China Environmental Energy Investment Limited

中國環保能源投資有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 986)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2011

ANNUAL RESULTS

The board (the "Board") of directors (the "Directors") of China Environmental Energy Investment Limited (the "Company") announces the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2011 together with the comparative figures for the year ended 31 March 2010 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2011

	Notes	**2011** ***HK$'000***	2010 *HK$'000* (restated)
Continuing Operations			
Turnover	*3*	**53,455**	61,883
Cost of sales		**(42,206)**	(49,493)
Gross profit		**11,249**	12,390
Other income	*5*	**3,526**	3,564
Gain on disposal of property, plant and equipment		**49,800**	–
Selling and distribution expenses		**(1,932)**	(2,140)
Administrative expenses		**(34,106)**	(23,121)
Finance costs	*6*	**(2,700)**	(2,806)
Profit/(loss) before taxation	*7*	**25,837**	(12,113)
Taxation	*8*	**(4,012)**	(74)
Profit/(loss) for the year from continuing operations		**21,825**	(12,187)
Discontinued Operations			
Loss for the year from discontinued operations	*9*	**(25,269)**	(27,776)
Loss for the year		**(3,444)**	(39,963)

* *For identification purposes only*

	Notes	2011 *HK$'000*	2010 *HK$'000* (restated)
Loss for the year attributable to owners of the Company:–			
Loss for the year from discontinued operations		**(25,269)**	(27,776)
Profit/(loss) for the year from continuing operations		**21,825**	(12,187)
Loss for the year attributable to owners of the Company		**(3,444)**	(39,963)
Exchange difference arising on translation of foreign operations and other comprehensive income for the year		**9,197**	1,142
Total comprehensive income/(expenses) for the year attributable to owners of the Company		**5,753**	(38,821)
Dividends	*10*	**–**	–
Earnings/(loss) per share	*11*		
From continuing and discontinued operations			
Basic		**HK(3.77) Cents**	HK(44.99) Cents
Diluted		**N/A**	N/A
From continuing operations			
Basic		**HK23.88 Cents**	HK(13.72) Cents
Diluted		**HK22.83 Cents**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2011

	Notes	2011 HK$'000	2010 HK$'000 (restated)
NON-CURRENT ASSETS			
Property, plant and equipment		**18,898**	67,199
Investment properties		**9,380**	6,960
Prepaid lease payments		**1,052**	14,800
Available for sale investment		**172,888**	–
		202,218	88,959
CURRENT ASSETS			
Inventories		**6,449**	14,722
Trade and bills receivables	*12*	**4,503**	11,721
Other receivables, prepayments and deposits paid	*13*	**158,124**	49,070
Financial assets at fair value through profit or loss		**62**	47
Pledged bank deposits		**2,029**	12,041
Bank balances and cash		**1,237**	5,618
		172,404	93,219
CURRENT LIABILITIES			
Trade and bills payables	*14*	**8,807**	21,917
Other payables and accruals		**28,699**	17,071
Bank and other borrowings		**46,980**	86,833
Obligations under finance leases		**–**	65
Tax payable		**4,097**	904
Convertible notes		**8,849**	–
		97,432	126,790

	Notes	2011 HK$'000	2010 HK$'000 (restated)
NET CURRENT ASSETS/(LIABILITIES)		**74,972**	(33,571)
TOTAL ASSETS LESS CURRENT LIABILITIES		**277,190**	55,388
NON-CURRENT LIABILITIES			
Bank and other borrowings		**–**	11,543
		–	11,543
NET ASSETS		**277,190**	43,845
CAPITAL AND RESERVES			
Share capital		**117**	50,272
Reserves		**277,073**	(6,427)
		277,190	43,845

NOTES:

1. GENERAL INFORMATION

The Company was incorporated in Bermuda as an exempted company with limited liability under the Companies Act of Bermuda. The Company's shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Other than those operating subsidiaries established in The People's Republic of China (the "PRC") and Thailand engaging principally in trading and manufacture of printed circuit boards ("PCBs"), laminates and copper foils, whose functional currencies are Renminbi ("RMB") and Thailand Baht ("Baht") respectively, the functional currency of the Group is Hong Kong dollars ("HK$"). The consolidated financial statements are presented in HK$.

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

New and revised standards, amendments and interpretations applied in the current year

In the current year, the Group and the Company have applied the following new and revised standards, amendments and interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (as revised in 2008)	Business Combinations
HKAS 27 (as revised in 2008)	Consolidated and Separate Financial Statements
HKAS 32 (Amendment)	Classification of Rights Issues
HKAS 39 (Amendment)	Eligible Hedged Items
HK (IFRIC) – Interpretation ("INT") 17	Distributions of Non-cash Assets to Owners
HK (IFRIC) – INT 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008

Except as described below, the application of the new and revised standards, amendments and interpretations in the current year has had no material effect on the amounts reported and/or disclosures set out in the Group's consolidated financial statements and the Company's statement of financial position.

Hong Kong Interpretation 5 "Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause"

Hong Kong Interpretation 5 "Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause" ("HK – Int 5") clarifies that term loans that include a clause that gives the lender the unconditional right to call the loans at any time ("repayment on demand clause") should be classified by the borrower as current liabilities. The Group has applied HK – Int 5 for the first time in the current year. HK – Int 5 requires retrospective application.

In order to comply with the requirements set out in HK – Int 5, the Group has changed its accounting policy on classification of term loans with a repayment on demand clause. In the past, the classification of such term loans were determined based on the agreed scheduled repayment dates set out in the loan agreements. Under HK – Int 5, term loans with a repayment on demand clause are classified as current liabilities.

As a result, bank loans that contain a repayment on demand clause with the aggregate carrying amounts of HK$8,957,000 and HK$8,995,000 have been reclassified from non-current liabilities to current liabilities at 31 March 2009 and 31 March 2010 respectively. At 31 March 2011, there is no bank loan that is repayable more than one year after the end of the reporting period but contains a repayment on demand clause.

The application of HK – Int 5 has had no impact on the reported profit or loss for the current and prior years.

Summary of the effect of the changes in accounting polices

The effects of changes in accounting policies described above on the financial position at 31 March 2009 and 31 March 2010 are as follows:

	31.3.2009 (originally stated)	Re-classification	31.3.2009 (restated)	**31.3.2010 (originally stated)**	**Re-classification**	**31.3.2010 (restated)**
	HK$'000	*HK$'000*	*HK$'000*	***HK$'000***	***HK$'000***	***HK$'000***
Bank borrowings due within one year	59,000	8,957	67,957	**77,838**	**8,995**	**86,833**
Bank borrowings due after one year	22,622	(8,957)	13,665	**20,538**	**(8,995)**	**11,543**

New and revised standards, amendments and interpretations issued but not yet effective.

The Group and the Company have not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective:

HKFRSs (Amendments)	Improvements to HKFRSs Issued in 2010[1]
HKFRS 7 (Amendments)	Disclosures – Transfers of financial assets[4]
HKFRS 9	Financial Instruments[6]
HKFRS 10	Consolidated Financial Statements[6]
HKFRS 11	Joint Arrangements[6]
HKFRS 12	Disclosure of interests in Other Entities[6]
HKFRS 13	Fair Value Measurement[6]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[5]
HKAS 24 (as revised in 2009)	Related party disclosures[3]
HKFRS 27 (2011)	Separate Financial Statements[6]
HKFRS 28 (2011)	Investments in Associates and Joint Ventures[6]
HK (IFRIC) – Interpretation ("INT") 14 (Amendments)	Prepayments of a Minimum Funding Requirement[3]
HK (IFRIC) – INT 19	Extinguishing Financial Liabilities with Equity Instruments[2]

[1] *Amendments that are effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate.*

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

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

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

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

[6] *Effective for annual periods beginning on or after 1 January 2013*

HKFRS 9 "Financial instruments" (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 "Financial instruments" (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 "Financial instruments: Recognition and measurement" are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liabilities that is attributable to changes in the credit risk of that liabilities is presented in other comprehensive income, unless the presentation of the effects of changes in the liabilities credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liabilities credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liabilities designated as at fair value through profit or loss was presented in profit or loss.

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

The directors anticipate that HKFRS 9 will be adopted in the Group's consolidated financial statements and the Company's financial statements for the financial year ending 31 March 2014. Based on the Group's and the Company's financial assets and financial liabilities at 31 March 2011, the Directors anticipate that the application of the new standard will affect the classification and measurement of the Group's and the Company's available-for-sale investments and may affect the classification and measurement of other financial assets. At the date of this announcement, the directors are in the process of assessing the potential financial impact.

The amendments to HKFRS 7 titled "Disclosures – Transfers of Financial Assets" increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the assets. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period. The directors do not anticipate that these amendments to HKFRS 7 will have a significant effect on the Group's and the Company's disclosures regarding transfers of advances previously effected.

The directors anticipate that the application of other new and revised standards, amendments or interpretations will have no material impact on the Group's consolidated financial statements and the Company's statement of financial position.

3. TURNOVER

The Group's turnover represents the net invoiced value of goods sold, after allowances and trade discounts.

The amounts of each significant category of revenue during the year are as follows:

	Continuing Operations		Discontinued Operations		Total	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Sales of laminates	**3,595**	17,039	**1,097**	4,875	**4,692**	21,914
Sales of printed circuit boards	**49,860**	44,844	**–**	–	**49,860**	44,844
Sales of copper foils	**–**	–	**4,266**	2,284	**4,266**	2,284
Total	**53,455**	61,883	**5,363**	7,159	**58,818**	69,042

4. SEGMENT INFORMATION

(a) Business segments

The Group's operating and reportable segments under HKFRS 8 which are based on the types of products manufactured are as follows:

Continuing Operations

Trading of laminates: trading of industrial laminates mainly for use in the manufacture of telecommunications, computer-related products, audio and visual household products; and

Manufacture and trading of PCBs: manufacture and trading of printed circuit boards mainly for use in the manufacture of audio and visual household products.

Discontinued Operations

Manufacture of laminates: manufacture of industrial laminates; and

Manufacture and trading of copper foils: manufacture and trading of copper foils mainly for use in the manufacture of industrial laminates and PCBs.

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

For the year ended 31 March 2011

	Continuing Operations			Discontinued Operations			
	Trading of laminates	Manufacture and trading of PCBs	Sub-total	Manufacture of laminates	Manufacture and trading of copper foils	Sub-total	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:							
Sales to external customers	3,595	49,860	53,455	1,097	4,266	5,363	58,818
Intersegment sales	–	–	–	16,445	1,834	18,279	18,279
Elimination	–	–	–	(16,445)	(1,834)	(18,279)	(18,279)
Total	3,595	49,860	53,455	1,097	4,266	5,363	58,818
Segment results	(497)	(3,253)	(3,750)	(9,776)	(7,475)	(17,251)	(21,001)
Bank interest income			6			–	6
Loss on disposal of subsidiaries			–			(7,001)	(7,001)
Gain on disposal of property, plant and equipment			49,800			14	49,814
Fair value changes in financial assets at fair value through profit or loss			15			–	15
Increase in fair value of investment properties			2,420			–	2,420
Other unallocated income			1,085			–	1,085
Unallocated expenses			(21,039)			(724)	(21,763)
Finance costs			(2,700)			(307)	(3,007)
Profit/(loss) before taxation			25,837			(25,269)	568

For the year ended 31 March 2010

	Continuing Operations			Discontinued Operations			
	Trading of laminates	Manufacture and trading of PCBs	Sub-total	Manufacture of laminates	Manufacture and trading of copper foils	Sub-total	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				Restated	Restated		
Segment revenue:							
Sales to external customers	17,039	44,844	61,883	4,875	2,284	7,159	69,042
Intersegment sales	–	–	–	10,694	6,539	17,233	17,233
Elimination	–	–	–	(10,694)	(6,539)	(17,233)	(17,233)
Total	17,039	44,844	61,883	4,875	2,284	7,159	69,042
Segment results	(11,727)	2,577	(9,150)	(16,021)	(11,681)	(27,702)	(36,852)
Bank interest income			47			1	48
Gain on disposal of investment properties held for sale			1,688			–	1,688
Fair value changes in financial assets at fair value through profit or loss			19			–	19
Increase in fair value of investment properties			1,090			–	1,090
Other unallocated income			767			833	1,600
Unallocated expenses			(3,768)			–	(3,768)
Finance costs			(2,806)			(610)	(3,416)
Loss before taxation			(12,113)			(27,478)	(39,591)

Segment assets and liabilities

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

As at 31 March 2011

	Continuing Operations			**Discontinued Operations**			
	Trading of laminates	**Manufacture and trading of PCBs**	**Sub-total**	**Manufacture of laminates**	**Manufacture and trading of copper foils**	**Sub-total**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Assets and liabilities:							
Segment assets	**11,774**	**33,170**	**44,944**	**–**	**–**	**–**	**44,944**
Unallocated assets			**329,678**			**–**	**329,678**
Consolidated total assets			**374,622**			**–**	**374,622**
Segment liabilities	**38,059**	**25,264**	**63,323**	**–**	**–**	**–**	**63,323**
Unallocated liabilities			**34,109**			**–**	**34,109**
Consolidated total liabilities			**97,432**			**–**	**97,432**

As at 31 March 2010

	Continuing Operations			Discontinued Operations			
	Trading of laminates	Manufacture and trading of PCBs	Sub-total	Manufacture of laminates	Manufacture and trading of copper foils	Sub-total	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Assets and liabilities:							
Segment assets	35,023	48,865	83,888	14,355	13,884	28,239	112,127
Unallocated assets			52,840			17,211	70,051
Consolidated total assets			136,728			45,450	182,178
Segment liabilities	15,521	11,332	26,853	5,893	3,513	9,406	36,259
Unallocated liabilities			93,085			8,989	102,074
Consolidated total liabilities			119,938			18,395	138,333

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

- all assets are allocated to reportable segments other than certain pledged bank deposits, bank balances and cash, investment properties, available for sale investment, financial assets at fair value through profit or loss, other receivables, prepayments and deposits paid, and assets used jointly by reportable segments.

- all liabilities are allocated to reportable segments other than certain bank and other borrowings, obligations under finance leases, tax payable and liabilities for which reportable segments are jointly liable.

(b) Geographical information

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

The following table provides an analysis of the Group's revenue by geographic markets, irrespective of the origin of customers:

	Hong Kong		PRC		Europe		Others		Consolidated	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:										
Sales to external customers	**26,142**	24,724	**5,364**	5,738	**20,547**	32,167	**6,765**	6,413	**58,818**	69,042

The following is an analysis of the carrying amount of non-current assets analysed by the geographical areas in which the assets of the Group are located:

	Hong Kong		PRC		Others		Consolidated	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Other segment information:								
Non-current assets	**182,555**	28	**19,663**	77,356	**–**	11,575	**202,218**	88,959

5. OTHER INCOME

	Continuing Operations		Discontinued Operations		Total	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
		(restated)		(restated)		(restated)
Sale of scrap materials	**170**	332	**–**	618	**170**	950
Bank interest income	**6**	47	**–**	1	**6**	48
Rental income	**204**	129	**–**	–	**204**	129
Foreign exchange gain, net	**–**	42	**–**	1,212	**–**	1,254
Gain on disposal of investment properties held for sale	**–**	1,688	**–**	–	**–**	1,688
Fair value change in financial assets at fair value through profit or loss	**15**	19	**–**	–	**15**	19
Increase in fair value of investment properties	**2,420**	1,090	**–**	–	**2,420**	1,090
Others	**711**	217	**1,413**	–	**2,124**	217
	3,526	3,564	**1,413**	1,831	**4,939**	5,395

6. FINANCE COSTS

	Continuing Operations		Discontinued Operations		Total	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Interest expenses on:						
Bank and other borrowings wholly repayable within five years	**1,889**	2,513	**307**	610	**2,196**	3,123
Bank and other borrowings wholly repayable over five years	**–**	221	**–**	–	**–**	221
Factoring arrangement	**84**	45	**–**	–	**84**	45
Obligations under finance leases repayable within five years	**–**	27	**–**	–	**–**	27
Imputed interest on convertible notes	**727**	–	**–**	–	**727**	–
	2,700	2,806	**307**	610	**3,007**	3,416

7. PROFIT/(LOSS) BEFORE TAXATION

The Group's profit/(loss) before taxation is arrived at after charging/(crediting):

	Continuing Operations		Discontinued Operations		Total	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
		(restated)		(restated)		
Auditors' remuneration	**674**	623	**47**	231	**721**	854
Amortisation of prepaid lease payments	**121**	243	**29**	184	**150**	427
Cost of inventories recognised as an expense	**42,206**	40,106	**19,365**	41,647	**61,571**	81,753
Depreciation of property, plant and equipment	**3,769**	3,723	**11,272**	9,884	**15,041**	13,607
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties	**43**	16	**–**	–	**43**	16
Impairment loss recognised in respect of trade receivables	**3,419**	981	**–**	–	**3,419**	981
Impairment loss recognised in respect of other receivables	**–**	30	**–**	–	**–**	30
Write down of inventories (included in cost of sales)	**–**	–	**–**	1,001	**–**	1,001
Reversal of allowance on inventories (included of cost of sales)	**–**	–	**–**	(3,224)	**–**	(3,224)
Operating lease rentals in respect of rented premises	**1,083**	360	**–**	–	**1,083**	360
Loss on disposal of property, plant and equipment	**1,153**	618	**–**	–	**1,153**	618

8. TAXATION

	Continuing Operations		Discontinued Operations		Total	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
		(restated)		(restated)		
Hong Kong Profits Tax						
Underprovision in previous year	**–**	74	**–**	–	**–**	74
Overseas taxation						
Current year	**4,012**	–	**–**	298	**4,012**	298
Tax charge for the year	**4,012**	74	**–**	298	**4,012**	372

Hong Kong Profits Tax

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Company and its subsidiaries which operate in Hong Kong had no assessable profits for both years.

Overseas income tax

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and implementation regulation of the EIT Law, the tax rate of subsidiaries of the Company in the PRC is 25%.

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

9. DISCONTINUED OPERATIONS

During the year, the Group discontinued its businesses of manufacture of laminates ("Laminate Business") and of manufacture and trading of copper foils ("Copper Foils Business") on 18 January 2011.

	1.4.2010 to 18.1.2011	1.4.2009 to 31.3.2010
	HK$'000	*HK$'000*
Loss of laminates business for the period/year	**(10,496)**	(22,828)
Loss of copper foils business for the period/year	**(7,772)**	(4,948)
	(18,268)	(27,776)
Loss on disposal of subsidiaries	**(7,001)**	–
	(25,269)	(27,776)

The results of laminates business and copper foil business are analysed below:

	1.4.2010 to 18.1.2011	1.4.2009 to 31.3.2010
Turnover	**5,363**	7,159
Cost of sales	**(19,365)**	(30,037)
Gross loss	**(14,002)**	(22,878)
Other income	**1,413**	1,831
Gain on disposal of property, plant and equipment	**14**	–
Selling and distribution expenses	**(661)**	(838)
Administrative expenses	**(4,725)**	(4,983)
Finance costs	**(307)**	(610)
Loss before taxation	**(18,268)**	(27,478)
Taxation	**–**	(298)
Loss for the year	**(18,268)**	(27,776)
Loss for the year attributable to owners of the Company	**(18,268)**	(27,776)

10. DIVIDENDS

No dividend was paid or proposed during the year ended 31 March 2011, nor has any dividend been proposed since the end of reporting period (2010: Nil).

11. EARNINGS/(LOSS) PER SHARE

From continuing and discontinued operations

The calculation of the basic loss per share is based on the loss attributable to owners of the Company of approximately HK$3,444,000 (2010: HK$39,963,000) and on the weighted average ordinary shares of 91,395,598 (2010: 88,833,297) in issue during the year.

The weighted average number of ordinary share for the purpose of basic earnings/(loss) per share has been adjusted for the consolidation of shares of the Company and the right issues made during the year and/or up to the date of approval of the consolidated financial statements.

Diluted earnings/loss per share is not presented because the Group sustained a loss for the year and the impact of conversion of convertible notes and exercise of share, if any, options is regarded as anti-dilutive.

From continuing operations

	THE GROUP	
	2011	2010
	HK$'000	*HK$'000*
Loss for the year attributable to owners of the Company	**(3,444)**	(39,963)
Loss for the year from discontinued operations	**(25,269)**	(27,776)
Earnings/(loss) from continuing operations for the purpose of basic earnings/(loss) per share	**21,825**	(12,187)
Effect of dilutive potential ordinary shares:		
Imputed interest on convertible notes	**–**	–
Earnings/(loss) for the purpose of diluted earnings/(loss) per share	**21,825**	N/A

	2011	2010
	Shares	*Shares*
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings/(loss) per share	**91,395,598**	88,833,297
Effect of dilutive potential ordinary shares:		
Convertible notes	**4,220,890**	–
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**95,616,488**	N/A

The computation of diluted earnings per share for the current year does not assume the conversion of certain convertible notes of the Company since their exercise would result in an increase in profit per share from continuing operations.

Diluted loss per share for the year ended 31 March 2010 were not presented because the impact of the exercise of share options was anti-dilutive.

12. TRADE AND BILLS RECEIVABLES

	2011	2010
	HK$'000	*HK$'000*
Trade receivables	**8,429**	12,732
Less: impairment loss recognised	**(3,926)**	(1,249)
	4,503	11,483
Bills receivables	**–**	238
	4,503	11,721

Bills receivables are aged with 90 days from the invoice date.

The Group has a policy of allowing credit period ranging from 3 to 6 months to its trade customers. In addition, for certain customers with long-established relationship and good past repayment history, a longer credit period may be granted. The Group does not hold any collateral over the balances.

An aged analysis of trade and bills receivables net of impairment loss recognised at the end of reporting period, based on the invoice date, is as follows:

	2011	2010
	HK$'000	*HK$'000*
Within 3 months	**3,170**	8,231
4 to 6 months	**478**	792
Over 6 months	**855**	2,698
	4,503	11,721

13. OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS PAID

Included in other receivables, prepayments and deposits paid as at 31 March 2011 are refundable deposits paid for a potential very substantial of acquisition of recycling business of HK$96,000,000 and receivable of RMB50,005,330 arising from the disposal of Suzhou land and factory.

14. TRADE AND BILLS PAYABLES

An aged analysis of the trade creditors at the end of reporting period, based on the invoice date, is as follows:

	2011	2010
	HK$'000	*HK$'000*
Within 3 months	**5,281**	6,635
4 to 6 months	**1,459**	3,171
Over 6 months	**2,067**	12,111
	8,807	21,917

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is an extract from the independent auditor's report on the consolidated financial statements of the Group for the year ended 31 March 2011.

Basis of Disclaimer of Opinion

We were appointed as auditor of the Company in April 2011. The consolidated financial statements for the year ended 31 March 2010 have been audited by the predecessor auditor. The auditor's report issued by the predecessor auditor contained a disclaimer opinion regarding, inter alia, the inability to determine whether the income, expenses, assets and liabilities and related disclosures relating to a significant subsidiary of the Company included in the consolidated financial statements for that year have been accurately recorded and properly accounted for in the consolidated financial statements. Our opinion on the current year's consolidated financial statements is also modified because of the possible effect of this matter on the current year's figures and the corresponding prior year's figures included in the consolidated financial statements.

Further, in the absence of the relevant accounting records and supporting documents, we are unable to determine whether the opening balances of the Group's assets and liabilities and accumulated losses at 1 April 2010 are accurately brought forward from the last accounting period. This has caused us not able to determine whether these assets, liabilities and accumulated losses and the related disclosures have been accurately recorded and accounted for in the consolidated financial statements.

Any adjustments that might have been found to be necessary to the opening balances of the Group's assets, liabilities and accumulated losses at 1 April 2010 may affect the results of the Group for the years ended 31 March 2011 and 2010 and the related disclosures in the consolidated financial statements.

Disclaimer of opinion

Because of the significance of the matters described in the basis for disclaimer of opinion section, we do not express an opinion on the consolidated financial statements as to whether they give a true and fair view of the state of affairs of the Group as at 31 March 2011 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS

Consolidated turnover of the Group for the year ended 31 March 2011 was HK$58,818,000, representing a 14.8% decline as compared with HK$69,042,000 of the previous year. Operating loss of the Group was HK$3,444,000, which included gain of HK$49,800,000 on disposal of land and buildings in the Suzhou subsidiary in Mainland China and loss of HK$7,001,000 on disposal of sustained loss-incurring subsidiaries in the Group. Excluding the results of the above disposals, the Group experienced a loss of HK$46,243,000 as compared to HK$39,963,000 of the previous year.

As reflected in the trends and results of the current year, operating loss has arisen from the unfavourable operating environment, in particular the environment for the laminate division. Decrease in market demand and increase in raw material costs overall during the year imposed great pressure on the Group's operations. The Group has continued to implement a number of measures to minimize operating costs while maintaining an adequate production level, and at the same time, looking for further business opportunities to diversify the business of the Group, streamline the business and dispose of non-profitable and sustained loss-incurring operating units.

Trading and manufacturing of printed circuit boards ("PCBs")

For the year ended 31 March 2011, the PCB division recorded a turnover of HK$49,860,000 (2010: HK$44,844,000), which accounted for approximately 85% of the Group's total turnover and represented an increase of 11% as compared to the previous year. Increase in turnover was attributable to increase in market demand in the PCB market.

The Group had placed greater focus on the PCB business in the year under review. Although the PCB market had not been picking up generally, the Group still achieved an increase in turnover. With attendance at trade shows and launch of more aggressive marketing and promotion campaigns, new customers have been attracted to the Group. With the increase in turnover, the profitability of the Group's PCB business is expected to be improved.

Trading and manufacturing of industrial laminates

During the year under review, the industrial laminate business achieved a turnover of HK$4,692,000 (2010: HK$21,914,000), representing approximately 8% of the Group's total turnover and a decrease of 79% as compared to the previous year.

The industrial laminate division continued to sustain losses due to strong competition and weak market demand. Sales orders for the year persistently decreased.

The industrial laminate operation in Suzhou, Mainland China during the year under review remained idle and the management disposed of the Suzhou land and factory in March 2011. Sale proceeds were received subsequently in May 2011 and used for repayment of directors' loans, bank loans and other borrowings.

Connected transaction

On 28 June 2010, the Group entered into the following agreements and transactions: (1) Sale and Purchase Agreement in relation to the disposal of substantial loss-incurring subsidiaries manufacturing and trading in industrial laminates and copper foils, with a company named Nature Ample Limited which is wholly owned by one of the Company's directors, namely Mr. Lau Chung Yim, at a consideration of HK$28 million; (2) Master Supply Agreement with the above-mentioned disposed group (the "Disposed Group") in relation to the Group's purchase of industrial laminates from the Disposed Group for a term commencing from the completion of the disposal of the Disposed Group (the "Disposal") up to 31 March 2012 (with the maximum purchase amounts of HK$4,000,000 and HK$15,000,000 for the period ended 31 March 2011 and for the year ending 31 March 2012, respectively) so as to ensure that the Group has a steady supply of laminates for trading in the market; and (3) continued provision of financial assistance by the Company to the Disposed Group by way of loans advances up to a maximum amount of HK$25,000,000 and by way of corporate guarantee executed on 11 February 2004 in favour of Bangkok Bank Public Company Limited in respect of borrowing by Bangkok Industrial Laminate Limited (a member of the Disposed Group) up to a maximum principal amount of Baht 70,000,000 after the completion of the Disposal. The Disposal incurred a loss of HK$7 million for the Group.

Investment in electric car battery business

On 16 July 2010, the Company entered into an agreement pursuant to which the Company conditionally agreed to acquire 9.9% of the issued share capital of Swift Profit International Limited ("Swift Profit") at a consideration of HK$170,000,000. Swift Profit is exclusively licensed to apply the technology for the manufacturing of electric car battery. Completion of the acquisition took place on 29 December 2010 and HK$99 million of the consideration was settled in convertible notes and the balance in cash.

Under the business model of Swift Profit, it will receive a royalty fee of 12% from Zhongsheng Dongli New Energy Investment Limited ("Zhongsheng") on sale of multi-element polymer battery to the market without bearing any production cost or capital expenditure. Zhongsheng has already secured orders from automotive manufacturers for 200 electric vehicles. Based on the secured orders from automotive manufacturers, it is estimated that 3,000 sets of the multi-element polymer battery will be sold to these automotive manufacturers in 2012. The electric car battery business has generated revenue of approximately HK$21 million to Swift Profit in the first quarter of 2011. The Board is of the view that the electric car battery business will be developed into a sustainable income source for the Group.

Proposed recycling business acquisition

On 19 November 2010, the Company entered into a framework agreement with four parties in relation to a possible acquisition of 80% of the issued share capital of Ideal Market Holdings Limited. Ideal Market Holdings Limited indirectly holds Suzhou Baina Renewable Resources Co., Ltd ("Suzhou Baina") which is principally engaged in the recycling business of waste paper, scrap metal and consumable waste. As announced on 9 May 2011, the Company entered into a Sale and Purchase Agreement, pursuant to which the Company, as the purchaser, conditionally agreed to acquire the sale shares and the sale loans at the consideration of HK$850 million. The sale shares represent 80% of the issued share capital of Ideal Market Holdings Limited. The Company has paid HK$270,000,000 in total as purchase deposit and the consideration is expected to be settled in a combination of cash, the issue of promissory notes and the issue of convertible notes. The management expects to complete the acquisition in August 2011 and the recycling business will bring another source of main income to the Group in the future.

Outlook

The continuing unfavourable operating environment has exerted great pressure on the operation of industrial businesses. Recovery of the economy is not expected in a short period of time. The Group has experienced tight profit margins in the year under review in both the laminate and PCB divisions and is of the view that the unfavourable operating environment will continue for a period of time.

Unfavourable operating results in turn exerted significant pressure on the Group's cashflow position. In the coming years, the Group will implement a series of measures to improve the situation. Such measures will include a more conservative approach in the procurement of resources to reduce operating costs.

EVENTS AFTER THE REPORTING PERIOD

On 31 January 2011, the Board announced that the Company proposed to effect the capital reorganization, which involved (i) the consolidation of every sixteen (16) shares of HK$0.10 each in the issued share capital of the Company into one (1) issued consolidated shares of HK$1.60 in the issued share capital of the Company; (ii) the reduction of the issued share capital of the Company through a cancellation of the paid-up capital of the Company to the extent of HK$1.599 on each of the issued consolidated share so that the nominal value of each issued consolidated share will be reduced from HK$1.60 to HK$0.001; and (iii) the subdivision of each authorized but unissued share into 100 new share of HK$0.001 each. Subject to the capital reorganization becoming effective, the Company has raised approximately HK$206.08 million before expenses, by issuing 3,030,531,634 right shares to the qualifying shareholders by way of rights issue at the subscription price of HK$0.068 per rights share on the basis of twenty six (26) rights shares for every one (1) new share held on 30 March 2011. The rights issue became unconditional on 18 April 2011.

On 9 May 2011, the Company entered into the Sale and Purchase Agreement with the vendors (Lucky Start Holdings Limited, All Prosper Group Limited, Triumph Return Holdings Limited and Jia Sheng Holdings Limited), pursuant to which the Company, as the purchaser, has conditionally agreed to acquire for, and the Vendors have conditionally agreed to sell, the sale shares and the sale loans at the consideration of HK$850 million. The sale shares represent 80% of the issued share capital of the Ideal Market Holdings Limited. Ideal Market Holdings Limited indirectly holds Suzhou Baina which is principally engaged in the recycling business of waste paper, scrap metal and consumable waste. The Company has paid a sum of HK$270,000,000 as purchase deposit and the consideration is expected to be settled in the combination of cash, the issue of promissory notes and the issue of convertible notes.

In order to finance the proposed acquisition of Ideal Market Holdings Limited and comply with Rule 13.64 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), the Board announced on 27 May 2011 that the Company propose to implement the share consolidation on the basis that every ten (10) issued and unissued shares of HK$0.001 each in the share capital of the Company will be consolidated into one (1) consolidated share of HK$0.01 each in the issued share capital of the Company. The share consolidation was effected on 30 June 2011.

LIQUIDITY AND FINANCIAL RESOURCES

It is the Group's policy to rely on internally generated funds, bank borrowings and equity financing to finance its operations and proposed acquisition.

As at 31 March 2011, the Group's total cash and bank balances and pledged fixed deposits amounted to HK$3,266,000 (2010: HK$17,659,000). Total bank loans and other borrowings decreased from HK$98,376,000 as at 31 March 2010 to HK$55,829,000 as at 31 March 2011. The Group's gearing ratio, which is net debt divided by total shareholders' equity plus net debt, decreased from 0.75 as at 31 March 2010 to 0.25 as at 31 March 2011. Net debt included bank and other borrowings, trade, bills and other payables and accruals, less cash and bank balances. As at 31 March 2011, the Group had a current ratio of 1.77 (2010: 0.74) and net current assets of HK$74,972,000 (2010: net current liabilities of HK$33,571,000).

The overall financial position of the Group as at 31 March 2011 was favourable as compared with the previous year. The management had used the sales proceeds from the disposal of land and buildings in its Suzhou subsidiary for repayment of bank loans and other borrowings to improve the gearing ratio of the Group.

The Group's borrowings and cash and bank balances are primarily denominated in Hong Kong dollars, Baht and RMB. Given the continuous revaluation of Baht and RMB, the Group is expected to experience pressure on its operating costs.

PLEDGE OF ASSETS

As at 31 March 2011, the Group's assets pledged as security for banking facilities amounted to approximately HK$11,409,000 (2010: HK$81,324,000).

EMPLOYMENT, TRAINING AND REMUNERATION POLICY

During the year under review, the Group continued to reduce the size of its workforce and strengthen staff quality through staff development and training programmes. The Group had approximately 231 employees as at 31 March 2011 (2010: 431). Remunerations are commensurate with the nature of the job, experience and market conditions.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

AUDIT COMMITTEE

The Audit Committee of the Company comprises three members, being the three independent non-executive Directors of the Company. The Audit Committee has reviewed the Company's consolidated financial statements for the year ended 31 March 2011 and discussed auditing, financial and internal control, and financial reporting matters of the Company.

CORPORATE GOVERNANCE

The Board is of the view that the Company has complied with the code provisions as set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 to the Listing Rules during the year ended 31 March 2011, except for the following deviations:

Code provision A.2.1

This code provision stipulates that the roles of chairman and chief executive officer of a listed issuer should be separate and should not be performed by the same individual. Ms. Chen Tong, an executive Director, has taken up the offices of Chairman and Chief Executive Officer with effect from 26 January 2011 in place of Mr. Lam Chung Yim (an existing executive Director). Accordingly, the Company has not complied with code provision A.2.1 of the CG Code. Ms. Chen has extensive experience in management and over 30 years' business experience. The Board believes that it is in the best interests of the Group to have an executive Chairman with in-depth management experiences to guide discussion among Board members on the Group development and planning, as well as to execute business strategies of the Group.

Code provision A.4.1

This code provision stipulates that non-executive directors of a listed issuer should be appointed for a specific term, subject to re-election. Although the non-executive Directors and the independent non-executive Directors of the Company have not been appointed for a specific term, they are subject to retirement by rotation and re-election at the Company's annual general meeting in accordance with the Company's Bye-laws (the "Bye-laws"). Accordingly, the Board considers that the Company meets the objective of the said code provision A.4.1.

Code provision A.4.2

This code provision stipulates that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. Ms. Chen Tong, Ms. Zhou Jue, Mr. Lam Kwun Fu (all appointed as Directors on 15 December 2010, but Mr. Lam subsequently resigned on 16 March 2011) and Ms. Yao Zhengwei (appointed as Director on 26 January 2011) were re-elected at the Company's special general meeting held on 10 March 2011 instead of the first general meeting after their respective appointment. Besides, Mr. Tse Kwong Chan (appointed as Director on 16 March 2011), Mr. Wang Zhenghua and Mr. Chan Ying Kay (both appointed as Directors on 8 June 2011) will also submit themselves for re-election at the forthcoming annual general meeting of the Company instead of the first general meeting after their respective appointment. Such arrangement for not having shareholders' election of the above-mentioned directors at the first general meeting after their respective appointment deviates from the code provision A.4.2 of the CG Code. This arrangement is made as the Board considers that grouping directors for re-election in the same general meeting as far as possible provides a clearer and simpler picture to the Company's shareholders.

Code provision E.1.2

Code provision E.1.2 of the CG Code stipulates that the chairman of the independent board committee (if any) should be available to answer questions at any general meeting to approve a connected transaction or any other transaction that is subject to independent shareholders' approval. At the Company's special general meetings held on 28 May 2010, 11 January 2011, 18 March 2011 and 27 April 2011 (details of the respective transactions were set out in the Company's circulars dated 12 May 2010, 24 December 2010, 23 February 2011 and 23 February 2011, respectively), the independent board committee members were not present. To cope with the deviation of this code provision, the chairman of the meetings had read at the meetings the respective recommendations of independent board committee on the transactions for shareholders' consideration, and the Company Secretary was arranged to answer questions from independent shareholders at the meetings.

REVIEW OF FINAL RESULTS

The consolidated results for the year ended 31 March 2011 have been audited by the Company's auditors, CCTH CPA Limited and reviewed by the audit committee of the Board which were of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

The figures contained in this preliminary announcement relating to the Group's results for the year ended 31 March 2011 have been agreed by CCTH CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year under review. The work performed by CCTH CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by CCTH CPA Limited on the preliminary announcement.

On behalf of the Board
Chen Tong
Chairman

Hong Kong, 30 June 2011

As at the date of this announcement, the directors of the Company are:

Executive Directors:
Ms. Chen Tong *(Chairman and Chief Executive Officer)*
Ms. Chan Ching Ho, Kitty
Ms. Deng Hong Mei
Mr. Xiang Liang
Mr. Lau Chung Yim

Non-executive Directors:
Ms. Yao Zhengwei
Mr. Wang Zhenghua

Independent Non-executive Directors:
Mr. Chan Ying Kay
Mr. Tse Kwong Chan
Ms. Zhou Jue