Lim joined JPMorgan Chase's investment banking department to focus on client advisory services in the infrastructure and environment sectors. A Chevening Scholar, Mr. Lim earned his MSc (Economics) from the London School of Economics.

ALTERNATE NON-EXECUTIVE DIRECTORS

Mr. Cai Qiao Herman, age 44, was appointed as an alternate director to Mr. Lim Jui Kian, an non-executive director of the Company in September 2010. Mr. Cai is a Managing Director of FourWinds Capital Management since January 2009. FourWinds Capital Management is the investment manager of the Waste Resources Fund L.P.. Mr. Cai has 16 years of experience in the water sector in Asia. He began his career with Joneson Chemicals and moved shortly thereafter to EcoWater Systems as Country Manager for South East Asia. During his time with Ecowater, he developed industrial water and wastewater treatment solutions for clients in the petrochemical and power sectors. In 2000, Mr. Cai joined Veolia Water as Project Director for China where he focused on developing, executing and managing Veolia's full service water concessions and, industrial and municipal water/wastewater treatment projects. He successfully concluded investments in key projects such as the Zhuhai Wastewater BOT Project, the Zunyi Water Treatment TOT/BOT Project and the Kunming and Changle full service water concession contracts. Mr. Cai earned his Bachelor of Arts in Business Administration from University of South Australia and post-graduate diploma in Marketing from Chinese University of Hong Kong.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Pao Ping Wing, JP, aged 65, was appointed as an independent non-executive director of the Company in June 2006. He had been actively serving on government policy and executive bodies, including those relating to town planning, urban renewal, public housing and environment matters for 23 years. He has been appointed as a Justice of the Peace of Hong Kong since 1987. He was an ex-urban councilor. He obtained a Master of Science Degree in Human Settlements Planning and Development from the Asian Institute of Technology in Thailand in 1980. He was elected as one of the Ten Outstanding Young Persons of Hong Kong in 1982 and one of the Ten Outstanding Young Persons of the World in 1983. He is an independent non-executive director of Oriental Press Group Limited, Sing Lee Software (Group) Limited, UDL Holdings Limited, Zhu Zhou CSR Times Electric Co. Ltd., Soundwill Holdings Limited and Maoye International Holdings Limited, all of which are listed on the Stock Exchange.

Mr. Cheng Kai Tai, Allen, aged 49, was appointed as an independent non-executive director of the Company in January 2010. He is a qualified accountant and a fellow member of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. He has practiced as a Certified Public Accountant in Hong Kong for over 19 years and has extensive professional experience in auditing, taxation, financial management, corporate recovery and restructuring. Mr. Cheng holds a Master Degree of accountancy from Jinan University in Mainland China and is a professional advisor to several international companies of investment management, textile, retailing, metal trading and manufacturing in Mainland China and Japan.

Mr. Li Baochun, aged 48, holds a Master's Degree. He served as the Head of the Economic Affairs Department of the Liaison Office of the Central People's Government in Macau. He is now a Director of the Beijing Private Equity Fund Association. Mr. Li Baochun took part in drafting the relevant documents introduced by Beijing in support of the development of equity investment. He was a judge of the establishment of equity investment funds. He has been invited by overseas countries to give speeches on the investment opportunities in China.

Mr. Li has been engaged in a variety of fields including equity investment, capital market and fund operation for a number of years. He has rich experience in economic areas, financial theoretical knowledge as well as actual operation.

Dr. Chan Yee Wah, Eva, age 47. She has more than 25 years of financial and management experience and has been senior executives of various listed companies in Hong Kong. Dr. Chan is a fellow member of Hong Kong Institute of Certified Public Accountants, a fellow member of the Association of Chartered Certified Accountants and a fellow member of the Hong Kong Institute of Chartered Secretaries. Dr. Chan graduated from City University of Hong Kong with a Bachelor of Arts in Accounting. She then earned her MBA degree from the University of Nottingham. She also obtained a DBA degree from the Polytechnic University of Hong Kong. She is currently the Head of Investor Relations of C C Land Holdings Limited.

SENIOR MANAGEMENT

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

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

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

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

Mr. Wang Wei, was appointed as the Chief Financial Officer and the Financial Controller of the Company in February 2013 and June 2011 respectively. He is responsible for the financial management of the Group, and the financial management and financing for project companies. Mr. Wang obtained a Bachelor degree in Accounting and Economics from Capital University of Economics and Business and a Master degree in Professional Accounting from the Business School of Renmin University of China, and obtained the PRC Certified Public Accountant qualification in 2001. He was previously an Auditing Project Manager in Grant Thornton, a Senior Manager of the Audit Department in Tsinghua Tong Fang Co. Ltd., a Senior Investment Manager of the Investment Department and a Senior Investment Analyst of the Financial Department in Beijing Capital Co. Ltd., an expatriate Financial Controller in Shenzhen Capital Water Co. Ltd., an expatriate Financial Controller in Capital AIHUA (Tianjin) Municipal Environmental Engineering Co., Ltd., an expatriate Financial Controller in Haining Capital Water Co., Ltd. and an expatriate Financial Controller in Qingdao Capital Water Co., Ltd..

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

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

Recycle

The Board believes that high standards of corporate governance are essential to the success of the Company and is committed to maintain a high level of corporate governance standards and practices.

The Company has complied with all the code provisions set out in the Code on Corporate Governance Practices (effective until 31 March 2012) and the Corporate Governance Code (effective from 1 April 2012) contained in Appendix 14 (the "Code") of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") for the year ended 31 December 2012.

DIRECTORS' SECURITIES TRANSACTIONS

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

BOARD OF DIRECTORS

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

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

Executive directors

Mr. Yu Chang Jian (Chairman)
Mr. Cao Guo Xian (Chief Executive Officer)
Mr. Liu Xiao Guang
Mr. Marcello Appella
Mr. Tang Zhi Bin
Mr. Xue Huixuan (appointed on 1 July 2012)

Non-executive director

Mr. Lim Jui Kian

Alternate non-executive director

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

Independent non-executive directors

Mr. Pao Ping Wing
Mr. Cheng Kai Tai, Allen
Mr. Li Baochun (appointed on 1 July 2012)
Ms. Chan Yee Wah, Eva (appointed on 1 July 2012)

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

To comply with Rule 3.10 of the Listing Rules, the Company has appointed four independent non-executive Directors whom the Company considers having the appropriate and sufficient industry or finance experience and qualifications to carry out their duties. Pursuant to the requirements of Rule 3.13 of the Listing Rules, the Company has received annual confirmation of independence from the four independent non-executive Directors. They were free from any business relationship or other circumstances that could materially interfere with the exercise of their independent or objective judgments. The Company is of the view that all the independent non-executive Directors are independent. Also, the four Independent Non-Executive Directors, representing over one-third of the Board, constituted a proper balance of power maintaining full and effective control of both the Group and its executive management. No Independent Non-Executive Directors have served the Company for more than 9 years.

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

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

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

During the year under review, eight board meetings and four general meetings were held and the attendance of each Director is set out below:

	Meeting attendance/held	
	Board meetings	General meetings
Executive Directors		
Mr. Yu Chang Jian	4/8	1/4
Mr. Cao Guo Xian	7/8	1/4
Mr. Liu Xiao Guang	2/8	1/4
Mr. Marcello Appella	5/8	0/4
Mr. Tang Zhi Bin	2/8	1/4
Mr. Xue Huixuan (appointed on 1 July 2012)*	1/5	0/1
Non-executive Directors		
Mr. Lim Jui Kian		
— attended by himself	3/8	0/4
— attended by his alternate (Mr. Cai Qiao Herman)	4/8	0/4
Independent non-executive Directors		
Mr. Pao Ping Wing	8/8	4/4
Mr. Cheng Kai Tai, Allen	8/8	0/4
Mr. Li Baochun (appointed on 1 July 2012)*	4/5	0/1
Ms. Chan Yee Wah (appointed on 1 July 2012)*	5/5	1/1
Mr. Kwan Hung Sang, Francis (resigned on 25 April 2012)**	1/1	2/2
Mr. Lo Ming Chi, Charles (resigned on 1 July 2012)***	2/3	0/3

* On 1 July 2012, Mr. Xue Huixuan was appointed as an executive Director of the Company, and Mr. Li Baochun and Mr. Chan Yee Wah were respectively appointed as an independent non-executive Director of the Company. Five Board meetings and one general meeting were held after their respective appointment.

** Mr. Kwan Hung Sang, Francis resigned as an independent non-executive Director of the Company on 25 June 2012 and one Board meeting and two general meetings were held during the period of his appointment.

*** Mr. Lo Ming Chi, Charles resigned as an independent non-executive Director of the Company on 1 July 2012 and three Board meetings and three general meetings were held during the period of his appointment.

Directors' Training and Professional Development

Revised Code Provision A.6.5 of the Code provides that Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant.

During the year ended 31 December 2012, all existing Directors had participated in appropriate continuous professional development activities by ways of attending training and/or reading materials relevant to the Company's business or to the Directors' duties and responsibilities. The trainings attended by each Director are as follows:

	Type of training
Executive Directors	
Mr. Yu Chang Jian	A
Mr. Cao Guo Xian	A
Mr. Liu Xiao Guang	A
Mr. Marcello Appella	B
Mr. Tang Zhi Bin	B
Mr. Xue Huixuan	A
Non-executive Directors	
Mr. Lim Jui Kian	A
Mr. Cai Qiao Herman	A
Independent non-executive Directors	
Mr. Pao Ping Wing	A
Mr. Cheng Kai Tai, Allen	A
Mr. Li Baochun	A
Ms. Chan Yee Wah	A

Notes:

A: attending training course

B: reading relevant materials

CHAIRMAN AND CHIEF EXECUTIVE

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

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

NON-EXECUTIVE DIRECTORS

During the year under review, each of the non-executive Director and independent non-executive Directors has entered into letter of appointment with the Company for a term of three years and all subject to the rotational retirement provisions of the memorandum and articles of association of the Company.

BOARD COMMITTEES

During the year ended 31 December 2012, the Board has reviewed and monitored the training and continuous professional development of directors and senior management. The Board has also reviewed and ensured compliance of the relevant legal and regulatory requirements, the code of conducts, the Code, and the disclosure in the Corporate Governance Report.

Nomination Committee

The Board established a nomination committee on 15 June 2006 with written terms of reference. During the year under review, the nomination committee comprises four members, the majority of whom are independent non-executive Directors. The chairman of the committee is Mr. Yu Chang Jian, an executive Director and the Chairman of the Company and other members are the three independent non-executive Directors, namely, Mr. Pao Ping Wing, Mr. Cheng Kai Tai, Allen and Ms. Chan Yee Wah, Eva. The principal roles and functions of the nomination committee include:

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

— To determine the policy for the nomination of Directors;

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

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

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

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

During the year under review, the nomination committee had held two meetings for the nomination of (i) Mr. Cao Guo Xian, Mr. Marcello Appella, Mr. Lim Jui Kian and Mr. Pao Ping Wing, who were retiring at the annual general meeting held on 1 June 2012, as Directors and their re-election in the same annual general meeting, and (ii) Mr. Xue Huixuan, Mr. Li Baochun and Ms. Chan Yee Wah, Eva as Directors of the Company.

The individual attendance record of each member of the Nomination Committee is as follows:

	Meeting attendance/held
Mr. Yu Chang Jian (Chairman of Nomination Committee)	1/2
Mr. Pao Ping Wing	2/2
Mr. Cheng Kai Tai, Allen (appointed on 25 April 2012)	1/1
Mr. Kwan Hung Sang, Francis (resigned on 25 April 2012)	1/1
Mr. Lo Ming Chi, Charles (resigned on 1 July 2012)	1/2

Remuneration Committee

The Company established a remuneration committee on 15 June 2006 with written terms of references. During the year under review, the remuneration committee comprises three members, a majority of whom are independent non-executive Directors. The chairman of the committee is Mr. Pao Ping Wing, an independent non-executive Director and other members are Mr. Cheng Kai Tai, Allen, an independent non-executive Director and Mr. Yu Chang Jian, an executive Director and the Chairman of the Company. The principal roles and functions of the remuneration committee include:

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

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

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

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

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

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

During the year under review, the remuneration committee had held two meetings to consider and approve the following matters:

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

— Review of remuneration package to all Directors.

The individual attendance record of each member of the Remuneration Committee is as follows:

	Meeting attendance/held
Mr. Pao Ping Wing (Chairman of Remuneration Committee)	2/2
Mr. Yu Chang Jian	1/2
Mr. Cheng Kai Tai, Allen (appointed on 25 April 2012)	1/1
Mr. Kwan Hung Sang, Francis (resigned on 25 April 2012)	1/1

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

Audit Committee

The Company established an audit committee on 15 June 2006 with written terms of reference in compliance with the Code. The audit committee comprises three independent non-executive Directors and one non-executive Director, namely, Ms. Chan Yee Wah, Eva, Mr. Pao Ping Wing, Mr. Cheng Kai Tai, Allen and Mr. Lim Jui Kian respectively. Ms. Chan Yee Wah, Eva is the chairman of the audit committee. All of the audit committee members possess the necessary qualifications and experience in financial matters and are well versed and well exposed in the accounting and financial areas, which are crucial to their key roles and functions. The principal roles and functions of the committee include:

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

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

— To review the financial information of the Group; and

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

During the year under review, the audit committee had held two meetings with the Group's senior management and its external auditors. The individual attendance record of each member of the Audit Committee is as follows:

	Meeting attendance/held
Ms. Chan Yee Wah, Eva (Chairman of Audit Committee, appointed on 1 July 2012)	1/1
Mr. Pao Ping Wing	2/2
Mr. Lim Jui Kian	2/2
Mr. Cheng Kai Tai, Allen (appointed on 25 April 2012)	1/1
Mr. Kwan Hung Sang, Francis (resigned on 25 April 2012)	1/1
Mr. Lo Ming Chi, Charles (resigned on 1 July 2012)	1/1

All audit committee members were present in the meetings. The works performed by the audit committee during the year under review include:

— To review the interim report and interim results announcement for the six months ended 30 June 2012;

— To review the annual report and annual results announcement for the year ended 31 December 2011;

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

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

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

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

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

AUDITOR'S REMUNERATION

For the year ended 31 December 2012, the auditors' remuneration paid or payable in respect of the audit services and non-audit services provided by the auditors to the Group were as follows:

	HK$'000
Audit service	3,000
Non-audit related service	709
	3,709

COMPANY SECRETARY

The company secretary of the Company (the "Company Secretary") is responsible for ensuring that the Board procedures comply with all applicable laws, rules and regulations and advising the Board on corporate governance matters. The Company Secretary assists the Chairman to prepare agendas and Board papers for meetings and disseminates such documents to the Directors and board committees in a timely manner. The Company Secretary maintains formal minutes of the Board meetings and other Board committee meetings.

The Company Secretary also advises the Directors on their obligations in respect of disclosure of interests in securities, connected transactions and inside information and ensures that the standards and disclosures required by the Listing Rules are observed.

During the year ended 31 December 2012, the Company Secretary had confirmed that she had taken no less than 15 hours of relevant professional training.

SHAREHOLDERS' RIGHTS

Convening of extraordinary general meeting on requisition by shareholders

Pursuant to article 58 of the Articles of Association, extraordinary general meetings of the Company (the "EGM(s)") shall 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 Board or the company secretary of the Company for the purpose of requiring an EGM to be called by the Board 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 Board fails 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 Board to convene the EGM(s), shall be reimbursed to the requisitionist(s) by the Company.

Procedures for putting enquiries to the Board

Shareholders may put enquiries to the Board. All enquiries shall be in writing and first directed to the company secretary of the Company at the Company's principal place of business in Hong Kong at Unit 1613–1618, 16/F., Bank of America Tower, 12 Harcourt Road, Central, Hong Kong.

Procedures for putting forward proposals at Shareholders' meeting

The number of Shareholders necessary for putting forward a proposal at a Shareholders' meeting shall be any number of Shareholders representing not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings at the date of the request.

INVESTOR RELATIONS

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

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

During the year ended 31 December 2012, there had been no significant change in the Company's constitutional documents.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for the preparation of the financial statements for each financial year, which give a true and fair view of the state of affairs of the Group and of the results and cash flow for that year and in compliance with relevant laws and disclosure provisions of the Listing Rules. In preparing the financial statements for the year ended 31 December 2012, the Directors have selected appropriate accounting policies and applied them consistently; made judgments and estimates that are prudent and reasonable; and have prepared the financial statements on a going concern basis. The Directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Group.

INTERNAL CONTROLS

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

The Directors present their report together with the audited consolidated financial statements for the year ended 31 December 2012.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The Group is principally engaged in provision of waste treatment technologies and services which specializes in technology development, design, system integration, project investment, consultancy, operation and maintenance of waste treatment facilities, especially waste-to-energy projects. Particulars of the Company's principal subsidiaries are set out in note 48 to the consolidated financial statements.

RESULTS

The results of the Group for the year ended 31 December 2012 are set out in the consolidated statement of comprehensive income on pages 36 to 37 of this annual report.

RESERVES

The Company did not have distributable reserves as at 31 December 2012.

Movements in reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 40 of this annual report.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 114 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year are set out in note 37 to the consolidated financial statements.

CONVERTIBLE BONDS AND CONVERTIBLE NOTES

A summary of the principal terms of convertible bonds and convertible notes are set out in note 35 and note 34 to the consolidated financial statements respectively.

PLACING OF NEW SHARES

On 3 August 2012, Simple Success Investments Limited, a shareholder and connected person of the Company entered into a subscription agreement with the Company in respect of the subscription of 127,244,000 new shares of the Company at the price of HK$0.39 per share, upon the completion of placing of its 127,244,000 shares via Quam Securities Company Limited (acting as placing agent), to Year Good Group Limited, an independent party, at a price of HK$0.39 per share. The placing and subscription were completed on 8 August 2012 and 14 August 2012 respectively.

On 19 October 2012, Simple Success Investments Limited, a shareholder and connected person of the Company entered into a subscription agreement with the Company in respect of the subscription of 183,132,000 new shares of the Company at the price of HK$0.45 per share, upon the completion of placing of its 183,132,000 shares via Quam Securities Company Limited (acting as placing agent), to four independent parties, at a price of HK$0.45 per share. The placing and subscription were completed on 22 October 2012 and 31 October 2012 respectively.

OTHER DISCLOSEABLE TRANSACTIONS

On 2 December 2011, the Company entered in a disposal agreement to dispose of its wholly-owned subsidiary, Hembly Garment Manufacturing Limited and its subsidiary, 恆華(南京)服飾有限公司 ("the Disposal"), for a cash consideration of approximately HK$12,000,000, to an independent third party. The Disposal was completed on 22 February 2012.

On 24 August 2012, Shanghai Environmental Biomax Investment Limited (上海環境百瑪士投資有限公司), an indirect wholly-owned subsidiary of the Company entered into the two acquisition agreements with Beijing Kelin Haohua Environment Technology Development Company Limited (北京科林皓華環境科技發展有限責任公司) to acquire the 100% equity interest in Duyun Kelin Environment Company Limited (都勻市科林環保有限公司) and the 100% equity interest in Weng'an Kelin Environment Company Limited (甕安縣科林環保有限公司) at a consideration of RMB33.0 million and RMB21 million respectively. The acquisitions were completion on 26 November 2012.

BANK BORROWINGS

Details of the Group's bank borrowings are set out in note 33 to the consolidated financial statements.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the share option scheme disclosures in note 46 to the consolidated financial statements, at no time during the year was the Company, its holding company, any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors or any of their spouse or children under the age of 18 to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS

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

Executive Directors

Mr. Yu Chang Jian (Chairman)
Mr. Cao Guo Xian (Chief Executive Officer)
Mr. Liu Xiao Guang
Mr. Marcello Appella
Mr. Tang Zhi Bin
Mr. Xue Huixuan (appointed on 1 July 2012)

Non-executive Directors

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

Independent Non-executive Directors

Mr. Pao Ping Wing
Mr. Cheng Kai Tai, Allen
Mr. Li Baochun (appointed on 1 July 2012)
Ms. Chan Yee Wah, Eva (appointed on 1 July 2012)
Mr. Kwan Hung Sang, Francis (resigned on 25 April 2012)
Mr. Lo Ming Chi, Charles (resigned on 1 July 2012)

In accordance with articles 86 and 87 of the Articles of Association of the Company, Mr. Liu Xiao Guang, Mr. Tang Zhi Bin, Mr. Xue Huixian, Mr. Cheng Kai Tai, Allen, Mr. Li Baochun and Ms. Chan Yee Wah, Eva will retire from office and, being eligible offer themselves for re-election at the forthcoming annual general meeting, except that Mr. Tang Zhi Bin will not offer himself for re-election.

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the Directors and senior management are set out on pages 11 to 14 of this annual report.

DIRECTORS' SERVICE CONTRACTS

Except for Mr. Tang Zhi Bin, all of the executive Directors have entered into service contracts with the Company for a term of three years.

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

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

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

DIRECTORS' INTERESTS IN CONTRACTS

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31 December 2012, none of the Directors had any interest in any business, apart from the Group's business, which competes or is likely to compete, either directly or indirectly with the Group's business.

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

As at 31 December 2012, the interests or short positions of the Directors in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

SHARES OF THE COMPANY

Name of director	Capacity	Number of shares held	Approximate percentage of shareholdings
Mr. Marcello Appella	Interest of a controlled corporation (Note 1)	3,588,030 (L)	0.19%

(L) denotes a long position

Note:

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

SHARE OPTIONS OF THE COMPANY

The interests of the Directors in the share options of the Company as at 31 December 2012 and the movements of the outstanding share options during the year are set out as follows:

	Number of share options								
	Balance as at 1 January 2012	Granted during the year	Exercised during the year	Lapsed during the year	Reclassified during the year	Balance as at 31 December 2012	Exercisable period	Exercise price	Approximate Percentage of issued share capital of the Company
Name of Directors									
Mr. Marcello Appella	201,532 (Note 1)	—	—	—	—	201,532	18/08/2008–17/08/2018	HK$1.5581	0.01%
Employees									
In aggregate	808,424 (Note 1)	—	—	(808,424)	—	—	18/08/2008–17/08/2018	HK$1.5581	
	8,849 (Note 2)	—	—	(8,849)	—	—	11/11/2008–10/11/2018	HK$0.3592	
	14,050,000 (Note 3)	—	—	(10,150,000)	—	3,900,000	06/09/2010–05/09/2015	HK$0.501	
	14,867,273	—	—	(10,967,273)	—	3,900,000			0.21%

Notes:

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

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

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

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

Save as disclosed above, as at 31 December 2012, none of the Directors, chief executives of the Company or their associates had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Model Code.

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

As at 31 December 2012, the following shareholders (other than the Directors or chief executive of the Company whose interests and short positions in the shares or underlying shares of the Company as disclosed above) had interests or short positions in the shares and underlying shares of the Company which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of shareholders	Capacity	Number of shares/ underlying shares held	Approximate percentage of shareholdings
Beijing Capital (Hong Kong) Limited	Beneficial owner (Note 1)	705,659,168 (L)	37.89 %
Beijing Capital Co., Ltd.	Interest of controlled corporations (Note 1)	714,943,168 (L)	38.39%
Simple Success Investments Limited	Beneficial owner (Note 2)	270,760,000 (L)	14.54%
New World Strategic Investment Limited	Interest of a controlled corporation (Note 2)	270,760,000 (L)	14.54%
New World Development Company Limited	Interest of a controlled corporation (Note 2)	270,760,000 (L)	14.54%
Chow Tai Fook Enterprises Limited	Interest of a controlled corporation (Note 2)	270,760,000 (L)	14.54%
Chow Tai Fook (Holdings) Limited	Interest of a controlled corporation (Note 2)	270,760,000 (L)	14.54%
Chow Tai Fook Capital Limited	Interest of a controlled corporation (Note 2)	270,760,000 (L)	14.54%
Cheng Yu Tung Family (Holdings) Limited	Interest of a controlled corporation (Note 2)	270,760,000 (L)	14.54%
Cheng Yu Tung Family (Holdings II) Limited	Interest of a controlled corporation (Note 2)	270,760,000 (L)	14.54%
Best View Enterprises Limited	Beneficial owner (Note 3)	221,308,205 (L)	11.88%
Chow Tai Fook Nominee Limited	Interest of a controlled corporation (Note 3)	221,308,205 (L)	11.88%
Mr. Cheng Yu Tung	Interest of a controlled corporation (Note 3)	221,308,205 (L)	11.88%
Year Good Group Limited	Beneficial owner (Note 4)	127,244,000 (L)	6.83%
Mr. Lau Andrew Kim	Interest of controlled corporation (Note 4)	127,244,000 (L)	6.83%
Favor Action Limited	Beneficial owner (Note 5)	110,000,000 (L)	5.91%
Mr. Yang Zhi You	Interest of controlled corporation (Note 4)	110,000,000 (L)	5.91%

(L) denotes a long position

Notes:

1. These Shares represent 299,022,000 Shares and 406,637,168 underlying Shares which may be issuable upon conversion of all the outstanding amount of the convertible notes held by Beijing Capital (Hong Kong) Limited, which was a wholly-owned subsidiary of Beijing Capital Co., Ltd., and 9,284,000 Shares held by BC Water Investments Co., Ltd., an indirect wholly-owned subsidiary of Beijing Capital Co., Ltd.. As such, Beijing Capital Co., Ltd. was deemed to have interest in the said Shares and underlying Shares held by Beijing Capital HK and BC Water Investments Co., Ltd. for the purposes of the SFO.

2. These Shares represent 270,760,000 Shares held by Simple Success Investments Limited, which was a wholly-owned subsidiary of New World Strategic Investment Limited, which was in turn wholly-owned by New World Development Company Limited. Cheng Yu Tung Family (Holdings) Limited and Cheng Yu Tung Family (Holdings II) Limited hold 49% and 40.2% interests in Chow Tai Fook Capital Limited, respectively. Chow Tai Fook Capital Limited in turn owns 74.1% interest in Chow Tai Fook (Holding) Limited which holds the entire interest in Chow Tai Fook Enterprises Limited, which in turn has more than one-third of the issued shares of New World Development Company Limited. As such, Cheng Yu Tung Family (Holdings II) Limited, Cheng Yu Tung Family (Holdings) Limited, Chow Tai Fook Capital Limited, Chow Tai Fook (Holdings) Limited, Chow Tai Fook Enterprises Limited, New World Development Company Limited, New World Strategic Investment Limited were deemed to have interest in the said Shares held by Simple Success Investments Limited for the purposes of the SFO.

3. These Shares represent 221,308,205 Shares held by Best View Enterprises Limited. Best View Enterprises Limited is wholly owned by Chow Tai Fook Nominee Limited, which is in turn controlled by Mr. Cheng Yu Tung. As such, Chow Tai Fook Nominee Limited and Mr. Cheng Yu Tung were deemed to have interest in the said Shares and underlying Shares held by Best View Enterprises Limited for the purpose of the SFO.

4. These Shares represent 127,244,000 Shares held by Year Good Group Limited which was wholly owned by Mr. Lau Andrew Kim. As such, Mr. Lau Andrew Kim was deemed to have interest in the said Shares held by Year Good Group Limited for the purposes of the SFO.

5. These Shares represent 110,000,000 Shares held by Favor Action Limited which was wholly owned by Mr. Yang Zhi You. As such, Mr. Yang Zhi You was deemed to have interest in the said Shares held by Favor Action Limited for the purposes of the SFO.

Save as aforesaid and as disclosed in the "Interests and Short Positions of the Directors in Shares, Underlying Shares and Debentures of the Company and its Associated Corporations" section of this annual report, the Company has not been notified by any person who had any interest or short position in the shares or underlying shares of the Company as at 31 December 2012 which are required to be notified to the Company pursuant to Part XV of the SFO or which are recorded in the register required to be kept by the Company under Section 336 of the SFO.

CONNECTED TRANSACTIONS

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

Issue of Convertible Bond

On 6 December 2011, the Company entered into a subscription agreement with Beijing Capital (Hong Kong) Limited ("Beijing Capital HK"), a shareholder and connected person of the Company, pursuant to which the Company has conditionally agreed to issue and Beijing Capital HK has conditionally agreed to subscribe for the convertible bond in the principal amount of HK$100 million at an initial conversion price of HK$0.40 per conversion share. The subscription of convertible bond by two installments in the principal amount of HK$50 million each was completed on 11 September 2012 and 31December 2012 respectively.

Acquisition of subsidiary

On 6 December 2011, Yangzhou Biomax Environmental Development Limited (揚州百瑪士環保產業發展有限公司) ("the Purchaser"), an indirect wholly-owned subsidiary of the Company, entered into an acquisition agreement with Zhuzhou Beijing Capital Water Treatment Company Limited (株洲首創水務有限責任公司) ("the Vendor"), a connected person of the Company, pursuant to which the Purchaser conditionally agreed to acquire and the Vendor conditionally agreed to sell the entire equity interest in Lining Beijing Capital Waste Treatment Company Limited (醴陵首創垃圾綜合處理有限責任公司) at a consideration of RMB51 million ("the Acquisition"). Since the conditions precedent to the completion of the Acquisition have not been fulfilled or waived on or before 31 December 2012, the Acquisition has been automatically terminated.

Loans

On 20 February 2012, Yangzhou Biomax Environmental Development Limited (揚州百瑪士環保產業發展有限公司), an indirect wholly-owned subsidiary of the Company ("Yangzhou Biomax") (as borrower) and Beijing Capital Co., Ltd. ("Beijing Capital"), an immediate holding company of Beijing Capital HK (as lender) entered into the a loan agreement for an unsecured loan with a principal amount of RMB40 million ("Existing Loan Agreement I"). On 20 August 2012, Yangzhou Biomax (as borrower) and Beijing Capital (as lender) entered into a loan agreement for an unsecured loan of RMB40 million ("Existing Loan Agreement II"). On 20 August 2012, Yangzhou Biomax (as borrower) and Beijing Capital (as lender) entered into a loan agreement for an unsecured loan of RMB21 million ("Existing Loan Agreement III"). On 16 November 2012, Yangzhou Biomax (as borrower) and Beijing Capital (as lender) entered into supplementary loan agreements ("Supplementary Loan Agreements") to amend the Existing Loan Agreements to the effect that (i) the respective term of the Existing Loan Agreements shall be extended for another 24 months commencing upon satisfaction of the condition precedent; and (ii) the loans under the Existing Loan Agreements shall be secured by the charge under share charge agreement ("the Share Charge Agreement"). The Supplementary Loan Agreements and the Share Charge Agreement have become unconditional and effective on 31 December 2012.

PUBLIC FLOAT

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

MAJOR CUSTOMERS AND SUPPLIERS

Sales to the Group's five largest customers accounted for all of the Group's total sales for the year and sales to the Group's largest customer included therein accounted for 99.0%.

Purchase from the Group's five largest suppliers accounted for 57% of the Group's total purchases for the year and purchase from the Group's largest supplier included therein accounted for 33%.

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

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

CORPORATE GOVERNANCE

The Company's corporate governance principles and practices are set out in the Corporate Governance Report on pages 16 to 24 of this annual report.

AUDITORS

The consolidated financial statements for the year ended 31 December 2012 have been audited by Deloitte Touche Tohmatsu who retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting of the Company.

On behalf of the Board

Yu Chang Jian
Chairman

Hong Kong, 26 March 2013

INDEPENDENT AUDITOR'S REPORT

For the year ended 31 December 2012

Deloitte.
德勤

TO THE MEMBERS OF
NEW ENVIRONMENTAL ENERGY HOLDINGS LIMITED
新環保能源控股有限公司
(incorporated in Cayman Islands with limited liability)

We have audited the consolidated financial statements of New Environmental Energy Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 36 to 113, which comprise the consolidated statement of financial position as at 31 December 2012, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

For the year ended 31 December 2012

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 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.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

26 March 2013

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2012

	NOTES	2012 HK$'000	2011 HK$'000 (restated)
Continuing operations			
Revenue	7	17,609	20,147
Cost of sales		(18,081)	(55,414)
Gross loss		(472)	(35,267)
Other income, gains and losses	9	(27,568)	(68,842)
(Loss) gain on fair value change of embedded derivatives	35	(16,484)	3,241
Administrative expenses		(68,057)	(38,034)
Share of results of an associate	24	7,874	11,358
Finance costs	10	(50,839)	(60,213)
Loss before tax	11	(155,546)	(187,757)
Income tax credit	12	2,869	3,914
Loss for the year from continuing operations		(152,677)	(183,843)
Discontinued operations			
Profit (loss) for the year from discontinued operations	13	4,852	(163,290)
Loss for the year		(147,825)	(347,133)
Other comprehensive (expense) income			
Exchange differences arising on translation:			
Exchange difference during the year		192	5,828
Exchange difference arising from an associate on translation		779	3,971
Reclassification adjustment upon disposal of subsidiaries		(3,607)	—
Other comprehensive (expense) income for the year (net of tax)		(2,636)	9,799
Total comprehensive expense for the year		(150,461)	(337,334)

For the year ended 31 December 2012

	NOTE	2012 HK$'000	2011 HK$'000 (restated)
(Loss) profit for the year attributable to owners of the Company:			
— from continuing operations		**(151,906)**	(162,214)
— from discontinued operations		**4,852**	(163,290)
Loss for the year attributable to owners of the Company		**(147,054)**	(325,504)
Loss for the year attributable to non-controlling interests:			
— from continuing operations		**(771)**	(21,629)
— from discontinued operations		**—**	—
Loss for the year attributable to non-controlling interests		**(771)**	(21,629)
		(147,825)	(347,133)
Total comprehensive expense attributable to:			
Owners of the Company		**(150,310)**	(315,294)
Non-controlling interests		**(151)**	(22,040)
		(150,461)	(337,334)
Loss per share	17		
From continuing and discontinued operations			
Basic		**HK(8.99) cents**	HK(25.92) cents
Diluted		**HK(8.99) cents**	HK(25.92) cents
From continuing operations			
Basic		**HK(9.28) cents**	HK(12.92) cents
Diluted		**HK(9.28) cents**	HK(12.92) cents

Consolidated Statement of Financial Position

At 31 December 2012

	NOTES	2012 *HK$'000*	2011 *HK$'000*
Non-current assets			
Property, plant and equipment	18	**15,965**	13,522
Intangible assets	19	**2,318**	3,786
Prepaid lease payments	21	**2,277**	2,314
Amounts due from grantors for contract work	22	**383,339**	193,581
Amount due from an investee	27	**45,267**	59,500
Amount due from an associate	28	**6,219**	—
Interest in an associate	24	**101,831**	93,178
Deposits paid for construction of infrastructure in service concession arrangements	25	**174,981**	179,299
		732,197	545,180
Current assets			
Trade receivables	26(a)	**7,411**	31,986
Deposits, prepayments and other receivables	26(b)	**32,267**	48,064
Amounts due from grantors for contract work	22	**9,453**	—
Prepaid lease payments	21	**52**	52
Amount due from an associate	28	**12,708**	980
Bank balances and cash	29	**263,239**	54,859
		325,130	135,941
Current liabilities			
Trade payables	30(a)	**23,863**	31,958
Other payables and accruals	30(b)	**42,326**	27,610
Provisions	30(c)	**192,969**	179,298
Amount due to a shareholder	31	**—**	2,366
Taxation payable		**15,638**	18,069
Obligations under finance leases			
— due within one year	32	**—**	17
Borrowings	33	**26,592**	52,250
		301,388	311,568
Net current assets (liabilities)		**23,742**	(175,627)
Total assets less current liabilities		**755,939**	369,553

At 31 December 2012

	NOTES	2012 HK$'000	2011 HK$'000
Non-current liabilities			
Obligations under finance leases			
— due after one year	32	—	44
Convertible notes	34	**150,400**	132,279
Convertible bonds	35	**252,200**	155,083
Embedded derivatives	35	**54,152**	8,460
Borrowings	33	**239,899**	—
Deferred tax liabilities	36	**8,071**	10,957
		704,722	306,823
		51,217	62,730
Capital and reserves			
Share capital	37	**186,226**	155,188
Reserves		**(125,478)**	(73,750)
Equity attributable to owners of the Company		**60,748**	81,438
Non-controlling interests		**(9,531)**	(18,708)
		51,217	62,730

The consolidated financial statements on pages 36 to 113 were approved and authorised for issue by the board of directors on 26 March 2013 and are signed on its behalf by:

DIRECTOR *DIRECTOR*

Consolidated Statement Of Changes In Equity

For the year ended 31 December 2012

	Attributable to owners of the Company									
	Share capital	Share premium	Translation reserve	Share options reserve	Special reserve	Convertible notes equity reserve	Accumulated losses	Total	Non-controlling interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (Note a)	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2011	101,053	953,917	61,747	2,083	29,677	389,426	(1,469,756)	68,147	3,332	71,479
Loss for the year	—	—	—	—	—	—	(325,504)	(325,504)	(21,629)	(347,133)
Exchange differences on translation	—	—	6,239	—	—	—	—	6,239	(411)	5,828
Exchange differences arising from an associate on translation	—	—	3,971	—	—	—	—	3,971	—	3,971
Total comprehensive expense for the year	—	—	10,210	—	—	—	(325,504)	(315,294)	(22,040)	(337,334)
Issue of shares (Note 37(a))	20,202	60,607	—	—	—	—	—	80,809	—	80,809
Issue of shares upon redemption of promissory notes (Note 37(b))	6,933	15,252	—	—	—	—	—	22,185	—	22,185
Share issuance expenses	—	(2,329)	—	—	—	—	—	(2,329)	—	(2,329)
Issue of shares upon conversion of convertible notes (Note 37(c))	27,000	416,190	—	—	—	(228,664)	—	214,526	—	214,526
Deferred tax transferred upon conversion of convertible notes	—	—	—	—	—	13,394	—	13,394	—	13,394
At 31 December 2011	155,188	1,443,637	71,957	2,083	29,677	174,156	(1,795,260)	81,438	(18,708)	62,730
Loss for the year	—	—	—	—	—	—	(147,054)	(147,054)	(771)	(147,825)
Exchange differences on translation	—	—	(428)	—	—	—	—	(428)	620	192
Exchange differences arising from an associate on translation	—	—	779	—	—	—	—	779	—	779
Released on disposal of subsidiaries (Note 39)	—	—	(3,607)	—	—	—	—	(3,607)	—	(3,607)
Total comprehensive expense for the year	—	—	(3,256)	—	—	—	(147,054)	(150,310)	(151)	(150,461)
Issue of shares (Note 37(d))	31,038	100,996	—	—	—	—	—	132,034	—	132,034
Share issuance expenses	—	(2,414)	—	—	—	—	—	(2,414)	—	(2,414)
Acquisition of subsidiaries	—	—	—	—	—	—	—	—	9,328	9,328
Disposal of subsidiaries	—	—	—	(398)	(4,522)	—	4,920	—	—	—
Lapse of share options	—	—	—	(1,458)	—	—	1,458	—	—	—
At 31 December 2012	186,226	1,542,219	68,701	227	25,155	174,156	(1,935,936)	60,748	(9,531)	51,217

Note:

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2012

	NOTES	2012 HK$'000	2011 HK$'000
OPERATING ACTIVITIES			
Loss for the year		(147,825)	(347,133)
Adjustments for:			
Income tax credit		(2,869)	(3,914)
Depreciation of property, plant and equipment		2,252	3,762
Amortisation of prepaid lease payments		52	52
Provision for expected losses in relation to service concession arrangements		—	35,287
Finance costs		50,839	60,226
Gain on redemption of promissory notes by issue of ordinary shares of the Company		—	(15,564)
Interest income		(14,055)	(11,708)
Effective interest income on amount due from an investee		—	(4,726)
(Reversal of) impairment loss recognised in respect of trade receivables		(853)	94,046
Impairment loss recognised in respect of deposits, prepayments and other receivables		10,837	49,429
Impairment loss recognised in respect of deposits, paid for construction of infrastructure in service concession arrangements		6,158	—
Impairment loss on amount due from an investee		14,595	—
Share of results of an associate		(7,874)	(11,358)
Loss (gain) on fair value change of embedded derivatives		16,484	(3,241)
Gain on disposal of property, plant and equipment		(5)	(6,220)
Amortisation of intangible assets		1,468	1,468
Provision for penalty charges in relation to construction of waste-to-energy plant	30(c)	11,207	27,410
Gain on disposal of discontinued operations	13	(4,567)	—
Net unrealised exchange gain		(1,547)	(8,626)
Impairment loss recognised in respect of available-for-sale investments		—	56,844
Operating cash flows before movements in working capital		(65,703)	(83,966)
Decrease in inventories		—	28,502
Decrease in trade receivables		2,104	38,050
Decrease (increase) in deposits, prepayments and other receivables		14,455	(19,356)
(Decrease) increase in trade payables		(7,923)	952
(Decrease) increase in other payables and accruals		(30,545)	11,664
(Decrease) increase in amount due to a shareholder		(2,394)	2,366
Cash used in operations		(90,006)	(21,788)
Tax paid for other jurisdictions		—	(63)
NET CASH USED IN OPERATING ACTIVITIES		(90,006)	(21,851)

Consolidated Statement of Cash Flows

For the year ended 31 December 2012

	NOTES	2012 HK$'000	2011 HK$'000
INVESTING ACTIVITIES			
Deposits paid to contractors for construction of infrastructure in service concession arrangements		(16,516)	(41,160)
Purchase of property, plant and equipment		(3,993)	(2,256)
Proceeds on disposal of property, plant and equipment		272	24,696
Placement of pledged bank deposits		—	3,538
Advance to amount due from an investee		—	(4,402)
Advance to an associate		(20,025)	—
Repayment from an associate		2,488	2,106
Dividend received from an associate		—	926
Interest received		502	230
Disposal of subsidiaries	39	11,882	—
Acquisition of subsidiaries	38	(45,839)	—
NET CASH USED IN INVESTING ACTIVITIES		(71,229)	(16,322)
FINANCING ACTIVITIES			
Proceeds from issue of ordinary shares		132,034	80,809
Repayment of borrowings		—	(17,689)
Interest paid		—	(3,404)
Share issuance expenses		(2,414)	(2,329)
Repayment of obligations under finance leases		(2)	(593)
New borrowings raised		141,791	—
Issue of convertible bonds		100,000	—
NET CASH FROM FINANCING ACTIVITIES		371,409	56,794
NET INCREASE IN CASH AND CASH EQUIVALENTS		210,174	18,621
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		(1,794)	1,960
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		54,859	34,278
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		263,239	54,859
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Bank balances and cash		263,239	54,859

1. GENERAL

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

The principal activity of the Company and its subsidiaries is waste treatment and waste-to-energy business. The Group was also engaged in the trading of apparel and accessories which was discontinued in 2012 (see Note 13).

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

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

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

Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets, and
Amendments to HKFRS 7	Financial Instruments: Disclosures — Transfers of Financial Assets

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

New and revised HKFRSs issued but not yet effective

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

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009–2011 Cycle[1]
Amendments to HKFRS 7	Disclosures — Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[2]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[1]
HKFRS 11	Joint Arrangements[1]
HKFRS 12	Disclosure of Interests in Other Entities[1]
HKFRS 13	Fair Value Measurement[1]
HKAS 19 (as revised in 2011)	Employee Benefits[1]
HKAS 27 (as revised in 2011)	Separate Financial Statements[1]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[1]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[4]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[2]
HK(IFRIC) — Int 20	Stripping Costs in the Production Phase of a Surface Mine[1]

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

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

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

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes requirements for classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

HKFRS 9 required all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

The directors anticipated the adoption of HKFRS 9 in the future may not have an impact on the amounts reported in respect of the Group's financial assets and financial liabilities based on the financial instruments as of 31 December 2012.

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

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

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

Key requirements of these five standards are described below.

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

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

In July 2012, the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 were issued to clarify certain transitional guidance on the application of these five HKFRSs for the first time.

These five standards, together with the amendments relating to the transitional guidance, are effective for annual periods beginning on or after 1 January 2013 with earlier application permitted provided that all of these standards are applied at the same time.

Based on the existing group structure, the application of these five standards is not expected to have a significant impact on the amounts reported in the consolidated financial statement.

HKFRS 13 Fair Value Measurement

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

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

The directors anticipate that the application of the new standard may affect the amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

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

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 *Presentation of Items of Other Comprehensive Income* introduce new terminology for the statement of comprehensive income. Under the amendments to HKAS 1, a 'statement of comprehensive income' is renamed as a 'statement of profit or loss and other comprehensive income'. In addition, the amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis — the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in future accounting periods.

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

The principal accounting policies are set out below.

Basis of consolidation

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

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

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

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

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

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

Changes in the Group's ownership interests in existing subsidiaries

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

When the Group loses control of a subsidiary, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognise as a gain or loss in profit or loss attributable to the Group. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to accumulated losses as specified by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

Business combinations

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

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

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

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 Share-based Payment at the acquisition date (see the accounting policy below); and

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations *(Continued)*

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

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

Goodwill

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

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

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

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

Investments in associates

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in associates *(Continued)*

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

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

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

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

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

Revenue recognition

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

Revenue from sales of goods is recognised when goods are delivered and titles have passed, at which time all the following conditions are satisfied:

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Consultancy fee income and operating income of service concession arrangement are recognised when services are rendered.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Construction contracts

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

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

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

Property, plant and equipment

Property, plant and equipment including leasehold land and buildings held for use in the production or supply of goods or services, or for administrative purpose are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment *(Continued)*

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Leasing

Leases are classified as finance lease whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

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

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

Leasehold land and building

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Borrowing costs

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

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

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

Current and deferred tax is recognised in profit or loss, except when they relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Effective interest method

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

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade receivables, other receivables, amounts due from grantors for contract work, amounts due from an investee and an associate, and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Available-for-sale financial assets

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

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

Impairment of financial assets

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

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

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

- significant financial difficulty of the issuer or counterparty; or
- breach of contracts, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- disappearance for an active market for that financial asset because of financial difficulties.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

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

For financial assets carried at amortised cost, the amount of impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

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

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

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period in which the impairment takes place.

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

Financial liabilities and equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity *(Continued)*

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Convertible bonds

Convertible bonds issued by the Group that contain both the liability and conversion option components exercisable at the discretion of the holder and early redemption options. Conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Group's own equity instruments is a conversion option derivative. Conversion option derivative and early redemption options are treated as embedded derivatives and are remeasured to fair value at the end of reporting period, with the resulting fair value gains or losses recognised in profit or loss. At the date of issue, both the liability and embedded derivatives components are recognised at fair value using discounted cash flow and Binomial Option Pricing Model, respectively.

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

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

Convertible notes containing both a liability and an equity component

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity *(Continued)*

Convertible notes containing both a liability and an equity component (Continued)

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

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

Convertible notes containing both a liability component and a conversion option derivative

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

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

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

Other financial liabilities

Other financial liabilities including trade payables, other payables, amount due to a shareholder, obligations under financial leases and borrowings are subsequently measured at amortised cost, using the effective interest method.

Derivative financial instruments

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Embedded derivatives

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

Financial guarantee contracts

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

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

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in other comprehensive income is recognised in profit or loss.

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

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately and are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effective of any changes in estimate being accounted for on a prospective basis (see the accounting policy in respect of impairment losses on tangible and intangible assets below), at the following rate per annum:

Technology know-how	5 to 10 years

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Service concession arrangements

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

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

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

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

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

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

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

Retirement benefit costs

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to directors and employees

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

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

When the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to accumulated losses.

4. KEY SOURCE OF ESTIMATION UNCERTAINTY

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

Revenue recognition on construction service under service concession arrangements

The Group uses the stage of completion method to account for its revenue and costs relating to the construction service under service concession arrangements where the outcome of a construction contract can be estimated reliably. The stage of completion is measured in accordance with the accounting policy stated in Note 3.

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

Estimated impairment of amounts due from grantors for contract work

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2012, the carrying amount of amounts due from grantors for contract work is approximately HK$392,792,000 (2011: HK$193,581,000).

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

Estimated impairment of deposits paid for construction of infrastructure in service concession arrangements

As at 31 December 2012, the Group had deposits paid of aggregate carrying amount of approximately HK$155,037,000, net of impairment loss, (31 December 2011: HK$160,062,000) that represent advance payments to a third party supplier, 城市建設研究院 (Urban Construction Design & Research Institute*) ("Urban Construction Institute") for construction of infrastructure in service concession arrangements, which is under arbitration proceedings. For details, it is disclosed in Note 25. An impairment loss on such deposit of approximately HK$6,158,000 (2011: Nil) was recognised in the profit or loss during the year ended 31 December 2012. For the basis of impairment loss, please refer to Note 25.

The arbitration is subject to inherent uncertainties, the final outcome of the arbitration cannot be precisely determined with reasonable certainty. Should the final arbitration result is different from the management's estimate, a significant impact on the Group's financial positions may be resulted.

As at 31 December 2012, the carrying amount of deposits paid for construction of infrastructure in service concession arrangements, other than Urban Construction Institute, is approximately HK$19,944,000 (2011: HK$19,237,000).

Estimated impairment of amount due from an investee

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, additional material impairment loss may arise. As at 31 December 2012, the carrying amount of amount due from an investee is approximately HK$45,267,000 (2011: HK$59,500,000). An impairment loss of HK$14,595,000 (2011: Nil) was recognised in the profit or loss during the year ended 31 December 2012. For the basis of impairment loss, please refer to Note 27.

Estimated impairment of property, plant and equipment

If there is any indication of impairment, determining the extent to which property, plant and equipment are impaired requires an estimation of the value in use of the cash-generating units ("CGUs") to which they have been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. As at 31 December 2012, the carrying amount of property, plant and equipment is approximately HK$15,965,000 (2011: HK$13,522,000).

* *For identification purpose only*

5. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debt, which includes borrowings, convertible notes and convertible bonds disclosed in Notes 33, 34 and 35, respectively, net of cash and cash equivalents, and equity attributable to owners of the Company, comprising issued share capital, reserves and accumulated losses.

5. CAPITAL RISK MANAGEMENT *(Continued)*

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

6. FINANCIAL INSTRUMENTS

6a. Categories of financial instruments

	2012 *HK$'000*	2011 *HK$'000*
Financial assets		
Loans and receivables (including cash and cash equivalents)	**731,809**	350,230
Financial liabilities		
Amortised cost	**718,171**	383,090
Embedded derivatives	**54,152**	8,460

6b. Financial risk management objectives and policies

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

Market risk

Currency risk

Several subsidiaries of the Company have certain bank balances and cash, borrowings, convertible bonds and convertible notes of the Group are denominated in HK$ and United States Dollars ("USD"), which expose the Group to foreign currency risk. During the year ended 31 December 2012, no sales and costs of sales of the Group are denominated in currencies other than the group entity's functional currencies. During the year ended 31 December 2011, 33% of the sales of the Group are denominated in currencies other than functional currencies of the group entity making the sale, whilst almost 14% of the cost are denominated in currencies other than the group entity's entity's functional currencies.

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

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk *(Continued)*

Currency risk (Continued)

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

	2012	2011
	HK$'000	*HK$'000*
Assets		
HK$	**238,891**	52,574
Liabilities		
HK$	**533,528**	391,754
USD	**—**	6,177

Sensitivity analysis

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

The following table details the Group's sensitivity to a 5% (2011: 7%) increase and decrease in HK$ and USD against RMB. 5% (2011: 7%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% (2011: 7%) change in foreign currency rates. A positive number below indicates an increase in loss of the Group where HK$ and USD strengthen 5% (2011: 7%) against RMB. For a 5% (2011: 7%) weakening of HK$ and USD against RMB, there would be an equal and opposite impact on the loss of the Group, and the balances below would be negative.

	HK$		**USD**	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Increase in loss	**14,732**	23,743	**—**	432

In management's opinion, the sensitivity analysis is unrepresentive of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk *(Continued)*

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to amount due from an associate, fixed-rate borrowings, convertible notes and convertible bonds (see Notes 28, 33, 34 and 35 for details of these borrowings). The Group currently does not enter into any hedging instruments for fair value interest rate risk.

The Group is exposed to cash flow interest rate risk in relation to bank balances and variable-rate borrowings (see Notes 29 and 33). It is the Group's policy to keep its borrowing at floating rate of interests so as to minimise the fair value interest rate risk. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of bank interest rate arising from the bank balances and PRC benchmark loan rate ("PRC Benchmark Loan Rate") arising from the Group's RMB denominated borrowings.

At 31 December 2012, the Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Sensitivity analysis

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

At 31 December 2012, if interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's loss for the year would decrease/increase by HK$24,000 (2011: HK$274,000).

Credit risk

As at 31 December 2012, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group is arising from:

- the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position; and

- the amount of contingent liabilities in relation to financial guarantee issued by the Group as disclosed in Note 44.

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

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Credit risk *(Continued)*

The Group has been largely dependent on a small number of customers for a substantial portion of its business. The largest one (2011: two) customers 北京市大興區政府採購中心 (Beijing Da Xing Government Procurement Center*) ("Beijing Da Xing") accounted for 100% (2011: 99.2%) of the Group's trade receivables amounting to approximately HK$7,411,000 as at 31 December 2012 (2011: approximately HK$31,718,000). The Group considers the credit risk is satisfactory as Beijing Da Xing is a government authority in the PRC. No impairment losses are recognised on trade receivables for the year ended 31 December 2012 (2011: approximately HK$97,305,000). The failure of any of the customers of the Group to make required payments could have a substantial negative impact on the Group's loss. The Group manages this risk by applying a limit on the credit to these customers.

The Group's concentration of credit risk by geographical locations is mainly in China, which accounted for 100% (2011: 99%) of the total trade receivables as at 31 December 2012.

The Group has concentration of credit risk in amounts due from grantors for contract work of approximately HK$392,792,000 (2011: HK$193,581,000) as at 31 December 2012 representing guaranteed waste treatment fee to be received from four (2011: two) grantors in service concession arrangements of waste treatment and waste-to-energy plants. The Group considers the risk is satisfactory as the grantors are government authorities in the PRC with a high reputation.

The Group's concentration of credit risk also arises from amount due from an investee amounting to approximately HK$45,267,000 as at 31 December 2012 (2011: HK$59,500,000). The Group considers the risk as satisfactory as there is continuing review of the financial position of the investee by the management of the Group. The Group also has concentration of credit risk in deposits paid for construction of infrastructure in service concession arrangements as 89% (2011: 89%) of total deposits was paid to the Group's largest supplier which is subject to arbitration proceedings at the end of the reporting period as detailed in Note 25. The estimated recoverable amount of the deposits of HK$155,037,000 to the largest supplier, net of impairment loss of approximately HK$6,158,000, is based on the best estimate of the management of the allowable expenses incurred by the largest supplier with reference to the legal opinion provided by the independent lawyer. The Group considers that the credit risk on the deposit paid after impairment provided is limit as the largest supplier is reputable in construction industry in the PRC. The directors, the associates and the shareholders has no interest in the largest supplier mentioned above.

The credit risk of amount due from an associate is limited because it is operating a profit generating waste-to-energy plant with guarantee income from government authority in PRC.

The credit risk of advance to suppliers is limited because the suppliers are reputable in the industry.

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

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Liquidity risk

The Company has net current assets of approximately HK$23,742,000 (2011: net current liabilities of approximately HK$175,627,000). The Company is exposed to liability risk if it is not able to raise sufficient funds to meet its obligations. In the management of liquidity risk, the Company obtains financial support from its shareholders and maintains a level of bank balances deemed adequate by the management to finance the Company's operation and mitigate the effects of fluctuation of cash flows.

In preparing the consolidated financial statements, the directors of the Company have assessed the liquidity position and going concern of the Group in light of the fact that the Group incurred a loss of approximately HK$147,825,000 for the year ended 31 December 2012 and had capital commitment of approximately HK$518,426,000 (see Note 42) and other commitment of approximately HK$456,300,000 (see Note 43) as at 31 December 2012. The directors of the Company are satisfied that the Group will have sufficient financial resources to meet its financial obligations including the capital commitment and other commitment as disclosed in Notes 42 and 43 respectively as they fall due in the foreseeable future for the following reasons:

A substantial shareholder, Beijing Capital (Hong Kong) Limited ("Beijing Capital HK"), a wholly owned subsidiary of a listed company in the People Republic of China ("PRC"), Beijing Capital Co., Ltd. ("Beijing Capital"), has granted the Group a three-year term facility of RMB300,000,000 (approximately HK$373,134,000) in December 2011, from which RMB203,000,000 (approximately HK$252,487,000) has not yet been drawn down at the end of the reporting period.

In August 2011, a bank in the PRC has granted a subsidiary of the Company a facility of RMB305,000,000 (approximately HK$379,353,000) solely for one of the service concession arrangement projects which was secured by the underlying assets of the service concession arrangements of that subsidiary and guaranteed by the Company and a subsidiary of the Company. The facility has not yet been drawn down at the end of the reporting period.

Accordingly, the Company is able to raise sufficient funds to meet its obligations.

Liquidity and interest risk tables

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

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Liquidity risk *(Continued)*

Liquidity and interest risk tables *(Continued)*

	Weighted average interest rate	Repayable on demand	Less than 3 months	3 months to 1 year	1 to 2 years	2 to 5 years	More than 5 years	Total undiscounted cash flows	Carrying amount
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2012									
Trade and other payables	—	49,080	—	—	—	—	—	49,080	49,080
Convertible notes (Note)	—	—	—	—	193,000	—	—	193,000	150,400
Convertible bonds including embedded derivatives (Note)	6.72%	—	—	—	—	307,636	—	307,636	306,352
Financial guarantee contract	—	18,148	—	—	—	—	—	18,148	—
Borrowings									
— Fixed rate	6.13%	—	—	19,832	194,040	—	—	213,872	191,554
— variable rate	7.56%	—	—	9,795	10,526	33,951	42,448	96,720	74,937
		67,228	—	29,627	397,566	341,587	42,448	878,456	772,323
2011									
Trade and other payables	—	30,379	9,601	1,071	—	—	—	41,051	41,051
Amount due to a shareholder	—	2,366	—	—	—	—	—	2,366	2,366
Convertible notes (Note)	—	—	—	—	—	193,000	—	193,000	132,279
Convertible bonds including embedded derivatives (Note)	10%	—	—	—	—	207,636	—	207,636	163,543
Obligations under finance leases	3.2%	—	4	14	45	—	—	63	61
Financial guarantee contract	—	22,716	—	—	—	—	—	22,716	—
Borrowings — Fixed rate	4%	—	—	54,340	—	—	—	54,340	52,250
		55,461	9,605	55,425	45	400,636	—	521,172	391,550

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

The amount included above for a financial guarantee contract as disclosed in Note 44 is the maximum amount the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

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

6. FINANCIAL INSTRUMENTS *(Continued)*

6c. Fair value

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

- the fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis;

- the fair value of embedded derivatives is measured using the binomial model.

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

	2012		2011	
	Carrying amount	**Fair value**	Carrying amount	Fair value
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Financial liabilities				
Liability component of convertible bonds	**252,200**	**245,912**	155,083	171,213
Liability component of convertible notes	**150,400**	**140,842**	132,279	137,264

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

	31 December 2012	31 December 2011
Convertible Bonds I as described in Note 35	**17.56%**	12.38%
Convertible Bonds II as described in Note 35	**17.56%**	n/a
Convertible Notes I as described in Note 34	**17.56%**	12.26%

Fair value measurements recognised in the consolidated statement of financial position

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

6. FINANCIAL INSTRUMENTS *(Continued)*

6c. Fair value *(Continued)*

Fair value measurements recognised in the consolidated statement of financial position *(Continued)*

	Level 3	
	2012	2011
	HK$'000	*HK$'000*
Convertible bonds		
Embedded derivatives	**54,152**	8,460

There were no financial instrument classified in Level 1 and 2 as at 31 December 2012 and 2011.

Reconciliation of Level 3 fair value measurements

	Embedded derivatives
	HK$'000
At 1 January 2011	11,701
Gain on fair value change recognised in profit or loss	(3,241)
At 31 December 2011	8,460
Issue of Convertible Bonds II as describe in Note 35	29,208
Loss on fair value change recognised in profit or loss	16,484
At 31 December 2012	54,152

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

* *For identification purpose only*

7. REVENUE

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

	2012	2011
	HK$'000	*HK$'000*
		(restated)
Continuing operations		
Provision of construction services under service concession arrangements	**16,004**	19,857
Provision of operation services under service concession arrangements	**1,431**	—
Consultancy fee income	**174**	290
	17,609	20,147

8. SEGMENT INFORMATION

After the disposal of trading of apparel and accessories business during the current year as disclosed in Note 13, the Group has been operating with one reportable and operating segment only, being the waste treatment and waste-to-energy business.

Trading of apparel and accessories business was presented as reportable and operating segment in the prior period. The trading of apparel and accessories business is considered as discontinued operations in the current year and therefore, not included in the segment information. The prior period figures have been re-presented. Since there is only one reportable and operating segment, no segment information except for entity-wide disclosure is provided.

The revenue of services is set out in Note 7.

Geographical information

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

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

	Revenue from external customers		Non-current assets	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000* (restated)	***HK$'000***	*HK$'000*
Continuing operations				
The PRC (country of domicile)	**17,609**	20,147	**296,846**	291,397
Hong Kong	**—**	—	**526**	702
	17,609	20,147	**297,372**	292,099

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

Information about major customers

During the year ended 31 December 2012, revenue from government authorities contributing over 99% (2011: 99%) of the total revenue of the Group in continuing operations amounted to approximately HK$17,435,000 (2011: HK$19,857,000) is attributable to the reportable segment of waste treatment and waste-to-energy business.

9. OTHER INCOME, GAINS AND LOSSES

	2012 *HK$'000*	2011 *HK$'000* (restated)
Continuing operations		
Bank interest income	502	230
Interest income on amount due from an associate	1,376	—
Effective interest income on amount due from an investee	—	4,726
Effective interest income on amounts due from for grantors contract work	12,177	11,478
Total interest income	14,055	16,434
Gain on disposal of property, plant and equipment	5	6,718
Impairment loss recognised in respect of deposits, prepayments and other receivables (Note 26(b))	(10,837)	(23,314)
Impairment loss recognised in respect of deposits paid for construction of infrastructure in service concession arrangements (Note 25)	(6,158)	—
Impairment loss recognised in respect of available-for-sales investment (Note 23)	—	(56,844)
Impairment loss recognised in respect of amount due from an investee (Note 27)	(14,595)	—
Provision for penalty charges in relation to construction of waste-to-energy plant (Note 22)	(11,207)	(27,410)
Gain on redemption of promissory notes by issue of ordinary shares of the Company	—	15,564
Sundry income	1,169	10
	(27,568)	(68,842)

10. FINANCE COSTS

	2012 HK$'000	2011 HK$'000 (restated)
Continuing operations		
Interest on:		
Borrowings and overdrafts wholly repayable within five years	6,393	3,391
Convertible bonds	26,325	21,216
Convertible notes	18,121	24,712
Promissory notes	—	10,894
	50,839	60,213

11. LOSS BEFORE TAX

	2012 HK$'000	2011 HK$'000 (restated)
Loss before tax has been arrived at after charging (crediting):		
Continuing operations		
Directors' and chief executives' emoluments (Note 14)	5,986	5,593
Staff costs (excluding directors)		
— other staff costs	18,011	12,996
— retirement benefit scheme contribution	3,038	2,573
	21,049	15,569
Auditors' remuneration	3,785	3,604
Contract cost recognised for waste treatment business (included in cost of sales)	16,004	19,857
Depreciation of property, plant and equipment	2,124	2,216
Amortisation of prepaid lease payments	52	52
Amortisation of intangible assets (included in administrative expenses)	1,468	1,468
Net exchange (gain) loss	(1,547)	1,146
Provision for expected losses in relation to service concession arrangements (included in cost of sales) (Note 22)	—	35,287

12. INCOME TAX CREDIT

	2012 *HK$'000*	2011 *HK$'000* (restated)
Continuing operations		
Current income tax:		
Other jurisdictions	—	42
Deferred tax (Note 36)	**(2,869)**	(3,956)
	(2,869)	(3,914)

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

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

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

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

	2012 *HK$'000*	2011 *HK$'000* (restated)
Loss before tax (from continuing operations)	**(155,546)**	(187,757)
Tax at the domestic income tax rate of 25%	**(38,887)**	(46,939)
Tax effect of expenses not deductible for tax purpose	**21,752**	30,024
Tax effect of income not taxable for tax purpose	**(3,421)**	(11,329)
Tax effect of share of profit of an associate	**(1,969)**	(2,840)
Tax effect of tax losses not recognised	**11,758**	21,277
Tax effect of other deductible temporary differences not recognised	**7,898**	5,829
Others	—	64
Income tax credit for the year (from continuing operations)	**(2,869)**	(3,914)

Details of deferred taxation are disclosed in Note 36.

13. DISCONTINUED OPERATIONS

As mentioned in Note 39 to the consolidated financial statements, the Group disposed of its wholly-owned subsidiary, Hembly Garment Manufacturing Limited ("Hembly Garment"), and its subsidiary, 恆華（南京）服飾有限公司 (Heng Hua (Nanjing) Apparel Co., Ltd*) ("Heng Hua"), for a cash consideration of approximately HK$12,000,000, to an independent third party on 22 February 2012. Details of the disposal agreement are set out in the Company's announcement dated on 2 December 2011. The trading of apparel and accessories operation is treated as discontinued operations. Comparative information in the consolidated statement of comprehensive income has been re-presented. The details of the disposal and the net assets being disposed of are detailed in Note 39.

The profit (loss) from the discontinued operations from 1 January 2012 to 22 February 2012 and for the year ended 31 December 2011 were as follows:

	2012 ***HK$'000***	2011 *HK$'000* (restated)
Profit (loss) for the period/year from discontinued operations	**285**	(163,290)
Gain on disposal of discontinued operations (see Note 39)	**4,567**	—
	4,852	(163,290)

The results of the Group's trading of apparel and accessories operation from 1 January 2012 to 22 February 2012 and for the year ended 31 December 2011 were as follows:

	2012 ***HK$'000***	2011 *HK$'000* (restated)
Revenue	**—**	28,854
Cost of sales	**—**	(56,832)
Gross loss	**—**	(27,978)
Other income, gains and losses	**968**	(120,658)
Distribution and selling expenses	**—**	(19)
Administrative expenses	**(683)**	(14,622)
Finance costs	**—**	(13)
Profit (loss) for the period/year from discontinued operations	**285**	(163,290)

13. DISCONTINUED OPERATIONS *(Continued)*

Profit (loss) for the period/year from discontinued operations include the following:

	2012 ***HK$'000***	2011 *HK$'000* (restated)
Interest on obligations under finance leases	—	13
Staff costs		
— other staff costs	**335**	5,325
— retirement benefit scheme contribution excluding directors	**11**	138
	346	5,463
Auditor's remuneration	—	960
Cost of inventories recognised as an expense	—	56,832
Depreciation of property, plant and equipment	**128**	1,546
Allowance for inventories	—	13,897
(Reversal of impairment loss) impairment loss recognised on trade receivables	**(853)**	94,046
Impairment loss recognised on other receivables	—	26,115
Loss on disposal of property, plant and equipment	—	498
Net exchange gain	—	(9,772)

Cash flows from discontinued operations

	2012 ***HK$'000***	2011 *HK$'000*
Net cash outflows from operating activities	**(2)**	(2,808)
Net cash outflow from investing activities	—	(139)
Net cash outflows from financing activities	**(16)**	(529)
Effect of foreign exchange rate changes	—	3,391
Net cash outflows	**(18)**	(85)

* *For identification purpose only*

14. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

	Executive Directors						Independent Non-Executive Directors						Non-Executive Director	
	Marcello Appella HK$'000	Yu Chang Jian HK$'000	Liu Xiao Guang HK$'000	Cao Guo Xian HK$'000	Tang Zhi Bin HK$'000	Xue Hui Xuan HK$'000 (note g)	Lo Ming Chi, Charles HK$'000 (note f)	Pao Ping Wing HK$'000	Cheng Kai Tai, Allen HK$'000	Kwan Hung Sang, Francis HK$'000 (note e)	Li Bao Chun HK$'000 (note g)	Chen Yee Wah HK$'000 (note g)	Lim Jui Kian HK$'000	Total 2012 HK$'000
2012														
Fee	—	—	—	—	—	195	108	216	200	68	—	108	200	1,095
Other emoluments														
Salaries and other benefits	212	2,339	390	1,950	—	—	—	—	—	—	—	—	—	4,891
Contribution to retirement benefit schemes	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Total emoluments	212	2,339	390	1,950	—	195	108	216	200	68	—	108	200	5,986

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

Notes:

(a) Resigned on 27 May 2011.

(b) Appointed on 27 May 2011.

(c) Appointed on 4 July 2011.

(d) Resigned on 30 June 2011.

(e) Resigned on 25 April 2012

(f) Resigned on 1 July 2012.

(g) Appointed on 1 July 2012.

Neither the chief executive nor any of the directors waived any emoluments in the year ended 31 December 2012 and 2011. No emoluments have been paid to the directors as an inducement to join or upon joining the Group, or as compensation for loss of office.

15. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, two (2011: three) were directors of the Company whose emoluments are included in Note 14. The emoluments of the remaining three (2011: two) individuals were as follows:

	2012 *HK$'000*	2011 *HK$'000*
Salaries and other benefits	**2,860**	1,022
Retirement benefits scheme contributions	**—**	12
	2,860	1,034

Their emoluments are within the following bands:

	2012 Number of employees	2011 Number of employees
Nil to HK$1,000,000	**3**	2

No employees waived or agreed to waive any emoluments for the years ended 31 December 2012 and 2011. No emoluments have been paid to the employees as an inducement to join or upon joining the Group, or as compensation for loss of office.

16. DIVIDENDS

No dividend was paid, or proposed during 2012, nor has any dividend been proposed since the end of the reporting period (2011: Nil).

17. LOSS PER SHARE

For continuing and discontinued operations

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

	2012 *HK$'000*	2011 *HK$'000* (restated)
Loss		
Loss for the year attributable to owners of the Company for the purposes of basic and diluted loss per share	**(147,054)**	(325,504)

17. LOSS PER SHARE *(Continued)*

For continuing and discontinued operations *(Continued)*

	2012 *'000* (Note)	2011 *'000* (Note)
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**1,636,580**	1,255,740

Note: The computation of diluted loss per share for both years does not assume the exercise of outstanding share options of the Company and the conversion of the outstanding convertible bonds and convertible notes of the Company since their assumed exercise would result in a decrease in loss per share.

From continuing operations

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

Earnings figures are calculated as follows:

	2012 *HK$'000*	2011 *HK$'000*
Loss for the year attributable to owners of the Company	**(147,054)**	(325,504)
Add: (Profit) loss for the year from discontinued operations	**(4,852)**	163,290
Loss for the purposes of basic and diluted loss per share from continuing operations	**(151,906)**	(162,214)

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

From discontinued operations

Basic and diluted earnings per share from discontinued operation is HK0.29 cents per share (2011: Basic and diluted loss per share from discontinued operation was HK13.00 cents per share) for the year ended 31 December 2012, based on the profit for the year from the discontinued operation of approximately HK$4,852,000 (2011: loss for the year from discontinued operation of HK$163,290,000) and the denominators detailed above for both basic and diluted loss per share.

18. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Leasehold improvement HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
COST						
At 1 January 2011	26,736	7,792	1,467	9,907	5,714	51,616
Exchange realignment	887	148	—	155	164	1,354
Additions	—	2,222	—	34	—	2,256
Disposals	(18,046)	(6,241)	(1,467)	(253)	(652)	(26,659)
At 31 December 2011	9,577	3,921	—	9,843	5,226	28,567
Exchange realignment	84	31	—	28	27	170
Additions	—	1,236	—	1,359	1,398	3,993
Acquired on acquisition of subsidiaries (Note 38)	—	—	681	44	491	1,216
Disposals	—	—	—	(39)	(311)	(350)
Disposal of subsidiaries (Note 39)	—	—	—	(5,788)	(4,956)	(10,744)
At 31 December 2012	9,661	5,188	681	5,447	1,875	22,852
DEPRECIATION						
At 1 January 2011	1,287	4,483	1,467	7,829	3,940	19,006
Exchange realignment	112	95	—	120	133	460
Provided for the year	708	926	—	1,208	920	3,762
Eliminated on disposals	(1,731)	(4,284)	(1,467)	(211)	(490)	(8,183)
At 31 December 2011	376	1,220	—	8,946	4,503	15,045
Exchange realignment	19	22	—	26	24	91
Provided for the year	403	1,103	28	453	265	2,252
Eliminated on disposals	—	—	—	(13)	(70)	(83)
Eliminated on disposal of subsidiaries (Note 39)	—	—	—	(5,788)	(4,630)	(10,418)
At 31 December 2012	798	2,345	28	3,624	92	6,887
CARRYING VALUES						
At 31 December 2012	8,863	2,843	653	1,823	1,783	15,965
At 31 December 2011	9,201	2,701	—	897	723	13,522

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

The carrying values of furniture, fixtures and equipment as at 31 December 2011 included an amount of approximately HK$59,000 in respect of assets held under finance leases.

19. INTANGIBLE ASSETS

	Technology know-how *HK$'000*
COST	
At 1 January 2011, 31 December 2011 and 31 December 2012	6,848
AMORTISATION AND IMPAIRMENT	
At 1 January 2011	1,594
Provided for the year	1,468
At 31 December 2011	3,062
Provided for the year	1,468
At 31 December 2012	4,530
CARRYING VALUES	
At 31 December 2012	2,318
At 31 December 2011	3,786

The above intangible assets in relation to license agreements entered into with independent third parties who granted the Group the right to use anaerobic digestion technology in the Group's waste treatment and waste-to-energy business in the PRC have finite useful lives. Such intangible assets are amortised on a straight-line basis.

20. GOODWILL

	HK$'000
COST	
At 1 January 2011, December 2011 and 31 December 2012	1,068,010
IMPAIRMENT	
At 1 January 2011, 31 December 2011 and 31 December 2012	1,068,010
CARRYING VALUES	
At 31 December 2011 and 2012	—

21. PREPAID LEASE PAYMENTS

	2012 *HK$'000*	2011 *HK$'000*
Analysed for reporting purposes as:		
Current asset	**52**	52
Non-current asset	**2,277**	2,314
	2,329	2,366
The Group's prepaid lease payments comprise:		
Medium-term leasehold land in the PRC	**2,329**	2,366

The amounts represent land use rights located in the PRC and are released to profit or loss over the term of the relevant rights of 50 years.

22. AMOUNTS DUE FROM GRANTORS FOR CONTRACT WORK

	2012 *HK$'000*	2011 *HK$'000*
Analysed for reporting purpose as:		
Current asset	**9,453**	—
Non-current asset	**383,339**	193,581
	392,792	193,581

Amounts due from grantors for contract work represent a) costs incurred by the Group for the construction and operation services rendered under service concession arrangements of waste treatment and waste-to-energy plant in the PRC on a build-operate-transfer ("BOT") basis, plus attributable profits on the services provided; b) arising from acquisition of subsidiaries during the year (see Note 38). Revenues and costs relating to the construction phase of the contract are accounted for in accordance with HKAS 11. Revenue and costs relating to the operating phase of the contract are accounted for in accordance with HKAS 18.

Several subsidiaries of the Company entered into service concession arrangements with certain government authorities in the PRC ("Grantors") in respect of their waste treatment and waste-to-energy businesses. These subsidiaries acted as operators in these service concession arrangements to construct waste treatment and waste-to-energy plants on a BOT basis, and to operate and maintain the waste treatment and waste-to-energy plants at a specified level of serviceability on behalf of the relevant government authorities over the relevant service concession periods. The effective interest rates ranged from 3.6% to 4.3% during the year ended 31 December 2012 and 2011.

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

As at 31 December 2012, the Group had four (2011: two) service concession arrangements in the PRC and the major terms of each service concession arrangements are set out as follows:

Name of subsidiary as operator	Name of waste treatment and waste-to-energy plant	Location	Name of grantor	Service concession period	Practical processing per day		Status	*2012*	*2011*
					Waste treatment	Electricity generation		*HK$'000*	*HK$'000*
北京市一清百瑪士綠色能源有限公司 (Beijing Yiqing Biomax Green Energy Park Co., Ltd.*) ("BJ Yiqing Biomax")	北京市董村分類綜合處理廠 (Beijing Dongcun, Sorting Comprehensive Treatment Plant*) ("Beijing Plant")	Dongcun, Beijing	北京市市政管理委員會 (Beijing Municipal Administration Committee*)	December 2008 to December 2034 (27 years)	650 tonnes	36 million kWh	Under construction with delay	166,754	148,145
南昌百瑪士綠色能源有限公司 (Nanchang Biomax Green Energy Co., Ltd*) ("NC Biomax GE")	南昌市垃圾焚燒發電廠 (Nanchang Solid Waste Incineration Power Generation Plant*)	Quanling, Nanchang	南昌市市環境管理局 (Nanchang City Environment Administration Bureau*)	27 years after obtaining the approval for commercial operation (Note 2)	1,200 tonnes	131 million kWh	Under construction	55,692	45,436
都勻市科林環保有限公司 (Duyun Kelin Environmental Company Limited*) ("Duyun Kelin") (Note 1)	都勻市生活垃圾填埋場 (Duyun Municipal Solid Waste Landfill Site*)	Duyun, Guizhou	都勻市人民政府 (Duyun People's Government*)	June 2012 to June 2042 (30 years)	300 tonnes	n/a	Operating	130,366	—
甕安縣科林環保有限公司 (Weng'an Kelin Environmental Company Limited*) ("Weng'an Kelin") (Note 1)	甕安縣生活垃圾填埋場 (Weng'an Municipal Solid Waste Landfill Site*)	Weng'an, Guizhou	甕安縣人民政府 (Weng'an People's Government*)	30 years after obtaining the approval for commercial operation (Note 2)	150 tonnes	n/a	Trial run before commercial operation	39,980	—

Note 1: The subsidiaries were acquired during the year ended 31 December 2012 as detailed in Note 38.

Note 2: The subsidiaries have not yet obtained approval for commercial operation at 31 December 2012.

During the operation phase of the respective service concession periods, the Group will receive guaranteed receipts of waste treatment fee from the grantors calculated by multiplying the minimum level of municipal waste to be processed per day at a pre-determined waste treatment fee per tonne as specified in all service concession agreements. In addition, for two service concession arrangements (as mentioned above), the Group has the right to charge on-grid electricity tariff from users after commencement of operation phase of the waste-to-energy plants. The directors of the Company considers that the possibility of exceeding the threshold (minimum level of municipal waste to be processed per day) of these projects is remote at this stage and hence no intangible assets are recognised.

The Group recognised revenue from construction services of approximately HK$16,004,000 (2011: HK$19,857,000) by reference to the stage of completion of the construction work and revenue from operation services of approximately HK$1,431,000 (2011: Nil).

Provision for penalty charges to profit or loss of approximately HK$11,207,000 (2011: HK$27,410,000) was recognised for the year ended 31 December 2012. Provision for penalty charge is based on penalty clause stated in the service concession agreement of Beijing Plant at RMB350,000 per week starting from the original commencement date of operation in January 2009. Movement of the provision for penalty charges is detailed in Note 30(c).

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

Provision for future loss in construction services is based on the difference between revenue and budgeted cost to be generated and incurred respectively from the commencement date of construction to the completion of construction of the Beijing Plant. No provision for the expected loss of the construction services was recognised for the year ended 31 December 2012 (2011: HK$35,287,000). Movement of the provision for future loss in construction services is detailed in Note 30(c).

During the year ended 31 December 2012, the Group is still under negotiation with the local government to extend the service concession period and increase the waste treatment fee of Beijing Plant. As at 31 December 2012, the local government preliminarily agreed to revisit the service concession period and the waste treatment fee. However, the outcome of the negotiation with the local government for the revised terms is uncertain as at 31 December 2012.

Pursuant to the service concession agreements, the Group is required to surrender these waste treatment and waste-to-energy plants to the grantors at a specified level of serviceability at the end of the respective service concession periods. As at 31 December 2012, provision of HK$995,000 (2011: Nil) has been recognised in respect of the contractual obligations to maintain or restore these waste treatment and waste-to-energy plants to specified conditions.

* *For identification purpose only*

23. AVAILABLE-FOR-SALE INVESTMENT

	2012 ***HK$'000***	2011 *HK$'000*
COST		
Unlisted securities		
— Equity securities in the PRC (Note)	**34,700**	34,700
— Deemed capital contribution for equity securities in the PRC	**22,144**	22,144
	56,844	56,844
IMPAIRMENT		
At 1 January	**(56,844)**	—
Impairment loss recognised during the year	**—**	(56,844)
At 31 December	**(56,844)**	(56,844)
CARRYING VALUES	**—**	—

Note:

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

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

Note: *(Continued)*

Included in unlisted equity securities in the PRC as at 31 December 2012 and 2011 is the Group's investment in Shanghai Biomax Green Energy Park Company Limited ("SH Biomax GEP") 上海百瑪士綠色能源有限公司, a sino-foreign-owned joint venture enterprise established in the PRC, which was acquired on acquisition of Smartview Investment Holdings Limited ("Smartview") in 2009. SH Biomax GEP operates a waste treatment and waste-to-energy plant in Shanghai, the PRC on a build-own-operate basis. The investment represents 33.8% equity interest of SH Biomax GEP. Such investment is a passive investment as 上海振環實業總公司 (Shanghai Zhen Huan Industrial Corporation*), a major shareholder of SH Biomax GEP with 37% equity interest has the right to appoint all the directors to govern the financial and operating policies of SH Biomax GEP. In addition, the Group has surrendered all its voting rights in shareholders' meetings of SH Biomax GEP to the major shareholder under a contractual arrangement with the major shareholder. Accordingly, the directors of the Company considered that the Group has no significant influence over the financial and operating policy decision in SH Biomax GEP and hence the investment is accounted for as available-for-sale investment rather than as an associate.

As at 31 December 2011, the directors of the Company considered the investment cost is irrecoverable (see Note 27 for the basis of determination), hence impairment loss of investment cost comprising of equity owned by the Group and deemed capital contribution amounting to HK$34,700,000 and HK$22,144,000 were recognised respectively.

* *For identification purpose only*

24. INTEREST IN AN ASSOCIATE

	2012	2011
	HK$'000	*HK$'000*
Cost of investment in an associate		
— Unlisted	**75,021**	75,021
Share of post-acquisition profits, net of dividend received	**19,981**	12,107
Share of other comprehensive income	**6,829**	6,050
	101,831	93,178

At 31 December 2012, the Group held approximately 46% (2011: 46%) equity interest in 深圳粵能環保再生能源有限公司 ("SZ Yueneng"), a company established in the PRC. SZ Yueneng operates a waste treatment and waste-to-energy plant in Shenzhen, the PRC on a BOT basis.

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

	2012	2011
	HK$'000	*HK$'000*
Total assets	**426,315**	432,226
Total liabilities	**(204,943)**	(229,665)
Net assets	**221,372**	202,561
Group's share of net assets of an associate	**101,831**	93,178
Total revenue	**63,299**	70,405
Total profit for the year	**17,118**	24,691
Group's share of profit of an associate for the year	**7,874**	11,358

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

The amount represents advance payments to third party suppliers for purchase of materials and equipment, which have not yet been delivered to the Group at the end of the reporting period, for the construction of waste treatment and waste-to-energy plants in the PRC under service concession arrangements. Included in the deposits paid balance is advance payment to a third party supplier, Urban Construction Institute, with aggregate carrying amount of approximately HK$155,037,000 (31 December 2011: HK$160,062,000) which is subject to arbitration proceedings as at the end of the reporting period. The Group has submitted a dispute with Urban Construction Institute to an arbitration committee, 南昌仲裁委員會 (Nanchang Arbitration Committee*), during the year ended 31 December 2012. Subsequent to the end of the reporting period, the Arbitration Committee issued the first order which determined that the contract entered into between the Group and Urban Construction Institute was invalid. In accordance with the legal opinion provided by a firm of independent lawyers not connected to the Group, the amount should be refunded to the Group taking into account the outcome of the first order. However, the refundable amount is yet to be finalised by the arbitration. The estimated recoverable amount of the deposits of HK$155,037,000, net of allowable expenses incurred by Urban Construction Institute of approximately HK$6,158,000 (2011: Nil), is expected to be recovered by the director of the Company, taking into account the legal opinion provided by the independent lawyer.

* *For identification purpose only*

26. TRADE RECEIVABLES AND DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2012	2011
	HK$'000	*HK$'000*
Trade receivables (Note a)	**8,452**	132,901
Less: allowance for doubtful debts	**(1,041)**	(100,915)
	7,411	31,986
Deposits, prepayments and other receivables		
Advances to suppliers (Note b)	**25,877**	34,072
Prepaid profit tax	**1,502**	1,502
Prepaid professional fee	**—**	6,520
Others	**4,888**	5,970
	32,267	48,064

26. TRADE RECEIVABLES AND DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

(Continued)

(a) Trade receivables

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

The following is an aged analysis of trade receivables (net of allowance for doubtful debts) presented based on the invoice date at the end of reporting period is as follows.

	2012 **HK$'000**	2011 HK$'000
0–90 days	**—**	24,630
Over 360 days	**7,411**	7,356
	7,411	31,986

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

Included in the Group's trade receivable balance is a debtor, Beijing Da Xing, with aggregate carrying amount of approximately HK$7,411,000 (2011: HK$7,356,000) which is past due as at the end of the reporting period for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and the amount is still considered recoverable. The Group does not hold any collateral over these balances.

Aging of trade receivables which are past due but not impaired

	2012 **HK$'000**	2011 HK$'000
Overdue by:		
Over 360 days	**7,411**	7,356

Movement in the allowance for doubtful debts

	2012 **HK$'000**	2011 HK$'000
Balance at beginning of the year	**100,915**	5,358
Exchange realignment	**8**	1,511
Impairment losses recognised	**—**	97,305
Impairment losses reversed	**(853)**	(3,259)
Eliminated on disposal of a subsidiaries	**(99,029)**	—
Balance at end of the year	**1,041**	100,915

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

(a) Trade receivables *(Continued)*

Movement in the allowance for doubtful debts *(Continued)*

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of approximately HK$1,041,000 (2011: HK$100,915,000) that are considered irrecoverable by the management after consideration of the credit quality of those individual customers based on the amounts subsequently settled after year end, the ongoing relationship with the Group and the aging of these receivables. The Group does not hold any collateral over these balances. During the year ended 31 December 2011, net impairment losses on trade receivables of HK$94,046,000 is recognised in profit or loss due to adverse change in business environment of the customers, including impairment losses of HK$58,659,000 in respect of trade receivable due from one of the two largest customers of the Group, Sergio Tacchini International S.P.A ("ST"), which is controlled by Mr. Ngok Yan Yu, a substantial shareholder of the Company as at 31 December 2011. The carrying amount of trade receivable of ST was fully impaired during the year ended 31 December 2011. The remaining impairment losses are related to other customers included in the segment of trading of apparel and accessories which was discontinued in 2012.

(b) Advances to suppliers

During the year ended 31 December 2012, a full impairment loss of HK$10,837,000 (2011: HK$10,864,000) was recognised in profit or loss in relation to an advance that has been overdue for more than 360 days and the recovery of such advance is not expected by the directors of the Company taking into account of the financial situation of the supplier.

During the year ended 31 December 2011, another impairment loss of HK$12,450,000 was recognised in profit or loss in relation to irrecoverable advance to other suppliers.

27. AMOUNT DUE FROM AN INVESTEE

	2012	2011
	HK$'000	*HK$'000*
Trade receivable		
SH Biomax GEP (Note)	**19,694**	19,548
Other receivable		
SH Biomax GEP (Note)	**40,168**	39,952
Less: impairment loss recognised (Note)	**(14,595)**	—
	45,267	59,500

Note:

The receivables due from SH Biomax GEP, an available-for-sale investment of the Group, has been past due over 3 years (2011: over 2 years). The other receivable due from SH Biomax GEP is unsecured and interest free. An impairment loss of HK$14,595,000 (2011: Nil) was recognised in the profit and loss during the year ended 31 December 2012.

During the year ended 31 December 2012, the commencement of operation of SH Biomax GEP has been postponed. Therefore, the directors of the Company assessed the future economic benefits to be generated from the project reduced.

27. AMOUNT DUE FROM AN INVESTEE *(Continued)*

Note: *(Continued)*

At 31 December 2012 and 2011, the directors of the Company assessed the recoverable amount of the receivables due from SH Biomax GEP based on the present value of the estimated future cash flows of SH Biomax GEP determined based on the cash flow projections and financial budgets approved by management. In addition, in ascertaining the recoverable amount, the directors of the Company has also made reference to the fair values of the major assets of SH Biomax GEP which have been determined with reference to a valuation carried out at 30 November 2012 by Grant Sherman Appraisal Limited, a firm of independent and qualified professional valuer not connected to the Group and the liabilities of SH Biomax GEP at 31 December 2012. The valuation was principally based on the cost and market approaches. The directors considered that there is no significant changes in the valuation of the major assets of SH Biomax GEP from 30 November 2012 to 31 December 2012 in accordance to the opinion by the valuer.

At 31 December 2012, the present value of the future cash flows of SH Biomax GEP has been determined based on the cash flow projections and financial budgets approved by management. It consists of cash flows arising from the operation of waste treatment and waste-to-energy plant and discounted at a rate of approximately 18% (2011: 18%) per annum. Cash flows arising from the operation of waste treatment and waste-to-energy plant are budgeted over the respective concession period granted by the service concession agreement. Other key assumptions for the value in use calculation relate to the estimation of cash inflows and outflows which include budgeted sales and budgeted gross margin, which is determined based on past performance and management's expectation for the market development.

In the opinion of the directors, the commencement of operation of the waste treatment plant of SH Biomax GEP is expected to be delayed. The receivables will not be repayable within 12 months (2011: 24 months) from the end of the reporting period until the waste treatment plant of SH Biomax GEP commences its operation. The receivables are measured at amortised cost of HK$45,267,000 (2011: HK$59,500,000) as 31 December 2012.

28. AMOUNT DUE FROM AN ASSOCIATE

During the year ended 31 December 2012, an associate entered into two loan agreements with the Group regarding advances to the associate of RMB5,000,000 (approximately HK$6,219,000) and RMB11,100,000 (approximately HK$13,806,000) which are repayable in January 2013 and June 2013 respectively. The advances are unsecured and carried interest rate of 18% per annum.

At 31 December 2012, the management expected that the advance of RMB5,000,000 (approximately HK$6,219,000) will not be settled within 12 months from the end of the reporting period and classified as non-current asset. Subsequent to the end of the reporting period, an associate entered into a supplemental agreement with the Group for the extension of this advance for another 12 months.

For the remaining amount which will be settled within 12 months from the end of the reporting period and classified as current asset.

The amount at 31 December 2011 was unsecured, interest free and repayable on demand.

29. BANK BALANCES AND CASH

Bank balances, represent saving accounts and deposits, carry interest at market saving rates which range from 0.01% to 0.40% (2011: 0.01% to 0.40%) per annum.

30. TRADE PAYABLES AND OTHER PAYABLES AND ACCRUALS

(a) Trade payables

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2012 *HK$'000*	2011 *HK$'000*
0–90 days	**295**	9,601
91–180 days	**41**	—
181–360 days	**616**	150
Over 360 days	**22,911**	22,207
	23,863	31,958

The average credit period on purchases of goods ranges from 30 to 90 days unless for those over 360 days which are based on agreed contract terms. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

(b) Other payables and accruals

The amounts mainly represented accrued interest of approximately HK$6,393,000 (2011: nil), accrued professional fee of approximately HK$5,112,000 (2011: approximately HK$6,417,000), business tax payable of approximately HK$5,273,000 (2011: approximately HK$4,155,000), no value-added taxes payable (2011: HK$6,171,000) and consideration payable of approximately HK$11,082,000 (2011: Nil)

(c) Provisions

	Expected loss relating to service concession arrangements *HK$'000*	Provision for penalty charges *HK$'000*	Provision for maintenance *HK$'000*	Total *HK$'000*
At 1 January 2011	53,025	57,291	—	110,316
Additions	35,287	27,410	—	62,697
Exchange realignment	1,109	5,176	—	6,285
At 31 December 2011	89,421	89,877	—	179,298
Additions	—	11,207	995	12,202
Exchange realignment	667	802	—	1,469
At 31 December 2012	90,088	101,886	995	192,969

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

(c) Provisions *(Continued)*

Provision for expected losses in relation to service concession arrangements of approximately HK$90,088,000 (see Note 22 for the basis of determination) (2011: approximately HK$89,421,000) and provision for penalty charges in relation to construction of waste-to-energy plant of approximately HK$101,886,000 (see Note 22) (2011: HK$89,877,000) to the grantor arising from the delay of commencement of operation of a waste treatment and waste-to-energy plant pursuant to the service concession agreements at RMB350,000 per week starting from the original commencement date of operation in January 2009. The directors of the Company consider the penalty charges will be payable in accordance with the contractual terms when the operation of the waste-to-energy plant commenced. The directors of the Company estimated the operation of waste-to-energy plant will be commenced on 30 June 2013. As at 31 December 2012, provision of HK$995,000 (2011: Nil) has been recognised in respect of the contractual obligations to maintain or restore these waste treatment and waste-to-energy plants to specified conditions.

31. AMOUNT DUE TO A SHAREHOLDER

The amount was due to Mr. Ngok Yan Yu, a substantial shareholder of the Company as at 31 December 2011 and fully repaid in 2012. The amount was unsecured, interest free and repayable on demand.

32. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Amounts payable under finance leases:				
Within one year	—	18	—	17
More than one year, but not exceeding two years	—	45	—	44
	—	63	—	61
Less: Future finance charges	—	(2)	—	—
Present value of lease obligations	—	61	—	61
Less: Amounts due for settlement within one year shown under current liabilities			—	(17)
Amounts due for settlement after one year			—	44

It is the Group's policy to lease certain of its motor vehicles and furniture, fixtures and equipment under finance leases. The average lease term is 5 years. For the year ended 31 December 2011, the average effective borrowing rates were 3.2%. Interest rates are fixed at the contract dates. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

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

32. OBLIGATIONS UNDER FINANCE LEASES *(Continued)*

The obligation under finance leases included in the segment of trading of apparel and accessories are derecognised when the segment of trading of apparel and accessories was discontinued in 2012.

33. BORROWINGS

	2012	2011
	HK$'000	*HK$'000*
Bank loans	**72,450**	—
Other loans (Note)	**194,041**	52,250
Borrowings	**266,491**	52,250
Secured loan	**193,096**	—
Unsecured loan	**73,395**	52,250
	266,491	52,250

Note: Included in other loans, amounting to HK$172,896,000 (2011: HK$52,250,000), are loans advanced from related parties.

During the year ended 31 December 2012, the Group entered into three fixed-rate loan agreements ("Original Loan Agreements") with Beijing Capital of HK$49,751,000, HK$26,119,000 and HK$44,776,000 that will be due in December 2012, August 2013 and August 2013 respectively. The balance is unsecured and carries interest at fixed rate of 7.2%, 6.9% and 6.9% per annum respectively. In November 2012, the Group entered into three supplementary loan agreements ("Supplementary Loan Agreements") which were approved by the independent shareholders in December 2012 (i) to extend the respective term of the Original Loan Agreements for another 24 months and, (ii) the loans under the Original Loan Agreements are secured by the entire equity interest of a subsidiary held by the Group.

During the year ended 31 December 2011, the Group and Simple Success Investment Limited ("Simple Success"), a substantial shareholder of the Company, entered into an agreement to transfer the principal amount of an unsecured loan and accrued interest with fixed interest rate of 4%, amounting to approximately HK$50,000,000 and HK$2,250,000, respectively, from an independent third party to Simple Success. Accordingly, as at 31 December 2011 and 2012, the loan of approximately HK$52,250,000 is owed to Simple Success. In addition, the Group entered into a supplemental agreement with Simple Success in January 2012 for the extension of maturity date of the borrowing to June 2014.

During the year ended 31 December 2012, the Group entered into a variable-rate loan agreement with a wholly owned subsidiary of Beijing Capital of HK$18,658,000 that will be due in December 2013. The balance is unsecured and carries interest at PRC Benchmark Loan Rate plus 5% per annum.

The remaining borrowing represents the variable-rate borrowing loan of HK$ 2,487,000, that will be repayable on demand with a non-controlling interest shareholder of a subsidiary. The balance is unsecured and carries interest at PRC Benchmark Loan Rate.

33. BORROWINGS *(Continued)*

	2012 *HK$'000*	2011 *HK$'000*
Carrying amount repayable:		
Within one year	**26,592**	52,250
More than one year, but not exceeding two years	**179,302**	—
More than two years, but not exceeding three years	**6,878**	—
More than three years, but not exceeding four years	**7,973**	—
More than four years, but not exceeding five years	**8,856**	—
More than five years	**36,890**	—
	266,491	52,250
Less: Amounts due within one year shown under current liabilities	**(26,592)**	(52,250)
Amounts shown under non-current liabilities	**239,899**	—

The exposure of the Group's fixed-rate and variable-rate borrowings and the contractual maturity dates are as follows:

	2012 *HK$'000*	2011 *HK$'000*
Fixed-rate borrowings:		
Within one year	**—**	52,250
More than one year, but not exceeding two years	**172,896**	—
	172,896	52,250
Variable-rate borrowings:		
Within one year	**26,592**	—
More than one year, but not exceeding two years	**6,406**	—
More than two years, but not exceeding three years	**6,878**	—
More than three years, but not exceeding four years	**7,973**	—
More than four years, but not exceeding five years	**8,856**	—
More than five years	**36,890**	—
	93,595	—

As at 31 December 2012, the Group's fixed-rate borrowings of HK$120,646,000 was secured by the entire equity interest of a subsidiary held by the Group and the Group's variable rate bank borrowing of HK$72,450,000 was secured by a corporate guarantee of a non-controlling shareholder of a newly acquired subsidiary. As at 31 December 2011, no borrowing is secured by any assets.

33. BORROWINGS *(Continued)*

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

	2012	2011
Effective interest rate:		
Fixed-rate borrowings	4.0%–7.2%	4.0%
Variable-rate borrowings	PRC Benchmark Loan Rate	n/a

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

	2012 *HK$'000*	2011 *HK$'000*
HK$	52,250	52,250

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

	2012 *HK$'000*	2011 *HK$'000*
Floating rate		
— expiring within one year	379,353	376,543
Fixed rate		
— expiring beyond one year	252,487	370,370
	631,840	746,913

34. CONVERTIBLE NOTES

On 11 December 2009, the Company issued convertible notes with principal amounts of HK$488,000,000 and HK$188,040,000 to Simple Success and Bright Good Limited ("Bright Good") respectively ("Simple Success Convertible Notes" and "Bright Good Convertible Notes" respectively and collectively referred to as "Convertible Notes I") to satisfy part of the consideration for the acquisition of Smartview in prior year. Simple Success is a substantial shareholder of the Company and Bright Good is an independent third party of the Group.

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

34. CONVERTIBLE NOTES *(Continued)*

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

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

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

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

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

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

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

The Convertible Notes II bear zero interest and will mature on 31 December 2012, the date on which any outstanding principal amount of the Convertible Notes II shall be redeemed at par if not converted before the maturity date. The Company is not entitled to redeem the Convertible Notes II at any time before the maturity date. Pursuant to the terms of Convertible Notes II, the Convertible Notes II may be assigned or transferred, in whole multiples of HK$1,000,000 of its outstanding principal amount, to any non-connected person of the Company as defined in the Listing Rules.

34. CONVERTIBLE NOTES *(Continued)*

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

The Convertible Notes I contain two components, liability and equity elements. The equity element is presented in equity heading "convertible notes equity reserve". The effective interest rate of the liability component for Convertible Notes I is 13.699% per annum. The Convertible Notes II contain the components, liability and conversion option derivative elements. The fair values of conversion option derivative element are insignificant at the date of issue and at the date of conversion. The effective interest rate of the liability component for Convertible Notes II was 13.65% per annum.

During the year ended 31 December 2012, there is no conversion of Convertible Note I. During the year ended 31 December 2011, Convertible Notes I with principal amounts of HK$224,600,000 and all Convertible Notes II with principal amounts of HK$80,500,000 were converted into 198,760,000 and 71,238,000 ordinary shares of the Company at the conversion price of HK$1.13 per share, respectively.

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

	Convertible Notes I *HK$'000*	Convertible Notes II *HK$'000*	Total *HK$'000*
Liability component			
At 1 January 2011	251,730	—	251,730
At date of issue	—	70,363	70,363
Effective interest charged to profit or loss (Note 10)	23,979	733	24,712
Transfer to equity upon conversion	(143,430)	(71,096)	(214,526)
At 31 December 2011	132,279	—	132,279
Effective interest charged to profit or loss (Note 10)	18,121	—	18,121
At 31 December 2012	150,400	—	150,400
Equity component			
At 1 January 2011	389,426	—	389,426
Transfer to equity on conversion	(228,664)	—	(228,664)
Deferred tax transferred upon conversion of convertible notes	13,394	—	13,394
At 31 December 2011 and 2012	174,156	—	174,156

At 31 December 2011 and 2012, Convertible Notes I with principal amounts of HK$177,000,000 and HK$16,000,000 remained outstanding with Beijing Capital HK and Winner Performance, respectively.

35. CONVERTIBLE BONDS/EMBEDDED DERIVATIVES

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

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

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

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

The conversion price for the Convertible Bonds I was adjusted to HK$2.4 per share on 23 May 2011 upon completion of the placing of shares as detailed in Note 37(a).

On 6 December 2011, the Company signed an agreement with Beijing Capital HK for the subscription of a convertible bond in the principal amount of HK$100,000,000 ("Convertible Bonds II"). The subscription money in the total sum of HK$100,000,000 shall be payable by two instalments of HK$50,000,000 each. The first instalment was paid on 11 September 2012 and the second instalment was paid on 31 December 2012.

The Convertible Bonds II can be converted into ordinary shares of the Company at HK$0.40 per share, subject to anti-dilutive adjustments. Beijing Capital HK shall have the rights to convert the whole or part of the outstanding principal amount of the Convertible Bonds II during the conversion period. The Convertible Bonds II bear zero interest and will mature on 31 December 2014.

The Convertible Bonds I and Convertible Bonds II contain two components for accounting purposes: a liability component and an embedded derivative component being the conversion options derivatives. The effective interest rate of the liability components is 15.85% per annum and 17.32% per annum, respectively. The conversion option derivative is measures at fair value with changes in fair value recognised in profit or loss.

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

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

	Convertible Bonds I *HK$'000*	Convertible Bonds II *HK$'000*	Total *HK$'000*
Liability component			
At 1 January 2011	133,867	—	133,867
Effective interest charged to profit or loss (Note 10)	21,216	—	21,216
At 31 December 2011	155,083	—	155,083
At date of issue	—	70,792	70,792
Effective interest charged to profit or loss (Note 10)	24,578	1,747	26,325
At 31 December 2012	179,661	72,539	252,200
Option component			
At 1 January 2011	11,701	—	11,701
Gain on fair value change of embedded derivatives	(3,241)	—	(3,241)
At 31 December 2011	8,460	—	8,460
At date of issue	—	29,208	29,208
Loss (gain) on fair value change of embedded derivatives	18,048	(1,564)	16,484
At 31 December 2012	26,508	27,644	54,152

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

The fair values of the embedded derivatives at 31 December 2011 and 2012 were determined by reference to a valuation conducted by a firm of independent valuers using Binomial Option Pricing Model. The inputs and methodology used for the calculation of the fair values of the embedded derivatives were as follows:

Convertible Bonds I	**31 December 2012**	31 December 2011
Share price	**HK$0.345**	HK$0.38
Risk-free rate	**0.117%**	0.594%
Time to maturity	**2.29 years**	3.29 years
Dividend yield	**0%**	0%
Volatility	**58.18%**	45.11%

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

Convertible Bonds II	31 December 2012	11 September 2012 (Issue date)
Share price	**HK$0.345**	HK$0.385
Risk-free rate	**0.117%**	0.20%
Time to maturity	**2 years**	2.3 years
Dividend yield	**0%**	0%
Volatility	**58.18%**	45.60%

36. DEFERRED TAXATION

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

	Accelerated tax depreciation *HK$'000*	Convertible notes *HK$'000*	Service concession arrangements *HK$'000*	Tax losses *HK$'000*	Total *HK$'000*
At 1 January 2011	(216)	(27,369)	(313)	216	(27,682)
Exchange realignment	—	—	(625)	—	(625)
Released upon conversion of convertible notes	—	13,394	—	—	13,394
Credit to profit or loss	—	3,956	—	—	3,956
At 31 December 2011	(216)	(10,019)	(938)	216	(10,957)
Exchange realignment	—	—	17	—	17
Released upon disposal of subsidiaries	216	—	—	(216)	—
Credit to profit or loss	—	2,869	—	—	2,869
At 31 December 2012	—	(7,150)	(921)	—	(8,071)

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

	2012 *HK$'000*	2011 *HK$'000*
Deferred tax liabilities	**(8,071)**	(10,957)

36. DEFERRED TAXATION *(Continued)*

The Group has unused tax losses of approximately HK$258,108,000 (2011: HK$314,926,000) available for offset against future profits. The deferred tax asset recognised in prior year in respect of tax loss of HK$1,305,000 was released upon the disposal during the year. No deferred tax asset has been recognised in respect of the tax losses of HK$258,108,000 (2011: HK$313,621,000) due to the unpredictability of future profit streams of the relevant subsidiaries. During the year ended 31 December 2012, unused unrecognised tax losses of approximately HK$102,545,000 were released upon disposal of subsidiaries. The tax loss arising from PRC subsidiaries of approximately RMB156,767,000 (2011: RMB161,912,000) can be carried forward for five years and will be expired during 2013 to 2017 (2011: 2012 to 2016). Other tax losses may be carried forward indefinitely.

At the end of the reporting period, the Group has deductible temporary differences of approximately HK$176,447,000 (2011: HK$144,855,000) in respect of impairment loss recognised on trade receivables, deposits, prepayments and other receivables and amount due from an investee. No deferred tax assets has been recognised in relation to such deductible temporary differences as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

37. SHARE CAPITAL

	Number of shares	Amount
		HK$'000
Ordinary shares of HK$0.1 each		
Authorised:		
At 1 January 2011 and 31 December 2011	2,000,000,000	200,000
Increase on 19 January	4,000,000,000	400,000
At 31 December 2012	6,000,000,000	600,000
Issued and fully paid:		
At 1 January 2011	1,010,535,039	101,053
Issue of shares under placement (Note (a))	202,022,000	20,202
Issue of shares (Note (b))	69,326,000	6,933
Conversion of convertible notes (Note (c))	269,998,000	27,000
At 31 December 2011	1,551,881,039	155,188
Issue of shares under placement (Note (d))	310,376,000	31,038
At 31 December 2012	1,862,257,039	186,226

Note:

The following changes in the share capital of the Company took place during the years ended 31 December 2012 and 2011:

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

37. SHARE CAPITAL *(Continued)*

Note: *(Continued)*

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

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

(d) During the year ended 31 December 2012, 127,244,000 and 183,132,000 ordinary shares of the Company were issued under placement at an issue price of HK$0.39 and HK$0.45 per share, respectively.

38. ACQUISITION OF SUBSIDIARIES

A wholly owned subsidiary of the Company acquired 90% equity interest in Duyun Kelin and 80% equity interest in Weng'an Kelin from Beijing Kelin Haohua Environment Technology Development Company Limited ("Haohua Environmental"), an independent third party, for consideration of approximately HK$36,941,000 and HK$20,895,000 on 23 November 2012 respectively. The acquisitions have been accounted for using purchase method. No goodwill arose from the acquisitions.

Consideration transferred

	Duyun Kelin *HK$'000*	Weng'an Kelin *HK$'000*	Total *HK$'000*
Cash	25,859	20,895	46,754
Other payables (Note)	11,082	—	11,082
	36,941	20,895	57,836

Note: The consideration is paid in January 2013.

Assets acquired and liabilities registered at the date of acquisitions are as follows:

	Duyun Kelin *HK$'000*	Weng'an Kelin *HK$'000*	Total *HK$'000*
Property, plant and equipment	1,216	—	1,216
Amounts due from grantors for contract work	130,916	39,980	170,896
Deposits, prepayments and other receivables	1,650	12,504	14,154
Bank balances and cash	892	23	915
Trade payables	(7,052)	—	(7,052)
Other payables and accruals	(13,663)	(26,388)	(40,051)
Tax payable	(101)	—	(101)
Borrowings	(72,813)	—	(72,813)
	41,045	26,119	67,164

38. ACQUISITION OF SUBSIDIARIES *(Continued)*

Non-controlling interest

The non-controlling interests of 10% in Duyun Kelin and 20% in Weng'an Kelin recognised at the acquisition date were measured by reference to the non-controlling interests' proportionate share of Duyun Kelin and Weng'an Kelin identifiable net assets and amounted to HK$4,104,000 and HK$5,224,000 respectively.

Net cash outflow on acquisition

	Duyun Kelin *HK$'000*	Weng'an Kelin *HK$'000*	Total *HK$'000*
Cash consideration paid	(25,859)	(20,895)	(46,754)
Bank balances and cash acquired	892	23	915
	(24,967)	(20,872)	(45,839)

Duyun Kelin and Weng'an Kelin contributed profit approximately HK$332,000 and loss approximately HK$46,000 to the Group's loss respectively for the period between the date of acquisition and 31 December 2012.

If the acquisition had been completed on 1 January 2012, total group revenue for the year would have been HK$26,061,000, and loss for the year ended 31 December 2012 would have been HK$142,985,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of the operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2012, nor is it intended to be a projection of future results.

39. DISPOSAL OF SUBSIDIARIES

On 2 December 2011, the Group entered into a disposal agreement to dispose of its wholly-owned subsidiaries, Hembly Garment and its subsidiary, Heng Hua, which were principally engaged in the trading of apparel and accessories, to an independent third party, for a cash consideration of approximately HK$12,000,000.

The disposal of Hembly Garment is conditional upon, among other things, the approval by shareholders at a general meeting of the Company. The disposal of Hembly Garment was approved by the shareholders at an extraordinary general meeting of the Company on 16 January 2012 and completed on 22 February 2012.

39. DISPOSAL OF SUBSIDIARIES *(Continued)*

The Group's share of net assets of Hembly Garment at the date of disposal and the effect of disposal are as follows:

	HK$'000
Net assets disposed of:	
Property, plant and equipment	326
Trade receivables	24,630
Other receivables	5,015
Amount due from a shareholder	28
Bank balances and cash	118
Trade payables	(7,388)
Accruals	(9,110)
Taxation payable	(2,520)
Obligations under finance leases	(59)
	11,040
Release of translation reserve	(3,607)
Gain on disposal of subsidiaries	4,567
Total consideration	12,000
Satisfied by:	
Cash	12,000
Net cash inflow arising on disposal:	
Cash consideration	12,000
Bank balances and cash disposed of	(118)
	11,882

The subsidiaries disposed of contributed no revenue to the Group and a profit of approximately HK$285,000 to the Group during the year ended 31 December 2012.

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

40. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2012, construction revenue of approximately HK$16,004,000 (2011: HK$19,857,000) was recognised in return for amounts due from grantors for contract work.

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

40. MAJOR NON-CASH TRANSACTIONS *(Continued)*

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

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

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

41. OPERATING LEASE COMMITMENT

The Group as lessee

	2012 *HK$'000*	2011 *HK$'000*
The Group made rental payment for properties under operating lease as follows:		
Minimum lease payments	3,996	2,710

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

	2012 *HK$'000*	2011 *HK$'000*
Within one year	3,382	4,469
In the second to fifth years	1,933	4,303
	5,315	8,772

Operating lease payments represent rentals payable by the Group for certain of its rented premises. Leases are negotiated for terms ranged from one to three years.

42. CAPITAL COMMITMENT

	2012 *HK$'000*	2011 *HK$'000*
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of		
— construction work under service concession arrangements	518,426	449,831

43. OTHER COMMITMENTS

On 18 October 2011, a wholly owned subsidiary of the Company entered into a tender agreement with Guangzhou City Management Committee, a governmental authority and acted together with Guangdong Environmental Engineering & Equipment General Corporation to set up a project company with a registered capital of not less than RMB97.87 million which is responsible for building and operating the Guangzhou Likeng Waste Treatment project under a BOT arrangement with a concessionary period of 25 years. 30% of the registered capital of the project company will be contributed by a wholly owned subsidiary of the Company. The tender agreement is effective at 31 December 2012. The capital of the project company has yet to be registered at 31 December 2012.

In August 2012, a subsidiary of the Company received a notice of successful tender from Hebei Province Tendering Company Limited (河北省成套招標有限公司) for a waste treatment project located in Xingtai, Hebei with concession period of 30 years ("Xingtai Project"). The total investment in Xingtai Project shall be approximately RMB330 million. As at 31 December 2012, the Xingtai Project is still pending for the final approval from the relevant PRC government authority.

At 31 December 2012, the Group is bounded by agreement to acquire the remaining equity interest of Duyun Kelin and Weng'an Kelin from Haohua Environmental with preliminary consideration of approximately HK$4.10 million and HK$5.22 million respectively. The date of the transfer has not yet been finalised.

44. CONTINGENT LIABILITIES

At 31 December 2012, the Group provided guarantees of approximately HK$18,148,000 (2011: approximately HK$22,716,000) to a bank in respect of banking facilities granted to an associate. The directors of the Company consider that the fair value of the financial guarantees at date of inception and at the end of the reporting period is insignificant.

45. RETIREMENT BENEFITS SCHEME

The Group operates a Mandatory Provident Fund Scheme ("MPF Scheme") for all qualifying employees in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of trustees. The Group makes monthly contribution at the lower of HK$1,000 from 1 January 2012 to 31 May 2012 and HK$1,250 from 1 June 2012 to 31 December 2012 (2011: HK$1,000) or 5% of the relevant payroll costs to the MPF Scheme.

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

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

During the year ended 31 December 2012, the pension scheme contributions made by the Group were approximately HK$3,049,000 (2011: HK$2,731,000).

46. SHARE OPTION SCHEME

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

At 31 December 2012, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 4,101,532 (2011: 15,068,805), representing 0.22% (2011: 0.97%) of the shares of the Company in issue at that date. The maximum number of shares which may be issued upon exercise of all outstanding share options must not exceed 30% of the issued share capital from time to time.

In addition, the total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue as at 13 July 2006, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK$5,000,000 must be approved in advance by the Company's shareholders.

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

46. SHARE OPTION SCHEME *(Continued)*

Details of specific categories of options are as follows:

Date of grant	Number of options	Adjusted number of options (Note)	Vesting period	Exercise period	Exercise price	Adjusted exercise price (Note)
18.8.2008	360,000	362,757	Nil	18.8.2008 to 17.8.2018	HK$1.57	HK$1.5581
	540,000	544,136	18.8.2008 to 17.8.2009	18.8.2009 to 17.8.2018	HK$1.57	HK$1.5581
	900,000	906,892	18.8.2008 to 17.8.2010	18.8.2010 to 17.8.2018	HK$1.57	HK$1.5581
11.11.2008	1,830,000	1,844,015	Nil	11.11.2008 to 10.11.2018	HK$0.36	HK$0.3592
	1,830,000	1,844,015	11.11.2008 to 10.11.2009	11.11.2009 to 10.11.2018	HK$0.36	HK$0.3592
	2,440,000	2,458,688	11.11.2008 to 10.11.2010	11.11.2010 to 10.11.2018	HK$0.36	HK$0.3592
6.9.2010	14,300,000	N/A	Nil	6.9.2010 to 5.9.2015	HK$0.501	N/A

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

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

Share options grant date	Outstanding at 1.1.2012	Granted during the year	Exercised during the year	Lapsed during the year (Note)	Outstanding at 31.12.2012
18.8.2008	1,009,956	—	—	(808,424)	201,532
11.11.2008	8,849	—	—	(8,849)	—
6.9.2010	14,050,000	—	—	(10,150,000)	3,900,000
	15,068,805	—	—	(10,967,273)	4,101,532
Exercisable at the end of the year	15,068,805				4,101,532
Weighted average exercise price	HK$0.57	N/A	N/A	HK$0.58	HK$0.55

46. SHARE OPTION SCHEME *(Continued)*

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

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

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

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

No expense is recognised for the year ended 31 December 2012 and 2011 in relation to share options granted by the Company.

47. RELATED PARTY TRANSACTIONS

During the year, in addition to the balances disclosed in Notes 27, 28, 31, 33, 34 and 35, the Group entered into the following significant transactions with related parties:

(i) The transactions and balances with government related entities are listed below:

The Group operates in an economic environment currently predominated by entities controlled, jointly controlled or significantly influenced by the PRC government ("government-related entities"). A substantial shareholder with significant influence to the Company, Beijing Capital HK, is a company incorporated in Hong Kong with limited liabilities, is ultimately controlled by the PRC government. The ultimate parent of Beijing Capital HK is Beijing Capital Group Co., Ltd, which is controlled by the State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality.

47. RELATED PARTY TRANSACTIONS *(Continued)*

(i) The transactions and balances with government related entities are listed below: *(Continued)*

(a) Transactions and balances with Beijing Capital HK and its subsidiary:

Name of the related parties	Nature of the transactions	2012 *HK$'000*	2011 *HK$'000*
Entity with significant influence over the Group:			
Beijing Capital HK	Interest expenses (Note)	6,050	—
	Rental expenses (Note)	960	400

Note: The interest and rentals were charged in accordance with the relevant agreements.

As at 31 December 2012, Beijing Capital HK has granted the Group a three-year term facility of RMB300,000,000 (approximately HK$373,134,000) as disclosed in Note 6.

Details of the outstanding balances with Beijing Capital HK are set out in Note 33.

(b) Transactions and balances with other government-related entities:

During the year ended 31 December 2012 and 2011, the Group recognised revenue from the services under service concession agreement approximately to HK$17,435,000 and HK$19,857,000 respectively under service concession arrangements with the local governments in PRC as disclosed in Note 22.

As at 31 December 2012 and 2011, the deposits paid for construction of infrastructure in service concession arrangements and trade receivable with the government related entities, Urban Construction Institute and Beijing Da Xing, are disclosed in the Notes 25 and 26 respectively.

The Group maintained most of its bank deposits in government-related financial institutions associated with the respective interest income received while banking facility of the Group obtained is also from a government-related financial institution.

Apart from the transactions with related parties disclosed above, the Group also conducts business with other government-related entities. The directors of the Company consider those government-related entities are independent third parties so far as the Group's business transactions with them are concerned.

In establishing its pricing strategies and approval process for transactions with other government-related entities, the Group does not differentiate whether the counter-party is a government-related entity or not.

47. RELATED PARTY TRANSACTIONS *(Continued)*

(ii) The transactions and balances with non government-related entities which are related to the Group are listed below:

Name of the related parties	Nature of the transactions	2012 HK$'000	2011 HK$'000
Associate:			
SZ Yueneng	Interest income (Note 1)	**1,376**	926
Substantial shareholder with significant influence:			
Simple Success	Interest expenses (Note 1)	**2,090**	1,045
Company controlled by a former director of the Company:			
ST (Note 2)	Sales of apparel	—	12,854

Note 1: The interest was charged in accordance with the relevant loan agreement.

Note 2: Mr. Ngok Yan Yu, a director and substantial shareholder of the Company with significant influence as at 31 December 2010, has controlling interest in ST. During the year ended 31 December 2011, Mr. Ngok Yan Yu resigned from his directorship of the Company and was not a key management personnel of the Group but still hold approximately 9.39% of the Company's share capital as at 31 December 2011. Hence, ST was not considered as related company to the Group as at 31 December 2011 in accordance with HKAS 24 Related Party Disclosure. The balance with ST as at 31 December 2011 was therefore included in trade receivables.

Details of the outstanding balances with SZ Yueneng and Simple Success are set out in Notes 28 and 33 respectively.

(iii) The remuneration of key management personnel during the year was as follows:

	2012 HK$'000	2011 HK$'000
Short-term benefits	**8,847**	7,067
Post-employment benefits	—	20
	8,847	7,087

48. PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries at 31 December 2012 and 2011 are as follows:

Name of subsidiaries	Place of incorporation/ registration	Issued and fully paid up share capital/registered capital	Proportion of nominal value of issued share capital/registered capital indirectly held by the Company 2012	2011	Principal activities
Hembly Garment (Note c)	Hong Kong	Ordinary shares HK$293,440,000	—	100%	Investment holding and trading of apparel and accessories
Heng Hua 恒華（南京）服裝有限公司 (Note b & c)	PRC	Registered capital RMB19,999,272	—	100%	Trading of apparel and accessories
Biomax Environmental Technology Limited	Hong Kong	Ordinary shares HK$100	100%	100%	Investment holding
Biomax Environment Technology Germany GmbH (Note b)	Germany	Registered capital EUR25,000	100%	100%	Provision of procurement and consulting services
Win Concept Enterprises Limited	Hong Kong	Ordinary shares HK$100	100%	100%	Provision of technical services
NC Biomax GE 南昌百瑪士綠色能源有限公司 (Note b)	PRC	Registered capital RMB150,000,000	100%	100%	Production and operating of factories for municipal solid waste treatment
Yangzhou Biomax Environmental Development Limited 揚州百瑪士環保產業發展有限公司 (Note b)	PRC	Registered capital US$40,000,000	100%	100%	Provision of technical services
Shanghai Environmental Biomax Investment Limited上海環境百瑪士投資有限公司 (Note b)	PRC	Registered capital RMB100,000,000	100%	100%	Provision of technical services
Biomax Environmental Technology (Shanghai) Company Limited 百瑪士環保科技(上海)有限公司 (Note b)	PRC	Registered capital US$5,400,000	100%	100%	Provision of consulting services
Beijing Yiqing Biomax Green Energy Park Company Limited 北京一清百瑪士綠色能源有限公司 (Note b)	PRC	Registered capital RMB80,845,000	60%	60%	Municipal solid waste recycling treatment
Biomax Environment Technology (Beijing) Company Limited 百瑪士環保科技(北京)有限公司 (Note b)	PRC	Registered capital US$400,000	100%	100%	Provision of consulting services
Duyun Kelin 都匀市科林環保有限公司 (Note a & b)	PRC	Registered capital RMB33,000,000	90%	—	Municipal solid waste treatment
Weng'an Kelin 瓮安縣科林環保有限公司 (Note a & b)	PRC	Registered capital RMB21,000,000	80%	—	Municipal solid waste treatment

Notes:

(a) These companies were acquired by the Group during the year ended 31 December 2012.

(b) These companies are wholly owned foreign enterprises.

(c) The company was disposed during the year ended 31 December 2012.

48. PRINCIPAL SUBSIDIARIES *(Continued)*

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

49. EVENT AFTER THE REPORTING PERIOD

The Company proposes to issue not less than 2,793,385,557 rights shares but not more than 2,918,276,793 rights shares at the subscription price of HK$0.20 per right share on the basis of three rights shares for every two existing shares in issue and held on 8 May 2013 or such other date as may be agreed between the Company and Beijing Capital HK, being the underwriter of the rights issue ("Rights Issue"). The proposed Rights Issue is intended to raise not less than approximately HK$558.7 million but not more than approximately HK$583.7 million, before expenses. Details of the Rights Issue are set out in the Company's announcement ("Announcement") dated 11 March 2013. The Rights Issue is conditional upon the fulfillment of the conditions set out under the sub-section headed "Conditions of the Rights Issue" of the Announcement. The Rights Issue is still in progress up to the issue of these consolidated financial statements.

50. SUMMARY FINANCIAL INFORMATION OF THE COMPANY

	NOTES	2012 HK$'000	2011 HK$'000 (restated)
NON-CURRENT ASSETS			
Property, plant and equipment		183	248
Amounts due from subsidiaries		180,339	222,690
Investments in subsidiaries		55,520	5,889
		236,042	228,827
CURRENT ASSETS			
Deposit, prepayment and other receivables		206	2,625
Bank balances and cash		183,350	27,000
		183,556	29,625
CURRENT LIABILITIES			
Other payables and accruals		7,275	6,661
Borrowing		—	52,250
		7,275	58,911
NET CURRENT ASSETS (LIABILITIES)		176,281	(29,286)
TOTAL ASSETS LESS CURRENT LIABILITIES		412,323	199,541
NON-CURRENT LIABILITIES			
Convertible bonds	35	252,200	155,083
Embedded derivatives	35	54,152	8,460
Borrowings		52,250	—
		358,602	163,543
NET ASSETS		53,721	35,998
CAPITAL AND RESERVES			
Share capital	37	186,226	155,188
Reserves (Note)		(132,505)	(119,190)
TOTAL EQUITY		53,721	35,998

50. SUMMARY FINANCIAL INFORMATION OF THE COMPANY *(Continued)*

Note:

Movement of reserves

	Share premium HK$'000	Share options reserve HK$'000	Convertible notes equity reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2011	953,917	1,685	389,426	(1,383,667)	(38,639)
Loss for the year	—	—	—	(355,001)	(355,001)
Total comprehensive expense for the year	—	—	—	(355,001)	(355,001)
Issue of shares (Note 37(a))	60,607	—	—	—	60,607
Issue shares upon redemption of promissory notes (Note 37(b))	15,252	—	—	—	15,252
Share issuance expenses	(2,329)	—	—	—	(2,329)
Issue of shares upon conversion of convertible notes	416,190	—	(228,664)	—	187,526
Deferred tax transferred upon conversion of convertible notes	—	—	13,394	—	13,394
At 31 December 2011	1,443,637	1,685	174,156	(1,738,668)	(119,190)
Loss for the year	—	—	—	(111,897)	(111,897)
Total comprehensive expense for the year	—	—	—	(111,897)	(111,897)
Issue of shares (Note 37(d))	100,996	—	—	—	100,996
Share issuance expense	(2,414)	—	—	—	(2,414)
Lapse of share options	—	(1,458)	—	1,458	—
At 31 December 2012	1,542,219	227	174,156	(1,849,107)	(132,505)

Financial Summary

	For the year ended 31 December				
	2008	2009	2010	2011	**2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
RESULTS					
Revenue (continuing and discontinued operation)	1,356,445	822,693	713,729	49,001	**17,609**
Profit (loss) attributable to owners of the Company	7,798	(978,257)	(742,303)	(325,504)	**(147,054)**
ASSETS AND LIABILITIES					
Total assets	1,644,243	1,938,193	839,599	681,121	**1,057,327**
Total liabilities	(1,061,973)	(1,431,696)	(768,120)	(618,391)	**(1,006,110)**
	582,270	506,497	71,479	62,730	**51,217**
Equity attributable to owners of the Company	591,146	465,792	68,147	81,438	**60,748**
Non-controlling interests	(8,876)	40,705	3,332	(18,708)	**(9,531)**
	582,270	506,497	71,479	62,730	**51,217**

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FSC™ 標誌表示產品所含的木料及原纖維源自負責任的森林資源，該等森林已獲得 Forest Stewardship Council™ 的規例認證。