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)

INTERIM REPORT 2011/2012

*For identification purposes only

CORPORATE INFORMATION

Executive Directors

Ms. Chen Tong *(Chairman and Chief Executive Officer)*
Ms. Deng Hong Mei
Ms. Chan Ching Ho, Kitty
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

Company Secretary

Mr. Leung Chi Wing, Billy

Audit Committee

Mr. Chan Ying Kay *(Chairman)*
Mr. Tse Kwong Chan
Ms. Zhou Jue

Remuneration Committee

Mr. Lau Chung Yim *(Chairman)*
Mr. Tse Kwong Chan
Ms. Zhou Jue

Auditor

CCTH CPA Limited
Certified Public Accountants
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1 Science Museum Road
Tsim Sha Tsui
Kowloon
Hong Kong

Registered Office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head Office and Principal Place of Business

Room 2211, 22/F, Lippo Centre
Tower Two
89 Queensway
Hong Kong

Principal Bankers

DBS Bank (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited
Industrial and Commercial Bank of China Limited
Wing Lung Bank Limited

Principal Share Registrar and Transfer Office

Butterfield Fulcrum Group (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM08
Bermuda

Hong Kong Branch Share Registrar and Transfer Office

Tricor Tengis Limited
26/F, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

Website

http://www.986.com.hk

Stock Code

986

The board of directors (the "Board") of China Environmental Energy Investment Limited (the "Company") presents the audited consolidated interim results of the Company and its subsidiaries (together the "Group") for the six months ended 30 September 2011 together with the comparative figures for the corresponding previous period.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its principal subsidiaries are set out in Note 38 to the financial statements. There were no significant changes in the nature of the Company's and the Group's principal activities during the six months ended 30 September 2011.

RESULTS

The Group's loss for the six months ended 30 September 2011 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 15 to 124.

MANAGEMENT DISCUSSION AND ANALYSIS

Business review and prospects

The consolidated turnover of the Group from continuing operations for the six months ended 30 September 2011 was HK$25,557,000, representing a 19.89% decrease from HK31,902,000 of the corresponding period of the previous year. The loss of the Group increased from HK$6,725,000 for the six months ended 30 September 2010 to HK$36,406,000 for the six months ended 30 September 2011.

The loss was attributable to the impairment loss of HK$21,616,000 on investment in the electric car battery business and the increased cost incurred in connection with the acquisition of waste paper recycling business, financial consultancy fee and other legal and professional fees.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

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

For the six months ended 30 September 2011, the PCB division recorded a turnover of HK$25,474,000 (2010: HK$28,748,000), which accounted for approximately 99.68% of the Group's total turnover and represented a decrease of 11.39% as compared with the corresponding period of the previous year.

The PCB business has recorded an unfavourable performance during the past few years due to the decrease in market demand and the increase in raw material costs as a result of the global economic downturn. During the year 2011, the directors of the Company have placed more focus on the PCB business and implemented a more conservative approach in the procurement of resources to reduce the operating costs. The directors of the Company may consider disposing of the PCB business in the event that no improvement is seen in the coming future.

Trading and manufacturing of industrial laminates and copper foil

The Group has disposed of its manufacturing and main part of trading of industrial laminate business and its manufacturing and trading of copper foil business on 18 January 2011 and maintained small part of trading of industrial laminate business within the Group. Therefore during the period under review, the industrial laminate business reduced to a turnover of HK$83,000 (2010: HK$3,154,000).

Investment in the electric car battery business

The Company has acquired 9.9% of the issued share capital of Swift Profit International Limited ("Swift Profit"). Swift Profit has been granted an exclusive license to apply the patent and the related technology for manufacturing electric car batteries.

Due to the downturn in global investment market conditions, sales orders tumbled more than expected. The carrying value of the business was reduced by HK$21,616,000 by reference to a business valuation as valued by a professional valuer.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Acquisition of waste paper recycling business

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 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 acquisition was completed on 4 November 2011 and the Board anticipated that the recycling business will bring a main source of income to the Group in the future.

Outlook

The European debt crisis and stagnant economic growth in the United States have severely reduced the market demand of consumers. The management anticipated that the trading environment would be worsened and there would be many challenges ahead. There would be pressure on the Group's costs and profit margin. The Company will continue to implement a more conservative approach in the procurement of resources to reduce the operating costs.

The acquisition of the waste paper recycling business will bring a main source of income to the Group. We believe that the financial performance of the Group will be improved and the Group will be able to ride out the challenges ahead.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Liquidity and Financial Resources

In April 2011, the Company had implemented a rights issue of the new shares of the Company at the subscription price of HK$0.068 per rights share on the basis of twenty six (26) rights shares for every one (1) share held. The rights issue became unconditional on 18 April 2011 and 3,030,531,634 new shares of HK$0.001 each were issued by the Company pursuant to the terms of the rights issue, giving rise to gross proceeds of approximately HK$206.08 million (before expenses).

On 27 May 2011, the Company had implemented a share consolidation scheme on the basis that every ten (10) issued and unissued shares of HK$0.001 each in the share capital of the Company were 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.

As at 30 September 2011, the Group's total cash and bank balances and pledged bank deposits amounted to HK$20,020,000 (31 March 2011: HK$3,266,000). Total bank loans and other borrowings and convertible notes decreased from HK$55,829,000 as at 31 March 2011 to HK$30,234,000 as at 30 September 2011. The Group's gearing ratio, being the net debt divided by total shareholders' equity plus net debt, also decreased to 0.07 as at 30 September 2011 as compared to 0.25 as at 31 March 2011. Net debt included bank and other borrowings, trade and bills payables, other payables and accruals, and convertible notes less cash and bank balances. As at 30 September 2011, the Group had a current ratio of 5.71 (31 March 2011: 1.77) and net current assets of HK$258,631,000 (31 March 2011: HK$74,972,000).

On 7 October 2011, the Company entered into an agreement with a placing agent under which the placing agent has conditionally agreed for the procurement, on a best effort, of placement of the convertible notes with an aggregate principal amount of HK$110 million to be issued by the Company for the estimated net proceeds of approximately HK$106 million. The placement of the convertible notes was approved by the shareholders of the Company on 29 November 2011.

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

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Pledge of Assets

As at 30 September 2011, the Group's assets pledged as security for banking facilities amounted to HK$17,160,000 (31 March 2011: HK$14,434,000).

Employment, Training and Remuneration Policy

During the period under review, the Group continued to strengthen staff quality through staff development and training programmes. The Group had approximately 231 employees as at 30 September 2011 (2010: 425). 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, redeemed or sold any of the Company's listed securities during the six months ended 30 September 2011.

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS OF THE COMPANY

The Company has adopted its code of conduct regarding directors' dealings in the securities of the Company (the "Own Code") on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Having made specific enquiry of all directors of the Company, the directors of the Company have complied with the required standard set out in the Model Code and the Own Code throughout the accounting period covered by this interim report.

COMPLIANCE WITH THE WRITTEN GUIDELINES FOR SECURITIES TRANSACTIONS BY THE RELEVANT EMPLOYEES OF THE COMPANY

The Company has established written guidelines for the relevant employees of the Company (the "Relevant Employees") in respect of their dealings in the securities of the Company (the "Written Guidelines") on terms no less exacting than the required standard set out in the Model Code. For this purpose, "Relevant Employee" includes any employee of the Company or a director or an employee of a subsidiary or holding company of the Company who, because of such office or employment, is likely to be in possession of unpublished price sensitive information in relation to the Company or its securities. No incident of non-compliance of the Written Guidelines was noted by the Company during the six months ended 30 September 2011.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 September 2011, the interests of the directors of the Company in the shares of the Company which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (the "SFO") (including interests which he/she was deemed or taken to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange, were as follows:

Long position in ordinary shares of the Company

Name of director	Capacity	Number of ordinary shares of the Company interested	Percentage+ of the Company's issued share capital
Mr. Lau Chung Yim	Beneficial owner	3,412	0.001

\+ The percentage represents the number of ordinary shares interested divided by the number of the Company's issued shares as at 30 September 2011. As at 30 September 2011, the number of ordinary shares of the Company in issue was 314,709,054 shares of HK$0.01 each.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (Continued)

Long position in ordinary shares of the Company (Continued)

In addition to the above, as at 30 September 2011, a director of the Company held shares in certain subsidiaries of the Company in a non-beneficial capacity, solely for the purpose of complying with the previous requirement of a minimum number of two shareholders.

Save as disclosed above, as at 30 September 2011, none of the directors or chief executive of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was deemed or taken to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section "Directors' interests and short positions in shares and underlying shares" above, at no time during the six months ended 30 September 2011 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Company's directors, or their associates, to acquire such benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 September 2011, no person had interests of 5% or more in the issued share capital of the Company according to the register of interests required to be kept by the Company pursuant to Section 336 of the SFO.

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 six months ended 30 September 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. Currently, Ms. Chen Tong ("Ms. Chen") holds the offices of Chairman and Chief Executive Officer of the Company, which constitutes a deviation from the above-mentioned code provision 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.

CORPORATE GOVERNANCE (Continued)

Code provision A.4.2

In accordance with the Bye-laws, all the directors are subject to retirement by rotation at least once every three years and any new director appointed to fill a casual vacancy or as an addition to the Board shall submit himself/herself for re-election by shareholders at the first general meeting after appointment. In addition, code provision A.4.2 of the CG Code also 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 and that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

Pursuant to the aforesaid provision of the Bye-laws and the CG Code, Ms. Deng Hong Mei, Mr. Lau Chung Yim, Mr. Xiang Liang and Mr. Tse Kwong Chan retired by rotation and were re-elected by rotation at the annual general meeting of the Company held on 30 August 2011 (the "2011 AGM"). Besides, Mr. Wang Zhenghua and Mr. Chan Ying Kay, who were appointed by the Board as directors of the Company during the six months ended 30 September 2011, also retired and were re-elected at the 2011 AGM. Such arrangement on shareholders' election of Mr. Wang Zhenghua and Mr. Chan Ying Kay, at the 2011 AGM instead of the first general meeting of the Company after their appointment held on 29 June 2011 deviates from the code provision A.4.2 of the CG Code and the provision of the Bye-laws. This arrangement was made as the Board considered that grouping directors for re-election in the same general meeting as far as possible provided a clearer and simpler picture to the Company's shareholders.

CORPORATE GOVERNANCE (Continued)

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 meeting held on 27 April 2011 (details of the transaction were set out in the Company's circular dated 23 February 2011), the independent board committee members were not present. To cope with the deviation of this code provision, the chairman of the meeting has read at the meeting the recommendation of independent board committee on the transaction for shareholders' consideration, and the Company Secretary was arranged to answer questions from the independent shareholders at the meeting.

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 six months ended 30 September 2011 and discussed auditing, financial and internal control, and financial reporting matters of the Company.

ON BEHALF OF THE BOARD
Chen Tong
Chairman

Hong Kong
30 November 2011

INDEPENDENT AUDITOR'S REPORT

CCTH CPA LIMITED
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TO THE DIRECTORS OF CHINA ENVIRONMENTAL ENERGY INVESTMENT LIMITED

(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of China Environmental Energy Investment Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 15 to 124, which comprise the consolidated statement of financial position as at 30 September 2011, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six months then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors are responsible for the preparation of these consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of the 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. Except as described in the "Basis for Qualified Opinion" section below, we conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

INDEPENDENT AUDITOR'S REPORT (Continued)

Auditor's Responsibility (Continued)

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

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

Basis for Qualified Opinion

We were appointed to conduct the audit of the Group's consolidated financial statements for the current period in September 2011, accordingly, we were not able to observe the counting of the physical inventories of the Group at 30 September 2010 or satisfy ourselves concerning those inventory quantities by alternative means. Since the carrying amount of the inventories at 30 September 2010 affects the determination of the Group's cost of sales for the comparative six months ended 30 September 2010, we were unable to determine whether adjustments might be required to the cost of sales from continuing operations and the loss from discontinued operations and, accordingly, the loss of the Group for the comparative period presented in the consolidated statement of comprehensive income and the related explanatory notes.

INDEPENDENT AUDITOR'S REPORT (Continued)

Basis for Qualified Opinion (Continued)

Further, the consolidated financial statements for the year ended 31 March 2010 were 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 the Company's significant subsidiary incorporated and operating in Thailand included in the consolidated financial statements for that year have been accurately recorded and properly accounted for in that consolidated financial statements. The Group discontinued the business undertaken by the subsidiary on 18 January 2011 and disposed of the subsidiary on that date. Since the carrying amounts of the opening assets, liabilities and accumulated losses at 1 April 2010 of the subsidiary affect the determination of the Group's loss from discontinued operations for the comparative six months ended 30 September 2010, we were unable to determine whether adjustments might be required for the Group's loss from discontinued operations and, accordingly, the loss of the Group for that comparative period presented in the consolidated statement of comprehensive income and the related explanatory notes.

Our opinion on the current period's consolidated financial statements is modified because of the possible effects of the matters referred to above (in this "Basis for Qualified Opinion" section) on the comparability of the current period's figures and the corresponding comparative figures contained in the consolidated statement of comprehensive income and the related notes.

Qualified Opinion

In our opinion, except for the possible effects on the corresponding comparative figures of the matters described in the Basis for Qualified Opinion section, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 30 September 2011 and of the Group's loss and cash flows for the six months 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.

CCTH CPA Limited
Certified Public Accountants
Kwong Tin Lap
Practising certificate number P01953

Hong Kong, 30th November 2011

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2011

	Notes	Six months ended 30 September 2011 HK$'000	2010 HK$'000 (restated)
Continuing Operations			
Turnover	7	**25,557**	31,902
Cost of sales		**(20,705)**	(23,789)
Gross profit		**4,852**	8,113
Other income and gains	9	**1,318**	2,495
Selling and distribution expenses		**(953)**	(1,130)
Administrative and other expenses		**(19,542)**	(13,541)
Impairment loss recognised on available for sale investment	21	**(21,616)**	–
Finance costs	10	**(465)**	(962)
Loss before taxation	11	**(36,406)**	(5,025)
Taxation	14	**–**	–
Loss for the period from continuing operations		**(36,406)**	(5,025)
Discontinued Operations			
Loss for the period from discontinued operations	15	**–**	(1,700)
Loss for the period		**(36,406)**	(6,725)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Continued)

For the six months ended 30 September 2011

	Notes	Six months ended 30 September 2011 HK$'000	2010 HK$'000 (restated)
Loss for the period attributable to owners of the Company:–			
Loss from continuing operations		**(36,406)**	(5,025)
Loss from discontinued operations		**–**	(1,700)
Loss for the period attributable to owners of the Company		**(36,406)**	(6,725)
Other comprehensive (expenses)/income			
Exchange difference arising on translation of foreign operations		**(620)**	4,551
Total comprehensive expenses for the period attributable to owners of the Company		**(37,026)**	(2,174)
Dividend	16	**–**	–
LOSS PER SHARE	17		
From continuing and discontinued operations			
Basic		**HK(18.16) cents**	HK(22.63) cents
Diluted		**N/A**	N/A
From continuing operations			
Basic		**HK(18.16) cents**	HK(16.91) cents
Diluted		**N/A**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 September 2011 HK$'000	31 March 2011 HK$'000
Non-current Assets			
Property, plant and equipment	18	**17,440**	18,898
Investment property	19	**9,540**	9,380
Prepaid lease payments	20	**1,054**	1,052
Available for sale investment	21	**151,272**	172,888
		179,306	202,218
Current Assets			
Inventories	22	**6,826**	6,449
Trade and bills receivables	23	**6,219**	4,503
Other receivables, prepayments and deposits paid	24	**280,499**	158,124
Financial assets at fair value through profit or loss	25	**15**	62
Pledged bank deposits	26	**2,030**	2,029
Bank balances and cash	26	**17,990**	1,237
		313,579	172,404
Current Liabilities			
Trade and bills payables	27	**7,801**	8,807
Other payables and accruals	28	**12,750**	28,699
Bank and other borrowings	29	**30,234**	46,980
Tax payable		**4,163**	4,097
Convertible notes	31	**–**	8,849
		54,948	97,432
Net Current Assets		**258,631**	74,972
		437,937	277,190
Capital and Reserves			
Share capital	32	**3,147**	117
Reserves		**434,790**	277,073
		437,937	277,190

The consolidated financial statements on pages 15 to 124 were approved and authorised for issue by the board of directors on 30 November 2011 and are signed on its behalf by:

Deng Hong Mei
Director

Chan Ching Ho, Kitty
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2011

	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000 (Note)	Exchange reserve HK$'000	Capital redemption reserve HK$'000	Convertible notes equity reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2010	50,272	170,806	2,031	24,242	464	–	(203,970)	43,845
Loss for the period	–	–	–	–	–	–	(6,725)	(6,725)
Other comprehensive income for the period	–	–	–	4,551	–	–	–	4,551
Total comprehensive income/ (expenses) for the period	–	–	–	4,551	–	–	(6,725)	(2,174)
Issue of shares upon placing of shares	10,050	19,095	–	–	–	–	–	29,145
Share issue expenses	–	(1,025)	–	–	–	–	–	(1,025)
At 30 September 2010 and 1 October 2010	60,322	188,876	2,031	28,793	464	–	(210,695)	69,791
Profit for the period	–	–	–	–	–	–	3,281	3,281
Other comprehensive income for the period	–	–	–	4,646	–	–	–	4,646
Total comprehensive income for the period	–	–	–	4,646	–	–	3,281	7,927
Reduction of share capital	(186,377)	–	186,377	–	–	–	–	–
Transferred to accumulated losses	–	–	(186,377)	–	–	–	186,377	–
Recognition of the equity component of convertible notes	–	–	–	–	–	34,813	–	34,813
Issue of shares on conversion of convertible notes	126,172	75,717	–	–	–	(32,936)	–	168,953
Share issue expenses	–	(4,294)	–	–	–	–	–	(4,294)
At 31 March 2011 and 1 April 2011	117	260,299	2,031	33,439	464	1,877	(21,037)	277,190
Loss for the period	–	–	–	–	–	–	(36,406)	(36,406)
Other comprehensive expense for the period	–	–	–	(620)	–	–	–	(620)
Total comprehensive expenses for the period	–	–	–	(620)	–	–	(36,406)	(37,026)
Issue of shares upon rights issue	3,030	203,046	–	–	–	–	–	206,076
Share issue expenses	–	(6,426)	–	–	–	–	–	(6,426)
Redemption of convertible notes	–	–	–	–	–	(1,877)	–	(1,877)
At 30 September 2011	**3,147**	**456,919**	**2,031**	**32,819**	**464**	**–**	**(57,443)**	**437,937**

Note: The contributed surplus represents the excess of the nominal value of the shares of the subsidiaries acquired pursuant to the group reorganisation in 1994 over the nominal value of the Company's shares issued in exchange therefor.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2011

	Notes	Six months ended 30 September 2011 HK$'000	2010 HK$'000 (restated)
Operating activities			
Loss for the period		**(36,406)**	(6,725)
Adjustments for:			
Finance costs		**465**	1,065
Impairment loss recognised on available for sale investment		**21,616**	–
Amortisation of prepaid lease payments		**16**	109
Depreciation of property, plant and equipment		**1,746**	1,270
Impairment loss recognised on trade receivables		**366**	2,599
Bank interest income		**(43)**	(2)
Increase in fair value of investment property		**(160)**	(1,360)
Fair value change in financial assets at fair value through profit or loss		**(8)**	–
Gain on redemption of convertible notes		**(570)**	–
Net foreign exchange (gain)/loss		**(799)**	364
Operating cash flows before movements in working capital		**(13,777)**	(2,680)
(Increase)/decrease in inventories		**(377)**	3,921
(Increase)/decrease in trade and bills receivables		**(2,082)**	965
Decrease in other receivables, prepayments and deposits paid		**(7,452)**	(1,575)
Decrease in financial assets at fair value through profit or loss		**55**	–
Decrease in trade and bills payables		**(1,006)**	(6,107)
Decrease in other payables and accruals		**(15,949)**	(4,585)
Net cash used in operations		**(40,588)**	(10,061)
Income tax paid		**–**	(889)
Net cash used in operating activities		**(40,588)**	(10,950)
Investing activities			
Deposit paid for acquisition of investment		**(174,000)**	(25,000)
Acquisition of property, plant and equipment		**(288)**	(73)
Proceeds from disposal of property, plant and equipment in prior period		**59,077**	–
(Increase)/decrease in pledged bank deposits		**(1)**	10,016
Bank interest received		**43**	2
Net cash used in investing activities		**(115,169)**	(15,055)

CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

For the six months ended 30 September 2011

	Notes	Six months ended 30 September 2011 HK$'000	2010 HK$'000 (restated)
Financing activities			
Proceeds from issue of new shares		206,076	29,145
Share issue expenses		(6,426)	(1,025)
Proceeds from borrowings		16	4,448
Repayments of borrowings		(16,452)	(4,215)
Decrease in trust receipt loans		(931)	(5,962)
Redemption of convertible notes		(10,240)	–
Interest paid		(381)	(1,065)
Repayments of obligations under finance leases		–	(65)
Increase/(decrease) in advances from banks on Factored Receivables		1,849	(103)
Net cash generated from financing activities		173,511	21,158
Net increase/(decrease) in cash and cash equivalents		17,754	(4,847)
Cash and cash equivalents at beginning of the period		(1,891)	1,129
Effects of exchange rate changes		248	(66)
Cash and cash equivalents at end of the period		16,111	(3,784)
Cash and cash equivalents at end of the period, represented by:			
Bank balances and cash	26	17,990	633
Bank overdrafts	29	(1,879)	(4,417)
		16,111	(3,784)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2011

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"). The addresses of the registered office and principal place of business of the Company are Clarendon House, 2 Church Street, Hamilton, HM11, Bermuda and Room 2211, 22/F, Lippo Centre, Tower Two, 89 Queensway, Hong Kong respectively.

The principal activity of the Company is investment holding and the principal activities of its subsidiaries are set out in Note 38. The Company together with its subsidiaries are referred to as the Group.

The consolidated financial statements of the Company for the six months ended 30 September 2011 have been prepared for management purposes.

Restatement of comparative figures

Certain comparative figures contained in these consolidated interim results of the Group have been restated as a result of the following:

(a) Discontinuance of businesses

On 18 January 2011, the directors of the Company determined to discontinue the Laminate Business and the Copper Foil Business (see Note 15), accordingly the prior period's comparative figures of the consolidated statement of comprehensive income and the related notes have been restated to reflect the discontinued operations.

(b) Adjustments for over/understatements of income and expenses for the comparative period

Certain income and expenses of the Group for the comparative six months ended 30 September 2010 had been overstated or understated. As a result, adjustments have been made to the prior period's figures of these income and expenses items in the consolidated statement of comprehensive income.

The adjustments arising from the aforementioned matters did not give rise to any impacts on the results of the Group for the current period and the financial position of the Group as at 30 September 2011 and 31 March 2011.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2011

1. General information (Continued)

Restatement of comparative figures (Continued)

The effects of the foregoing on the results of the Group for the comparative six months ended 30 September 2010 are summarised as follows:

Effects on the consolidated statement of comprehensive income

	Six months ended 30 September 2010				
	As previously reported HK$'000	Adjustments as a result of discontinuance of businesses HK$'000	Adjustments arising from over/understatements of income and expenses HK$'000		As restated HK$'000
Continuing operations					
Turnover	34,725	(2,823)			31,902
Cost of sales	(28,833)	5,044			(23,789)
Gross profit	5,892				8,113
Other income and gains	3,968	(2,833)	1,360	(i)	2,495
Selling and distribution expenses	(1,557)	427			(1,130)
Administrative and other expenses	(13,570)	1,782	(2,778)	(ii)	(13,541)
			1,025	(iii)	
Finance costs	(1,065)	103			(962)
Loss before taxation	(6,332)				(5,025)
Taxation	–				–
Loss for the period from continuing operations	(6,332)				(5,025)
Discontinued operations					
Loss for the period of discontinued operations	–	(1,700)			(1,700)
Loss for the period	(6,332)				(6,725)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2011

1. General information (Continued)

Restatement of comparative figures (Continued)

Effects on the consolidated statement of comprehensive income (Continued)

Notes:

(i) Understatement of increase in fair value of investment property of HK$1,360,000.

(ii) Understatement of impairment loss of HK$2,778,000 recognised on trade and bills receivables.

(iii) Adjustment of share issue expenses of HK$1,025,000, which were previously included in administrative and other expenses, to deduct from the share premium account.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2011

1. General information (Continued)

Restatement of comparative figures (Continued)

The consolidated statement of financial position of the Group at 30 September 2010 has been restated are as follows:

Consolidated statement of financial position

	As at 30 September 2010			
	As previously reported HK$'000	Adjustments arising from under/ overstatements of the related income and expenses HK$'000	Other adjustment HK$'000 (Note)	As restated HK$'000
Non-current Assets				
Property, plant and equipment	69,775			69,775
Investment property	6,960	1,360		8,320
Prepaid lease payments	15,155			15,155
	91,890			93,250
Current Assets				
Inventories	10,801			10,801
Trade and bills receivables	10,935	(2,778)		8,157
Other receivables, prepayments and deposits paid	75,708			75,708
Tax recoverable	234			234
Pledged bank deposits	2,025			2,025
Bank balances and cash	633			633
	100,336			97,558
Current Liabilities				
Trade and bills payables	15,810			15,810
Other payables and accruals	12,486			12,486
Bank and other borrowings	75,847		16,625	92,472
Tax payable	249			249
	104,392			121,017
Net Current Liabilities	(4,056)			(23,459)
Non-current Liability				
Bank and other borrowings	16,625		(16,625)	–
	71,209			69,791
Capital and Reserves				
Share capital	60,322			60,322
Reserves	10,887	(1,418)		9,469
	71,209			69,791

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2011

1. General information (Continued)

Restatement of comparative figures (Continued)

Consolidated statement of financial position (Continued)

Note: Other adjustment arose from the adoption of Hong Kong Interpretation 5 "Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

2. Significant accounting policies

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange.

The accounting policies used in these consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2011.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2011

2. Significant accounting policies (Continued)

(a) Statement of compliance (Continued)

The HKICPA has issued certain new and revised HKFRSs, amendments and interpretations which are effective for the current accounting period. Note 3 provides information on initial application of these new and revised HKFRSs, amendments and interpretations to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

(b) Basis of preparation of the consolidated financial statements

The consolidated financial statements for the six months ended 30 September 2011 comprise the financial statements of the Company and its subsidiaries.

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to the entity. These financial statements are presented in Hong Kong dollars ("HK$"), rounded to the nearest thousand except for per share data. Hong Kong dollar is the Company's functional and presentation currency.

The consolidated financial statements have been prepared on the historical cost basis, except for investment property and certain financial instruments, which are measured at fair values.

The preparation of financial statements in conformity with HKFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities not readily apparent from other sources. Actual results may differ from these estimates.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2011

2. Significant accounting policies (Continued)

(b) Basis of preparation of the consolidated financial statements (Continued)

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Estimates made by management that may have a significant risk of material adjustment in the next year are discussed in Note 4.

(c) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2011

2. Significant accounting policies (Continued)

(d) Changes in the Group's ownership interest in existing subsidiaries

Changes in the Group's ownership interest in existing subsidiaries on or after 1 April 2010

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2011

2. Significant accounting policies (Continued)

(e) Business combinations

Business combinations that took place on or after 1 April 2010

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

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

- deferred tax asset or liability arising from the assets acquired and liabilities assumed in a business combination and the potential tax effects of temporary differences and carry forwards of an acquiree that exist at the acquisition date or arise as a result of acquisition are recognised and measured in accordance with HKAS 12 "Income Tax";

- liabilities or assets relating to employee benefit arrangements are recognised and measured in accordance with HKAS 19 "Employee Benefits";

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2011

2. Significant accounting policies (Continued)

(e) Business combinations (Continued)

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

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

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2011

2. Significant accounting policies (Continued)

(e) Business combinations (Continued)

Business combinations that took place prior to 1 April 2010

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2011

2. Significant accounting policies (Continued)

(f) 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 arising from an acquisition is allocated to each of the Group's relevant 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 when there is an 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. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss for goodwill is not reversed in subsequent periods.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2011

2. Significant accounting policies (Continued)

(g) Revenue recognition

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

(i) Revenue from the sale of goods is recognised when the goods are delivered and title has passed.

(ii) Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

(iii) Rental income is recognised in accordance with the Group's accounting policy for operating lease (see Note(2)(j)).

Deposits and instalments received from customers prior to meeting the above criteria on revenue recognition are included in other payables and accruals under current liabilities.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2011

2. Significant accounting policies (Continued)

(h) Property, plant and equipment

Property, plant and equipment (other than freehold land and construction in progress) are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Freehold land is stated at cost less impairment loss, if any, and is not amortised.

Depreciation is provided to write off the cost of items of property, plant and equipment other than construction in progress over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method. 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.

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less impairment loss, if any. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for its intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the item is derecognised.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2011

2. Significant accounting policies (Continued)

(i) Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss for the period in which the property is derecognised.

(j) Leasing

Leases are classified as finance leases 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 lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2011

2. Significant accounting policies (Continued)

(j) Leasing (Continued)

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 charges are charged directly to profit or loss.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

(k) Prepaid lease payments

Prepaid lease payments are carried at cost less subsequent accumulated amortisation and any accumulated impairment losses. The costs of prepaid lease payments are amortised on a straight-line basis over the relevant lease terms.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2011

2. Significant accounting policies (Continued)

(l) 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 exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items 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. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK$) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the exchange reserve).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2011

2. Significant accounting policies (Continued)

(m) 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 period. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods 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 base 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 deferred tax 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 associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary differences will not reverse in the foreseeable future.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2011

2. Significant accounting policies (Continued)

(m) Taxation (Continued)

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 rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

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 profits will be available to allow all or part of the asset to be recovered.

(n) 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 borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2011

2. Significant accounting policies (Continued)

(o) Retirement benefit costs

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

(p) Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

(q) 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 or 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 comprise of available for sale investments, financial assets at fair value through profit or loss and loans and receivables. 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2011

2. Significant accounting policies (Continued)

(q) Financial instruments (Continued)

Financial assets (Continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial assets, 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.

Financial assets at fair value through profit or loss ("FVTPL")

Financial assets at FVTPL represent financial assets held for trading.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or

- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2011

2. Significant accounting policies (Continued)

(q) Financial instruments (Continued)

Financial assets (Continued)

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets.

Available for sale investments

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

The available for sale investments, which represent equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, are measured at cost less any identified impairment losses at the end of the reporting period (see accounting policy on impairment loss on financial assets below).

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 and bills receivables, other receivables and deposits paid, pledged bank deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2011

2. Significant accounting policies (Continued)

(q) Financial instruments (Continued)

Financial assets (Continued)

Impairment loss on financial assets

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

For financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

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

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2011

2. Significant accounting policies (Continued)

(q) Financial instruments (Continued)

Financial assets (Continued)

Impairment loss on financial assets (Continued)

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

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and bills receivables, 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 and bills receivables are considered uncollectible, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2011

2. Significant accounting policies (Continued)

(q) Financial instruments (Continued)

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Financial liabilities

Financial liabilities (including trade and bills payables and other payables and accruals, bank and other borrowings and obligations under finance leases) are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, the shorter period.

Interest expense is recognised on an effective interest basis.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2011

2. Significant accounting policies (Continued)

(q) Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Convertible notes

Convertible notes issued by the Company are classified separately as financial liabilities and equity 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 an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share premium. Where the conversion option remains unexercised at the maturity date of the convertible note, the balance recognised in equity will be transferred to retained earnings. No gain or loss is recognised in profit and loss upon conversion or expiration of the conversion option.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2011

2. Significant accounting policies (Continued)

(q) Financial instruments (Continued)

Convertible notes (Continued)

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 recognised directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and amortised over the lives of the convertible notes using the effective interest method.

On redemption of the convertible notes, the consideration paid is allocated to the liability and equity components of the notes. The method used in allocating the consideration paid is consistent with that used in the original allocation to the separate components applied to the proceeds received when the convertible notes were issued. The difference between the consideration paid allocated to the liability component and its carrying amount at the date of redemption is recognised in profit or loss. The consideration paid relating to equity component is recognised in equity.

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 payments when due in accordance with the original or modified terms of a debt instrument.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2011

2. Significant accounting policies (Continued)

(q) Financial instruments (Continued)

Financial guarantee contracts (Continued)

Financial guarantee contracts issued by the Group are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and

- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, 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 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2011

2. Significant accounting policies (Continued)

(r) Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

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 is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2011

3. Application of new and revised Hong Kong Financial Reporting Standards

In the current period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations issued by the HKICPA.

HKFRSs (Amendment)	Improvements to HKFRSs issued in 2010
HKFRS 24 (as revised in 2009)	Related Party Disclosures
HK (IFRIC) – Interpretation ("INT") 14	Prepayments of Minimum Funding Requirement
HK (IFRIC) – INT 19	Extinguishing Financial Liabilities with Equity Instruments

The application of the new and revised standards, amendments and interpretations in the current period has had no material effect on the amounts reported and/or disclosures set out in the Group's consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2011

3. Application of new and revised Hong Kong Financial Reporting Standards ("HKFRSs") (Continued)

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

HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[1]
HKFRS 9	Financial Instruments[4]
HKFRS 10	Consolidated Financial Statements[4]
HKFRS 11	Joint Arrangements[4]
HKFRS 12	Disclosure of Interests in Other Entities[4]
HKFRS 13	Fair Value Measurement[4]
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[3]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[2]
HKAS 19 (as revised in 2011)	Employee Benefits[4]
HKFRS 27 (2011)	Separate Financial Statements[4]
HKFRS 28 (2011)	Investments In Associates and Joint Ventures[4]

1 Effective for annual periods beginning on or after 1 July 2011
2 Effective for annual periods beginning on or after 1 January 2012
3 Effective for annual periods beginning on or after 1 July 2012
4 Effective for annual periods beginning on or after 1 January 2013

HKFRS 9 "Financial Instruments" (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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2011

3. Application of new and revised Hong Kong Financial Reporting Standards ("HKFRSs") (Continued)

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 those 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2011

3. Application of new and revised Hong Kong Financial Reporting Standards ("HKFRSs") (Continued)

The directors anticipate that HKFRS 9 will be adopted in the Group's consolidated financial statements for the financial year ending 31 March 2014. Based on the Group's financial assets and financial liabilities at 30 September 2011, the directors anticipate that the application of the new standard will affect the classification and measurement of the Group's available for sale investment and may affect the classification and measurement of other financial assets. At the date of this report, the directors are in the process of assessing the potential financial impact.

The amendments to HKFRS 7 "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 disclosures regarding transfers of assets 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2011

4. Key sources of estimation uncertainty

The following are the 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.

Impairment loss on available for sale investment

Management assessed the recoverability of the available for sale investment based on the present value of the estimated future cash flows expected to arise from the investment and discounted at the appropriate rates of return. Estimation of future cash flows may be adversely affected by the deterioration in financial position of the investee, its industry and sector performances, changes in technology, and operational and financing cash flows. If the carrying amount of the investment is less than its recoverable amount, an impairment loss is recognised in the profit or loss. Variation in the estimated future cash flows and the discount rates used may result in adjustment to the recoverable amount and may give rise to the recognition of an impairment loss. Impairment loss amounting to HK$21,616,000 has been recognised in respect of the six months ended 30 September 2011 (Six months ended 30 September 2010: Nil), details of which are disclosed in Note 21.

Impairment loss resulting from the acquisition of subsidiary

During the period, the Company entered into a sale and purchase agreement with the vendors for the acquisition of 80% equity interest in and shareholder's loans to Ideal Market Holdings Limited ("Ideal Market") for an aggregate consideration of HK$850 million, of which deposits totalling HK$270 million were paid up to 30 September 2011 and were included in other receivables, prepayments and deposits paid as at that date. The acquisition transaction was completed subsequent to 30 September 2011 (Note 39(a)). Upon completion of the acquisition and onwards, management assessed the recoverable amount of the investment in Ideal Market based on business valuation regarding the investee. The assumptions and bases adopted for the valuation may be affected by the related industry and section performances and changes in technology. In the event that the recoverable amount of the investment is below its cost of acquisition, impairment loss might be required to be recognised in the Group's consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2011

4. Key sources of estimation uncertainty (Continued)

Useful lives of property, plant and equipment

In applying the accounting policy on property, plant and equipment with respect to depreciation, management estimates the useful lives of various categories of property, plant and equipment according to the industrial experiences over the usage of property, plant and equipment and also by reference to the relevant industrial norm. When the actual useful lives of property, plant and equipment due to the change of commercial environment are different from their estimated useful lives, such difference will impact the depreciation charges and the amounts of assets written down in future periods.

Fair value of investment property

Investment property is carried in the consolidated statement of financial position at its fair value. The fair value was based on a valuation on this property conducted by the valuers using property valuation techniques which involve making assumptions on certain market conditions. Favourable or unfavourable changes to these assumptions would result in changes in the fair value of the Group's investment property and the corresponding adjustments to the gain recognised in the consolidated statement of comprehensive income. For the six months ended 30 September 2011, the Group recognised an increase in fair value of investment property amounted to approximately HK$160,000 (Six months ended 30 September 2010: HK$1,360,000).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2011

4. Key sources of estimation uncertainty (Continued)

Impairment loss recognised in respect of trade and other receivables

The Group maintains an allowance for estimated loss arising from the inability of its debtors to make the required payments. The Group makes its estimates based on the ageing of its trade receivable balances, debtors' creditworthiness, and historical write-off experience. If the financial condition of its debtors was to deteriorate so that the actual impairment loss might be higher than expected, the Group would be required to revise the basis of making the allowance and its future results would be affected. As at 30 September 2011, the carrying amount of trade and other receivables is approximately HK$7,900,000 (net of accumulated impairment loss of approximately HK$4,265,000) (31 March 2011: carrying amount of approximately HK$66,021,000 (net of accumulated impairment loss of approximately HK$3,926,000)).

Estimated allowance for inventories

Inventories are written down to net realisable value based on an assessment of their realisability. Write-downs on inventories are recorded where events or changes in circumstances indicate that the balances may not be realised. The identification of write-downs requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will have impact on the carrying value of inventories and write-down of inventories in the period in which such estimate is changed. As at 30 September 2011, the carrying amount of inventories is approximately HK$6,826,000 (31 March 2011: HK$6,449,000). No allowance has been made for the inventories at 30 September 2011 (31 March 2011: Nil).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2011

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 shareholders through the optimisation of debt and equity balance. The Group's overall strategy remains unchanged from that of prior periods.

The capital structure of the Group consists of net debt, which includes trade and bills payables, other payables and accruals, bank and other borrowings, and convertible notes, less bank balances and cash, and equity attributable to owners of the Company, comprising issued share capital and reserves.

The Group reviews the capital structure on a regular basis and manages its capital structure and makes adjustments to it in light of changes in economic conditions.

The Group monitors capital using a gearing ratio, which is net debt divided by the total of capital and net debt. Based on the recommendation of the directors of the Company, the Group's policy is to maintain the gearing ratio not exceeding 70% (31 March 2011: 70%). Capital includes equity attributable to owners of the Company.

	30 September 2011 HK$'000	31 March 2011 HK$'000
Trade and bills payables	7,801	8,807
Other payables and accruals	12,750	28,699
Bank and other borrowings	30,234	46,980
Convertible notes	–	8,849
Less: bank balances and cash	(17,990)	(1,237)
Net debt	32,795	92,098
Capital		
Equity attributable to owners of the Company	437,937	277,190
Capital and net debt	470,732	369,288
Gearing ratio	7%	25%

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2011

6. Financial instruments

(a) Categories of financial instruments

	30 September 2011 HK$'000	31 March 2011 HK$'000
Financial assets		
Available for sale investment	151,272	172,888
Financial assets at fair value through profit or loss	15	62
Loan and receivables		
– Trade and bills receivables	6,219	4,503
– Other receivables and deposits paid	280,359	157,997
– Pledged bank deposits	2,030	2,029
– Bank balances and cash	17,990	1,237
	457,885	338,716
Financial Liabilities		
Financial liabilities at amortised cost		
– Trade and bills payables	7,801	8,807
– Other payables and accruals	12,750	28,699
– Bank and other borrowings	30,234	46,980
– Convertible notes	–	8,849
	50,785	93,335

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2011

6. Financial instruments (Continued)

(b) Financial risk management objectives and policies

The Group's major financial instruments include available for sale investment, financial assets at FVTPL, trade and bills receivables, other receivables and deposits paid, pledged bank deposits, bank balances and cash, trade and bills payables and other payables and accruals, bank and other borrowings and convertible notes. Details of the financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure that appropriate measures are implemented on a timely and effective manner.

Market risk

Currency risk

Currency risk refers to the risk associated with movements in foreign currency rates which will affect the Group's financial results and its cash flows. Management considers that the Group is not exposed to significant foreign currency risk as the majority of its operations are transacted in the PRC with their functional currency of Renminbi ("RMB").

For the two six months period ended 30 September 2011 and 2010, the Group mainly earned revenue in RMB and incurred costs in HK$ and RMB. Although the Group currently does not have any foreign currency hedging policies, it manages its currency exposure by ensuring that the revenue earned in RMB are used to pay for RMB denominated costs. Funds raised from financing activities which are mainly in HK$ are used to pay for HK$ expenses.

The directors do not expect the appreciation of RMB against HK$ to have any material adverse effect on the operation of the Group so no sensitivity analysis is presented.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2011

6. Financial instruments (Continued)

(b) Financial risk management objectives and policies (Continued)

Fair value and cash flow interest rate risk

The Group has pledged bank deposits, bank balances and bank and other borrowings which bear interest and are therefore exposed to interest rate risk. Pledged bank deposits, bank balances and bank and other borrowings at variable rates expose the Group to cash flow interest-rate risk. Bank and other borrowings at fixed rates expose the Group to fair value interest-rate risk. During the period, the Group has not hedged its cash flow and fair value interest rate risk.

At 30 September 2011, assuming the pledged bank deposits, bank balances and bank and other borrowings with variable rates had been outstanding for the whole period, if interest rates had increased by 100 basis points (Six months ended 30 September 2010: 100 basis points) and all other variables held constant, there was an increase in post-tax loss by approximately HK$102,000 (Six months ended 30 September 2010: HK$734,000). If interest rates had decreased by 100 basis points (Six months ended 30 September 2010: 100 basis points), there would be an equal but opposite impact on the loss for the period. A 100 basis point increase or decrease represents management's assessment of the reasonably possible change in interest rates.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2011

6. Financial instruments (Continued)

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

Credit risk

The carrying amount of the trade and other receivables included in the consolidated statement of financial position represents the Group's maximum exposure to credit risk. The Group manages the credit risk by setting up a team responsible for the determination of credit terms, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debt. In addition, it is the Group's policy to review regularly the recoverable amount of trade and other receivables to ensure that adequate impairment provisions are made against the irrecoverable amounts. Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas.

As at 30 September 2011, the Group had concentration of credit risk as 18% (31 March 2011: 6%) and 59% (31 March 2011: 18%) of the total trade and bills receivables were due from the Group's largest and the five largest customers respectively. Further, the Group had concentration of credit risk in respect of the amount due from the purchaser of the Disposed Entities amounting to HK$8,053,000 at 30 September 2011 (31 March 2011: Nil) (Note 24(c)).

As at 30 September 2011, the Group had significant concentration of credit risk arising from refundable deposits paid for the acquisition of a subsidiary amounting to HK$270 million (31 March 2011: HK$96 million) (Note 24(b)). However, the directors of the Company consider that the credit risk is under control since the management exercises due care in entering in new business opportunities by carrying out due diligence procedures on the target investment.

The credit risk on liquid funds is limited because the majority of the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2011

6. Financial instruments (Continued)

(b) Financial risk management objectives and policies (Continued)

Liquidity risk

The Group had net current assets of approximately HK$258,631,000 as at 30 September 2011 (31 March 2011: HK$74,972,000). The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it meets the liquidity requirements in the short and longer term.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of an adequate amount of committed credit facilities. Management aims to maintain flexibility in funding by keeping credit lines available.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities in accordance with the earliest date 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 curve at the end of the reporting period.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2011

6. Financial instruments (Continued)

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

Liquidity risk (Continued)

	Within 1 year or on demand HK$'000	1 to 5 years HK$'000	Undiscounted cash flows HK$'000	Carrying amount HK$'000
As at 30 September 2011				
Trade and bills payables	**7,801**	**–**	**7,801**	**7,801**
Other payables and accruals	**12,750**	**–**	**12,750**	**12,750**
Bank and other borrowings	**30,234**	**–**	**30,500**	**30,234**
	50,785	**–**	**51,051**	**50,785**
As at 31 March 2011				
Trade and bills payables	8,807	–	8,807	8,807
Other payables and accruals	28,699	–	28,699	28,699
Bank and other borrowings	47,705	–	47,705	46,980
Convertible notes (Note)	307	10,854	11,161	8,849
	85,518	10,854	96,372	93,335

Note: This is categorized based on contractual term of redemption at maturity on the assumption that there are no redemption or conversion of the convertible notes outstanding at 31 March 2011 before the maturity date.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2011

6. Financial instruments (Continued)

(c) Fair value

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

- the fair value of financial assets with standard terms and conditions and traded in active liquid markets is determined with reference to quoted market bid prices and ask prices, respectively; and

- the fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

The directors consider that the carrying amounts of financial assets and financial liabilities at amortised cost in the consolidated financial statements approximate their fair values.

Fair value measurements recognised in the consolidated statement of financial position

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

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

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

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the assets or liabilities that are based on observable market data (unobservable inputs).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2011

6. Financial instruments (Continued)

(c) Fair value (Continued)

	30 September 2011			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Financial assets at FVTPL				
– listed equity securities	**15**	**–**	**–**	**15**

	31 March 2011			
	Level 1	Level 2	Level 3	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Financial assets at FVTPL				
– listed equity securities	62	–	–	62

There were no transfer between the Levels in both of the periods presented.

7. Turnover

Turnover represents the Group's revenue from the net invoiced value of goods sold, after allowances for trade discounts and returns.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2011

8. Segment information

(a) Business segments

The Group's operating and reportable segments 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 printed circuit boards ("PCBs"): manufacture and trading of PCBs 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2011

8. Segment information (Continued)

(a) Business segments (Continued)

Segment revenue and results

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

For the six months ended 30 September 2011

	Continuing Operations			Discontinued Operations			
	Trading of laminates HK$'000	Manufacture and trading of PCBs HK$'000	Sub-total HK$'000	Manufacture of laminates HK$'000	Manufacture and trading of copper foils HK$'000	Sub-total HK$'000	Total HK$'000
Segment revenue:							
Sales to external customers	83	25,474	25,557	–	–	–	25,557
Intersegment sales	–	21,297	21,297	–	–	–	21,297
Elimination	–	(21,297)	(21,297)	–	–	–	(21,297)
Revenue from external customers	83	25,474	25,557	–	–	–	25,557
Segment results	9	4,843	4,852	–	–	–	4,852
Bank interest income			43			–	43
Fair value changes in financial assets at fair value through profit or loss			8			–	8
Gain on redemption of convertible notes			570			–	570
Increase in fair value of investment property			160			–	160
Other unallocated income			537			–	537
Impairment loss recognised on available for sale investment			(21,616)			–	(21,616)
Unallocated expenses			(20,495)			–	(20,495)
Finance costs			(465)			–	(465)
Loss before taxation			(36,406)			–	(36,406)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2011

8. Segment information (Continued)

(a) Business segments (Continued)

Segment revenue and results (Continued)

For the six months ended 30 September 2010 (restated)

	Continuing Operations			Discontinued Operations			
	Trading of laminates HK$'000	Manufacture and trading of PCBs HK$'000	Sub-total HK$'000	Manufacture of laminates HK$'000	Manufacture and trading of copper foils HK$'000	Sub-total HK$'000	Total HK$'000
Segment revenue:							
Sales to external customers	3,154	28,748	31,902	541	2,282	2,823	34,725
Intersegment sales	10,853	–	10,853	–	1,429	1,429	12,282
Elimination	(10,853)	–	(10,853)	–	(1,429)	(1,429)	(12,282)
Revenue from external customers	3,154	28,748	31,902	541	2,282	2,823	34,725
Segment results	1,433	6,680	8,113	120	(2,341)	(2,221)	5,892
Bank interest income			2			–	2
Fair value changes in financial assets at fair value through profit or loss			–			–	–
Gain on redemption of convertible notes			–			–	–
Increase in fair value of investment property			1,360			–	1,360
Other unallocated income			1,133			2,833	3,966
Impairment loss recognised on available for sale investment			–			–	–
Unallocated expenses			(14,671)			(2,209)	(16,880)
Finance costs			(962)			(103)	(1,065)
Loss before taxation			(5,025)			(1,700)	(6,725)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2011

8. Segment information (Continued)

(a) Business segments (Continued)

Intersegment sales are charged at prevailing market prices.

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 2. Segment results represent profit or loss from by each segment without allocation of certain other income, central administration costs, directors' emoluments and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

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

As at 30 September 2011

	Continuing Operations		
	Trading of laminates HK$'000	Manufacture and trading of PCBs HK$'000	Sub-total HK$'000
Assets and liabilities:			
Segment assets	63,790	33,771	97,561
Unallocated assets			395,324
Consolidated total assets			492,885
Segment liabilities	33,761	20,320	54,081
Unallocated liabilities			867
Consolidated total liabilities			54,948

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2011

8. Segment information (Continued)

(a) Business segments (Continued)

Segment assets and liabilities (Continued)

As at 31 March 2011

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2011

8. Segment information (Continued)

(a) Business segments (Continued)

Segment assets and liabilities (Continued)

None of the Group's assets and liabilities at 30 September 2011 and 31 March 2011 are attributable to the discontinued operations.

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 property, 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, tax payable, convertible notes and liabilities for which reportable segments are jointly liable.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2011

8. Segment information (Continued)

(a) Business segments (Continued)

Other segment information

In respect of six months ended 30 September 2011

	Continuing Operations			Discontinued Operations			
	Trading of laminates HK$'000	Manufacture and trading of PCBs HK$'000	Sub-total HK$'000	Manufacture of laminates HK$'000	Manufacture and trading of copper foils HK$'000	Sub-total HK$'000	Total HK$'000
Amounts included in the measure of segment profit or loss or segment assets:							
Depreciation of property, plant and equipment	–	1,747	1,747	–	–	–	1,747
Amortisation of prepaid lease payments	–	16	16	–	–	–	16
Impairment loss recognised in respect of trade receivables	–	366	366	–	–	–	366
Additions to non-current assets	–	288	288	–	–	–	288
Amount regularly provided to the chief operating decision maker but not include in measure of segment profit or loss or segment assets:							
Bank interest income			43			–	43
Increase in fair value change of investment property			160			–	160
Finance costs			465			–	465
Additions to non-current assets			–			–	–

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2011

8. Segment information (Continued)

(a) Business segments (Continued)

Other segment information (Continued)

In respect of six months ended 30 September 2010

	Continuing Operations			Discontinued Operations			
	Trading of laminates HK$'000	Manufacture and trading of PCBs HK$'000	Sub-total HK$'000	Manufacture of laminates HK$'000	Manufacture and trading of copper foils HK$'000	Sub-total HK$'000	Total HK$'000
Amounts included in the measure of segment profit or loss or segment assets:							
Depreciation of property, plant and equipment	–	920	920	–	350	350	1,270
Amortisation of prepaid lease payments	15	90	105	4	–	4	109
Impairment loss recognised in respect of trade receivables	–	2,599	2,599	–	–	–	2,599
Additions to non-current assets	–	–	–	–	1	1	1
Amount regularly provided to the chief operating decision maker but not include in measure of segment profit or loss or segment assets:							
Bank interest income			2			–	2
Increase in fair value change of investment property			1,360			–	1,360
Finance costs			962			103	1,065
Additions to non-current assets			72			–	72

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2011

8. Segment information (Continued)

(b) Revenue from major products

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

	Continuing Operations Six months ended 30 September		Discontinued Operations Six months ended 30 September		Total Six months ended 30 September	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Sales of laminates	**83**	3,154	**–**	541	**83**	3,695
Sales of PCBs	**25,474**	28,748	**–**	–	**25,474**	28,748
Sales of copper foils	**–**	–	**–**	2,282	**–**	2,282
	25,557	31,902	**–**	2,823	**25,557**	34,725

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2011

8. Segment information (Continued)

(c) Geographical information

The Group's operations were mainly located in Hong Kong, People's Republic of China ("PRC"), Thailand, Europe and North America in respect of the two periods presented.

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

	Six months ended 30 September	
	2011	2010
	HK$'000	HK$'000
Segment revenue		
Hong Kong	**4,965**	13,367
PRC	**780**	4,714
Thailand	**–**	2,282
Other Asian countries	**2,885**	2,268
Europe	**11,744**	9,660
North America	**3,050**	870
Others	**2,133**	1,564
Total sales to external customers	**25,557**	34,725

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2011

9. Other income and gains

	Continuing Operations Six months ended 30 September		Discontinued Operations Six months ended 30 September		Total Six months ended 30 September	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	HK$'000 (restated)	**HK$'000**	HK$'000 (restated)	**HK$'000**	HK$'000 (restated)
Sale of scrap materials	**68**	311	**–**	–	**68**	311
Bank interest income	**43**	2	**–**	–	**43**	2
Rental income	**123**	66	**–**	–	**123**	66
Foreign exchange gains, net	**300**	602	**–**	2,819	**300**	3,421
Fair value change in financial assets at fair value through profit or loss	**8**	–	**–**	–	**8**	–
Gain on redemption of convertible notes	**570**	–	**–**	–	**570**	–
Increase in fair value of investment property	**160**	1,360	**–**	–	**160**	1,360
Others	**46**	154	**–**	14	**46**	168
	1,318	2,495	**–**	2,833	**1,318**	5,328

Note: The direct operating expenses from investment property that generated rental income amounted to approximately HK$108,000 (Six months ended 30 September 2010: HK$36,000).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2011

10. Finance costs

	Continuing Operations Six months ended 30 September		Discontinued Operations Six months ended 30 September		Total Six months ended 30 September	
	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	**332**	800	**–**	103	**332**	903
Factoring arrangements	**49**	162	**–**	–	**49**	162
Imputed interest on convertible notes	**84**	–	**–**	–	**84**	–
	465	962	**–**	103	**465**	1,065

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2011

11. Loss before taxation

Loss before taxation is arrived at after charging:

	Continuing Operations		Discontinued Operations		Total	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	HK$'000 (restated)	**HK$'000**	HK$'000 (restated)	**HK$'000**	HK$'000 (restated)
Staff costs (including directors' emoluments)						
– Salaries, allowances and directors' fees	**7,361**	6,513	**–**	2,026	**7,361**	8,539
– Retirement benefits contributions	**61**	63	**–**	10	**61**	73
	7,422	6,576	**–**	2,036	**7,422**	8,612
Auditors' remuneration						
– current period	**895**	11	**–**	66	**895**	77
Amortisation of prepaid lease payments	**16**	105	**–**	4	**16**	109
Cost of inventories recognised as an expense	**20,705**	23,789	**–**	5,045	**20,705**	28,834
Depreciation of property, plant and equipment	**1,746**	920	**–**	350	**1,746**	1,270
Direct operating expenses (including repairs and maintenance) of investment property	**11**	18	**–**	–	**11**	18
Impairment loss recognised in respect of trade receivables	**366**	2,599	**–**	–	**366**	2,599
Operating lease rentals in respect of rented premises	**314**	180	**–**	–	**314**	180

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2011

12. Directors' emoluments

The emoluments paid or payable to the directors are:

	Six months ended 30 September	
	2011	2010
	HK$'000	HK$'000
Fees	**321**	155
Other emoluments:		
Salaries, allowances and benefits-in-kind	**918**	559
Retirement benefits contribution	**13**	18
	931	577
	1,252	732

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2011

12. Directors' emoluments (Continued)

An analysis of the emoluments paid or payable to executive, non-executive and independent non-executive directors is as follows:

(a) Executive directors

Six months ended 30 September 2011	Salaries, allowances and benefits-in-kind HK$'000	Retirement benefits contribution HK$'000	Total HK$'000
Chen Tong[1]	554	–	554
Lau Chung Yim	94	5	99
Chan Ching Ho, Kitty	90	4	94
Xiang Liang	90	–	90
Deng Hong Mei	90	4	94
	918	13	931

Six months ended 30 September 2010	Salaries, allowances and benefits-in-kind HK$'000	Retirement benefits contribution HK$'000	Total HK$'000
Lau Chung Yim	178	7	185
Lau May Wah[2]	111	3	114
Chan Ching Ho, Kitty	90	4	94
Xiang Liang	90	–	90
Deng Hong Mei	90	4	94
	559	18	577

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2011

12. Directors' emoluments (Continued)

(b) *Non-executive directors*

Six months ended 30 September 2011	Fees HK$'000	Retirement benefits contribution HK$'000	Total HK$'000
Wang Zhenghua[4]	53	–	53
Yao Zheng Wei[3]	84	–	84
	137	–	137

Six months ended 30 September 2010	Fees HK$'000	Retirement benefits contribution HK$'000	Total HK$'000
	–	–	–

(c) *Independent non-executive directors*

Six months ended 30 September 2011	Fees HK$'000	Retirement benefits contribution HK$'000	Total HK$'000
Yau Kwan Shan[5]	26	–	26
Zhou Jue[1]	60	–	60
Tse Kwong Chan[6]	60	–	60
Chan Ying Kay[4]	38	–	38
	184	–	184

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2011

12. Directors' emoluments (Continued)

(c) *Independent non-executive directors (Continued)*

Six months ended 30 September 2010	Fees	Retirement benefits contribution	Total
	HK$'000	HK$'000	HK$'000
Tse Yuk Kong[2]	59	–	59
Yau Kwan Shan[5]	48	–	48
Pravith Vaewhongs[2]	48	–	48
	155	–	155

Notes:

1. Appointed on 15 December 2010
2. Resigned on 26 January 2011
3. Appointed on 26 January 2011
4. Appointed on 8 June 2011
5. Resigned on 8 June 2011
6. Appointed on 16 March 2011

None of the directors of the Company waived or agreed to waive any emoluments paid by the Group. No emoluments have been paid by the Group to the directors of the Company as an inducement to join or upon joining the Group, or as compensation for loss of office during six month periods ended 30 September 2011 and 2010.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2011

13. Employees' emoluments

Of the five individuals with the highest emoluments in the Group, four (six months ended 30 September 2010: five) were directors of the Company where emoluments are included in Note 12 above. The emoluments of the remaining one individual (six months ended 30 September 2010: Nil) were as follows:

	Six months ended 30 September	
	2011	2010
	HK$'000	HK$'000
Salaries and benefits-in-kind	**300**	–
Contribution to retirement benefits scheme	**6**	–
	306	–

The emoluments were within HK$Nil to HK$1,000,000.

14. Taxation

No provision for Hong Kong Profits Tax and overseas income taxes has been made in the consolidated financial statements as the Company and its subsidiaries had no assessable profits subject to such taxes for both of the two periods presented.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2011

14. Taxation (Continued)

The tax charge for the period can be reconciled to the loss before taxation per the consolidated statement of comprehensive income as follows:

	Six months ended 30 September	
	2011	2010
	HK$'000	HK$'000
Loss before taxation		
Continuing operations	**(36,406)**	(5,025)
Discontinued operations	**–**	(1,700)
	(36,406)	(6,725)
Notional tax at the domestic rate of 16.5% (Six months ended 30 September 2010: 16.5%)	**(6,007)**	(1,110)
Tax effect of income not taxable for tax purpose	**(155)**	(224)
Tax effect of expenses not deductible for tax purpose	**4,390**	189
Tax effect of tax losses not recognised	**1,983**	1,145
Utilisation of tax losses previously not recognised	**(211)**	–
Tax charge for the period	**–**	–

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2011

15. Discontinued Operations

On 18 January 2011, a subsidiary of the Company disposed of the entire equity interests in and shareholders' loans to its former subsidiaries, namely Cosmo Terrace Corporation, Fittingco Inc., Majestic Mountain Limited and Ottawa Enterprises Limited to a company which is wholly-owned by Mr. Lau Chung Yim, a director of the Company, for a consideration of HK$28,000,000. These former subsidiaries together with their subsidiaries (collectively referred to as the "Disposed Entities") were principally engaged in the businesses of manufacture of laminates ("Laminate Business") and manufacture and trading of copper foils ("Copper Foil Business"). Upon the disposal of the Disposed Entities, the Group discontinued the businesses undertaken by the Disposed Entities.

The results of the Laminate Business and the Copper Foil Business for both of the periods presented are summarised as follows:

	Six months ended 30 September	
	2011	2010
	HK$'000	HK$'000
Gain from Laminate Business	**–**	449
Loss from Copper Foil Business	**–**	(2,149)
	–	(1,700)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2011

15. Discontinued Operations (Continued)

The results of the Laminate Business and the Copper Foil Business are analysed below:

		Six months ended 30 September	
		2011	2010
	Notes	**HK$'000**	HK$'000
Turnover	8	–	2,823
Cost of sales		–	(5,044)
Gross loss		–	(2,221)
Other income and gains	9	–	2,833
Selling and distribution expenses		–	(427)
Administrative and other expenses		–	(1,782)
Finance costs	10	–	(103)
Loss before taxation	11	–	(1,700)
Taxation	14	–	–
Loss for the period		–	(1,700)
Loss for the period attributable to owners of the Company		–	(1,700)
Cash flows from discontinued operations:			
Net cash inflow from operating activities		–	375
Net cash outflow from investing activities		–	(1)
Net cash outflow from financing activities		–	(664)
Net cash outflow from discontinued operations		–	(290)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2011

16. Dividend

No dividend was paid or proposed during the six months ended 30 September 2011 (Six months ended 30 September 2010: Nil), nor has any dividend been proposed since the end of the reporting period (31 March 2011: Nil).

17. Loss per share

(a) Basic loss per share

From continuing and discontinued operations

The calculation of the basic loss per share is based on the loss from continuing and discontinued operations attributable to owners of the Company for the six months ended 30 September 2011 of approximately HK$36,406,000 (Six months ended 30 September 2010: HK$6,725,000) and on the weighted average ordinary shares of 200,420,847 (Six months ended 30 September 2010: 29,720,296) shares in issue during the period.

From continuing operations

The calculation of the basic loss per share is based on the loss from continuing operations attributable to owners of the Company for the six months ended 30 September 2011 of approximately HK$36,406,000 (six months ended 30 September 2010: HK$5,025,000) and on the weighted average ordinary shares of 200,420,847 (six months ended 30 September 2010: 29,720,296) shares in issue during the period.

The weighted average number of ordinary shares for the purpose of basic loss per share has been adjusted for the consolidation and the rights issue of the Company's shares made during the period.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2011

17. Loss per share (Continued)

(b) Diluted loss per share

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

Restatement of comparative figures

Details of the restatement of the loss of the Group for the comparative six months ended 30 September 2010 are disclosed in Note 1. The table below summaries that impact on the basic loss per share:

	Six months ended 30 September 2010	
	(Increase)/ decrease in loss for the period	(Increase)/ decrease in loss per share
	HK$'000	HK cents
Understatement of increase in fair value of investment property	1,360	4.58
Adjustment of share issue expenses, which were previously included in administrative and other expenses, to deduct from the share premium account	1,025	3.45
Understatement of impairment loss recognised on trade and bills receivables	(2,778)	(9.35)
	(393)	(1.32)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2011

18. Property, plant and equipment

	Freehold land HK$'000	Buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture and office equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
COST								
At 1 April 2010	3,396	111,420	–	318,920	15,783	2,616	26,901	479,036
Additions	–	–	60	–	13	–	–	73
Disposals	–	(13,045)	–	–	–	–	(26,901)	(39,946)
Exchange realignment	–	500	–	4,893	642	–	–	6,035
At 30 September 2010	3,396	98,875	60	323,813	16,438	2,616	–	445,198
Additions	–	–	5	37,069	4,139	250	–	41,463
Disposals	–	(61,053)	–	(17,632)	–	(665)	–	(79,350)
Derecognised on disposal of subsidiaries	(3,396)	(24,892)	–	(260,236)	–	(1,951)	–	(290,475)
Exchange realignment	–	50	–	893	240	–	–	1,183
At 31 March 2011 and 1 April 2011	–	12,980	65	83,907	20,817	250	–	118,019
Additions	–	–	–	225	–	63	–	288
At 30 September 2011	–	12,980	65	84,132	20,817	313	–	118,307
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSS								
At 1 April 2010	–	51,309	–	318,616	12,419	2,592	26,901	411,837
Depreciation provided for the period	–	350	5	903	1	11	–	1,270
Eliminated on disposals	–	(13,045)	–	–	–	–	(26,901)	(39,946)
Exchange realignment	–	81	–	1,917	264	–	–	2,262
At 30 September 2010	–	38,695	5	321,436	12,684	2,603	–	375,423
Depreciation provided for the period	–	222	12	9,490	4,037	10	–	13,771
Eliminated on disposals	–	(2,352)	–	–	–	(641)	–	(2,993)
Eliminated on disposal of subsidiaries	–	(28,288)	–	(260,236)	–	(1,951)	–	(290,475)
Exchange realignment	–	282	–	2,648	465	–	–	3,395
At 31 March 2011 and 1 April 2011	–	8,559	17	73,338	17,186	21	–	99,121
Depreciation provided for the period	–	297	7	1,277	140	25	–	1,746
At 30 September 2011	–	8,856	24	74,615	17,326	46	–	100,867
CARRYING AMOUNT								
At 30 September 2011	**–**	**4,124**	**41**	**9,517**	**3,491**	**267**	**–**	**17,440**
At 31 March 2011	–	4,421	48	10,569	3,631	229	–	18,898

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2011

18. Property, plant and equipment (Continued)

At 30 September 2011, the carrying amount of the Group's buildings situated in the PRC was HK$4,124,000 (31 March 2011: HK$4,421,000).

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Freehold land	Not depreciated
Buildings	2% to 4.5%
Leasehold improvements	Over the shorter of the lease terms or 20%
Plant and machinery	9% to 10%
Furniture and office equipment	10% to 20%
Motor vehicles	18% to 20%

19. Investment property

	HK$'000
FAIR VALUE	
At 1 April 2010	6,960
Increase in fair value	1,360
At 30 September 2010	8,320
Increase in fair value	1,060
At 31 March 2011	9,380
Increase in fair value	160
At 30 September 2011	**9,540**

All of the Group's property interests held under operating leases to earn rentals are measured using the fair value model and are classified and accounted for as investment property.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2011

19. Investment property (Continued)

The Group's investment property as at 30 September 2011 and 31 March 2011 is situated in Hong Kong under medium-term leases.

The fair value of the Group's investment property at 30 September 2011 has been arrived at on the basis of a valuation carried out as of that date by LCH (Asia-Pacific) Surveyors Limited, an independent firm of qualified professional valuers who have appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations. The valuation was arrived at by reference to market evidence of transaction prices for similar properties in the same locations and condition.

At 30 September 2011 and 31 March 2011, the Group's investment property was pledged to a bank for banking facilities granted to the Group (Note 29(a)(i)).

20. Prepaid lease payments

	HK$'000
At 1 April 2010	15,227
Amortised for the period	(109)
Exchange realignment	480
At 30 September 2010	15,598
Amortised for the period	(41)
Disposals during the period	(7,936)
Derecognised on disposal of subsidiaries	(6,656)
Exchange realignment	120
At 31 March 2011	1,085
Amortised for the period	(16)
Exchange realignment	18
At 30 September 2011	**1,087**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2011

20. Prepaid lease payments (Continued)

	30 September 2011 HK$'000	31 March 2011 HK$'000
Analysed for reporting purposes as:		
Current asset (included in other receivables, prepayments and deposits paid)	33	33
Non-current asset	1,054	1,052
	1,087	1,085

At the end of the reporting period, the Group's prepaid lease payments comprise of leasehold land which is situated in the PRC under medium-term leases.

21. Available for sale investment

	30 September 2011 HK$'000	31 March 2011 HK$'000
Unlisted shares		
At cost	172,888	172,888
Impairment loss recognised	(21,616)	–
	151,272	172,888

The unlisted shares represent the Group's 9.9% interest in the issued capital of Swift Profit International Limited ("Swift Profit"), a limited liability company incorporated in the British Virgin Islands and principally engaging in investment holding. The principal asset of Swift Profit is the exclusive license in relation to the technology of manufacturing multi-element polymer batteries for electric vehicles.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2011

21. Available for sale investment (Continued)

Having assessed the recoverability of the investment in Swift Profit by reference to the business valuation of Swift Profit as valued by an independent valuer, the directors of the Company consider it appropriate to recognise an impairment loss against the investment amounting to approximately HK$21,616,000 charged to profit or loss for the current period (six months ended 30 September 2010: Nil) as a result of the deterioration of the business undertaken by Swift Profit. The impairment loss has been arrived at based on the present value of the estimated future cash flows of Swift Profit attributable to the Group discounted at the rate of approximately 14% which is determined by reference to the discount rates applicable to those enterprises engaging in business similar to that undertaken by Swift Profit.

22. Inventories

	30 September 2011 HK$'000	31 March 2011 HK$'000
Raw materials	**3,970**	3,787
Work in progress	**2,281**	2,047
Finished goods	**575**	615
	6,826	6,449

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2011

23. Trade and bills receivables

	30 September 2011 HK$'000	31 March 2011 HK$'000
Trade and bills receivables	10,484	8,429
Less: allowance for impairment loss	(4,265)	(3,926)
	6,219	4,503

Bill receivables are aged within 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 the reporting period, based on the invoice date, is as follows:

	30 September 2011 HK$'000	31 March 2011 HK$'000
Within 3 months	5,936	3,170
4 to 6 months	283	478
Over 6 months	–	855
	6,219	4,503

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2011

23. Trade and bills receivables (Continued)

The movements in allowance for impairment losses on trade and bills receivables are as follows:

	HK$'000
At 1 April 2010	1,249
Impairment loss recognised	2,599
At 30 September 2010	3,848
Impairment loss recognised	820
Bad debts written off	(742)
At 31 March 2011	3,926
Impairment loss recognised	366
Bad debts written off	(27)
At 30 September 2011	**4,265**

As at 30 September 2011, trade receivables of the Group amounting to HK$4,265,000 (31 March 2011: HK$3,926,000) were individually determined to be impaired and impairment loss of the full amount had been recognised. The individually impaired receivables are recognised based on the credit history of its customers, such as financial difficulties or default in payments, and current market conditions. Consequently, specific impairment loss is recognised. The Group does not hold any collateral over these receivables.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2011

23. Trade and bills receivables (Continued)

The aged analysis of the trade and bills receivables that are neither individually nor collectively considered to be impaired is as follows:

	30 September 2011 HK$'000	31 March 2011 HK$'000
Neither past due nor impaired	5,936	3,170
Less than 3 months past due	283	478
4 to 6 months past due	–	855
	6,219	4,503

The Group's trade and bills receivables that are neither past due nor impaired mainly represent sales made to recognised and creditworthy customers. These customers who trade on credit terms are subject to credit verification procedures. No impairment is required for the past due balances based on the Group's assessment of their recoverability.

At 30 September 2011, included in trade receivables of the Group were Factored Receivables amounted to approximately HK$5,575,000 (31 March 2011: HK$2,963,000). In this respect, the advances from the relevant banks of approximately HK$2,760,000 (31 March 2011: HK$911,000) received by the Group as consideration for the Factored Receivables at the end of the reporting period were recognised as liabilities and included in "Bank and other borrowings" (Note 29).

At 30 September 2011, trade and bills receivables with the aggregate carrying amount of approximately HK$4,348,000 (31 March 2011: HK$2,674,000) were denominated in US$ while the remaining were denominated in the functional currencies of the relevant group entities.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2011

24. Other receivables, prepayments and deposits paid

	30 September 2011 HK$'000	31 March 2011 HK$'000
Other receivables (Note a)	**1,681**	61,518
Prepaid lease payments	**33**	33
Prepayments	**107**	94
Deposits paid for acquisition of a subsidiary (Note b)	**270,000**	96,000
Other deposits paid	**625**	479
Amount due from the purchaser of the Disposed Entities (Note c)	**8,053**	–
	280,499	158,124

Notes:

(a) Included in other receivables at 31 March 2011 is receivable amounted to HK$59,077,000 in connection with the disposal of the Group's property, plant and equipment. Such receivable has been fully settled during the current period.

The movements in the allowance for impairment losses on other receivables are as follows:

	HK$'000
At 1 April 2010 and 30 September 2010	30
Derecognised on disposal of subsidiaries	(30)
At 31 March 2011 and 30 September 2011	–

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2011

24. Other receivables, prepayments and deposits paid (Continued)

(b) On 19 November 2010, the Company entered into a framework agreement with certain third parties for the possible acquisition of 80% equity interest in Ideal Market Holdings Limited ("Ideal Market"), a limited company incorporated in the British Virgin Islands. Ideal Market, through its subsidiaries, is principally engaged in the recycling business of waste paper, scrap metal and consumable waste in the PRC.

On 9 May 2011, the Company entered into the sale and purchase agreement with the vendors, pursuant to which the Company has conditionally agreed to acquire 80% equity interest in and shareholders' loans to Ideal Market for an aggregate consideration of HK$850 million. Refundable deposits totalling HK$270 million were paid by the Group up to 30 September 2011 (31 March 2011: HK$96 million). The acquisition was completed subsequent to 30 September 2011 (Note 39(a)).

(c) The amount due from the purchaser of the Disposed Entities (Note 15) represents the Group's trade receivables from the Disposed Entities assigned to the purchaser. Such receivables are unsecured, interest free and have been fully settled subsequent to 30 September 2011. The maximum outstanding balance of the receivables during the current period is HK$9,630,000.

25. Financial assets at fair value through profit or loss

	30 September 2011 HK$'000	31 March 2011 HK$'000
Equity securities listed in Hong Kong, at market value	15	62

As at 30 September 2011, the Group's listed equity securities were pledged to banks for banking facilities granted to the Group (Note 29(a)(iii)).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2011

26. Pledged banks deposits and bank balances and cash

Pledged bank deposits and bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The bank balances and deposits carry interest at market rates ranging from 0.05% to 0.11% (31 March 2011: 0.03% to 0.35%) per annum.

	30 September 2011 HK$'000	31 March 2011 HK$'000	30 September 2010 HK$'000
Pledged bank deposits	2,030	2,029	2,025
Bank balances and cash	17,990	1,237	633
	20,020	3,266	2,658
Bank deposits with an original maturity of less than three months when acquired, pledged	(2,030)	(2,029)	(2,025)
Cash and cash equivalents for the purpose of the consolidated statement of cash flows	17,990	1,237	633

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2011

27. Trade and bills payables

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

	30 September 2011 HK$'000	31 March 2011 HK$'000
Within 3 months	4,747	5,281
4 to 6 months	922	1,459
Over 6 months	2,132	2,067
	7,801	8,807

The credit period on purchase of goods ranged from 60 to 90 days.

As at 30 September 2011, trade and bills payables with an aggregate carrying amount of approximately HK$1,120,000 (31 March 2011: HK$3,718,000) were denominated in US$ while the remaining balances were denominated in the functional currencies of the relevant group entities.

28. Other payables and accruals

	30 September 2011 HK$'000	31 March 2011 HK$'000
Other payables	7,740	19,884
Accruals	5,010	8,815
	12,750	28,699

Included in other payables at 31 March 2011 are amounts due to the purchaser of the Disposed Entities (Note 15) amounted to HK$15,078,000 which were fully settled during the current period.

As at 30 September 2011, other payables and accruals with an aggregate carrying amount of approximately HK$30,000 (31 March 2011: HK$2,301,000) were denominated in US$ while the remaining balances were denominated in the functional currencies of the relevant group entities.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2011

29. Bank and other borrowings

	Effective interest rate 30 September 2011	Effective interest rate 31 March 2011	30 September 2011 HK$'000	31 March 2011 HK$'000
Bank Loans:				
Bank overdrafts	5.25 – 6.37%	5.25%	1,879	3,128
Trust receipt loans	N/A	5.25%	–	931
Advances from banks on Factored Receivables	2.98% – 5.25%	5.25%	2,760	911
Other bank loans	0.9% – 7.25%	5.25% – 7.25%	2,817	12,353
			7,456	17,323
Loans from directors	Nil	Nil – 3%	5,788	8,648
Loans from related companies	2.55% – 7.25%	Nil – 2.55%	4,516	5,558
Loans from former directors	Nil	Nil – 0.984%	10,071	12,668
Other borrowings	Nil	Nil	2,403	2,783
			30,234	46,980

	30 September 2011 HK$'000	31 March 2011 HK$'000
Analysed as:		
Secured	7,394	17,323
Unsecured	22,840	29,657
	30,234	46,980
Carrying amount repayable on demand or within one year	30,234	46,980

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2011

29. Bank and other borrowings (Continued)

(a) Certain bank borrowings are secured by:

(i) the Group's investment property with the carrying amount of HK$9,540,000 (31 March 2011: HK$9,380,000) (Note 19);

(ii) the Group's Factored Receivables with an aggregate carrying amount of HK$5,575,000 (31 March 2011: HK$2,963,000) (Note 23);

(iii) the Group's listed equity securities with an aggregate carrying amount of HK$15,000 (31 March 2011: HK$62,000) (Note 25); and

(iv) the Group's pledged bank deposits amounting to HK$2,030,000 (31 March 2011: HK$2,029,000) (Note 26).

(b) Except for the borrowings with aggregate amounts of RMB1,342,000 (31 March 2011: RMB9,655,000) and US$Nil (31 March 2011: US$92,000) which are denominated in RMB and US$ respectively, all the Group's bank and other borrowings are denominated in HK$.

(c) Loans from directors of the Company of HK$5,788,000 (31 March 2011: HK$7,625,000) are unsecured, interest free and repayable on demand or within one year from the reporting date. The remaining loans from directors of the Company of HK$1,023,000 at 31 March 2011 are unsecured, bearing interest at the rate of 3% per annum and repayable on demand or within one year from that date.

(d) The loans from related companies to the extent of HK$4,516,000 (31 March 2011: HK$2,623,000) carried interest at the Hong Kong dollar prime rate with the remaining balance interest free. Such loans are unsecured and repayable on demand.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2011

29. Bank and other borrowings (Continued)

(e) The loans from former directors are unsecured and repayable on demand or within one year from 30 September 2011. Such loans are interest free (31 March 2011: interest free except for an amount of HK$138,000 bearing interest at 0.984% per annum).

(f) The other borrowings are unsecured, interest free and repayable on demand.

30. Deferred taxation

At the end of the reporting period, the Group had unused tax losses of approximately HK$33,904,000 (31 March 2011: HK$23,164,000) available to offset against future profits. No deferred tax asset has been recognised for each of the six months ended 30 September 2011 and 2010 in respect of the unused tax losses due to the unpredictability of future profit streams.

31. Convertible notes

On 18 October 2010, 19 November 2010 and 3 December 2010, the Company issued convertible notes which are interest free with an aggregate principal amount of HK$20,000,000, HK$40,000,000 and HK$50,000,000 and due on the maturity dates of 18 October 2012, 19 November 2012 and 3 December 2012 respectively (collectively referred to as the "110m Notes"). The convertible notes with the principal amount of HK$20,000,000, HK$40,000,000 and HK$50,000,000 entitle the holders thereof to convert the notes into new shares of the Company at any time on or after 18 October 2010, 19 November 2010 and 3 December 2010 respectively until the business days immediately preceding the maturity dates by the noteholders at the initial conversion prices of HK$0.259, HK$0.209 and HK$0.10 per share respectively, subject to adjustment. Unless previously converted, purchased and cancelled, the 110m Notes will be redeemed at 100% of the outstanding principal amounts on the respective maturity dates.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2011

31. Convertible notes (Continued)

The 110m Notes were fully converted into new shares of the Company at the initial conversion prices up to 31 March 2011.

On 31 December 2010, the Company issued convertible notes with an aggregate principal amount of HK$99,000,000 (the "99m Notes"), due on the maturity date of 31 December 2013 and bearing interest at 3% per annum. The 99m Notes were issued as part of the consideration for the acquisition of 9.9% issued share capital of Swift Profit International Limited (Note 21). The 99m Notes entitle the holders thereof to convert the notes into new shares of the Company at any time on or after 31 December 2010 until the business day immediately preceding the maturity date at the initial conversion price of HK$0.18 per share. Unless previously converted, purchased and cancelled, the 99m Notes will be redeemed at 100% of the outstanding principal amount on the maturity date.

The 99m Notes with an aggregate principal amount of HK$88,760,000 were converted into new shares of the Company at the initial conversion price in January 2011 and the remaining 99m Notes with an aggregate principal amount of HK$10,240,000 were redeemed by the Company in May 2011 for an aggregate consideration which is equal to the principal amount of the notes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2011

31. Convertible notes (Continued)

Both of the 110m Notes and 99m Notes contain two components: liability and equity elements. The fair values of the liability components of the convertible notes were determined based on the valuations conducted by LCH (Asia-Pacific) Surveyors Limited, an independent firm of business and financial services valuers, using market rates for a similar non-convertible note. The fair value of the liability component was calculated using discount rates ranging from 8.49% to 9.1% per annum. The movement of the liability component of the 110m Notes and 99m Notes is set out below:

	110m Notes	99m Notes	Total
	HK$'000	HK$'000	HK$'000
Fair value of convertible notes issued during the period			
– Proceeds of issue	110,000	–	110,000
– Acquisition of available for sale Investment	–	101,888	101,888
	110,000	101,888	211,888
Equity component	(16,670)	(18,143)	(34,813)
Liability component at date of issue	93,330	83,745	177,075
Imputed interests at 9.1% per annum	–	727	727
Converted during the period	(93,330)	(75,623)	(168,953)
At 31 March 2011 and 1 April 2011	–	8,849	8,849
Imputed interests at 9.1% per annum	–	84	84
Redeemed during the period	–	(8,933)	(8,933)
At 30 September 2011	**–**	**–**	**–**

Upon the redemption of the 99m Notes in May 2011 for a consideration of HK$10,240,000, the consideration paid attributable to the liability component of the notes was estimated to be approximately HK$8,363,000, with the remaining amount of HK$1,877,000 attributable to the equity component. The gain on redemption of HK$570,000, representing the excess of the carrying amount of the liability component of the notes redeemed amounted to HK$8,933,000 over the attributable consideration paid of HK$8,363,000, has been recognised and included in other income and gains for the current period. The consideration paid attributable to equity component has been recognised in convertible notes equity reserve.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2011

32. Share capital

	Number of shares '000	Nominal amount HK$'000
Authorized:		
Ordinary shares of HK$0.10 each at 1 April 2010	1,000,000	100,000
Increase in authorised share capital (Note a)	9,000,000	900,000
Ordinary shares of HK$0.10 each at 30 September 2010	10,000,000	1,000,000
Share consolidation (Note b(i))	(9,375,000)	–
Reduction of share capital (Note b(ii))	–	(999,375)
Increase in authorised share capital (Note b(iii))	999,375,000	999,375
Ordinary shares of HK$0.001 each at 31 March 2011	1,000,000,000	1,000,000
Share consolidation (Note g)	(900,000,000)	–
Ordinary shares of HK$0.01 each at 30 September 2011	**100,000,000**	**1,000,000**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2011

32. Share capital (Continued)

	Number of shares '000	Nominal amount HK$'000
Issued and fully paid:		
Ordinary shares of HK$0.10 each at 1 April 2010	502,723	50,272
Issue of shares on placing of new shares (Note c)	100,500	10,050
Ordinary shares of HK$0.10 each at 30 September 2010	603,223	60,322
Issue of shares on conversion of the 110m Notes (Note d)	768,608	76,861
Issue of shares on conversion of the 99m Notes (Note e)	493,111	49,311
Share consolidation (Note b(i))	(1,748,383)	–
Reduction of share capital (Note b(ii))	–	(186,377)
Ordinary shares of HK$0.001 each at 31 March 2011	116,559	117
Issue of shares upon rights issue (Note f)	3,030,532	3,030
Share consolidation (Note g)	(2,832,381)	–
Ordinary shares of HK$0.01 each at 30 September 2011	**314,710**	**3,147**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2011

32. Share capital (Continued)

Notes:

(a) Pursuant to a special general meeting held on 16 August 2010, the Company increased its authorised share capital by HK$900,000,000, by the creation of 9,000,000,000 additional shares of HK$0.10 each.

(b) Pursuant to the resolutions passed in the Company's special general meeting held on 18 March 2011, the Company effected a capital reorganisation as follows:

  (i) every sixteen issued and unissued shares of par value HK$0.10 each in the Company were consolidated into one consolidated share of par value HK$1.60 each;

  (ii) the par value of each consolidated share was then reduced from HK$1.60 to HK$0.001 by the cancellation of HK$1.599 of the par value, resulting in a new par value of HK$0.001 for each consolidated share. The reduction of the share capital resulted in the credit of approximately HK$186,377,000 to contributed surplus which was then transferred to accumulated losses; and

  (iii) the authorised share capital of the Company was increased to HK$1,000,000,000 by the creation of 999,375,000 additional shares of HK$0.001 each.

(c) On 31 May 2010, the Company entered into a placement agreement with a financial institution under which 100,500,000 new ordinary shares of the Company were issued at a price of HK$0.29 per share, giving rise to a gross proceed of HK$29,145,000 (before expense).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2011

32. Share capital (Continued)

Notes: (Continued)

(d) The 110m Notes (see Note 31) were fully converted into new shares of the Company as follows:

Date	Principal amount of the 110m Notes converted	Number of ordinary shares issued	Conversion price per share
	HK$'000	'000	HK$
25 October 2010	20,000	77,220	0.259
26 November 2010	40,000	191,388	0.209
29 December 2010	45,000	450,000	0.10
07 January 2011	5,000	50,000	0.10
	110,000	768,608	

(e) Portion of the 99m Notes were converted into new shares of the Company as follows:

Date	Principal amount of the 99m Notes converted	Number of ordinary shares issued	Conversion price per share
	HK$'000	'000	HK$
07 January 2011	20,920	116,222	0.18
10 January 2011	2,000	11,111	0.18
11 January 2011	440	2,445	0.18
19 January 2011	45,000	250,000	0.18
28 January 2011	20,400	113,333	0.18
	88,760	493,111	

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2011

32. Share capital (Continued)

Notes: (Continued)

(f) In January 2011, the Company proposed to implement a rights issue of the new shares of the Company 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. In April 2011, 3,030,531,634 new shares of HK$0.001 each were issued by the Company pursuant to the terms of the rights issue, giving rise to a gross proceed of approximately HK$206.08 million (before expenses) to finance the acquisition of 80% equity interest in Ideal Market (Note 24 (b)) and to increase the working capital of the Group.

(g) On 27 May 2011, the Company proposed to implement a share consolidation scheme on the basis that every ten (10) issued and unissued shares of HK$0.001 each in the share capital of the Company were consolidated into one (1) consolidated share of HK$0.01 each. The share consolidation was effected on 30 June 2011.

All the new ordinary shares issued and allotted during the periods rank pari passu in all respect with the then existing ordinary shares of the Company.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2011

33. Share option scheme

On 30 August 2011, the Company issued a new share option scheme (the "New Scheme") to override the existing share option scheme dated 23 August 2002 (the "Old Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations.

A summary of the New Scheme of the Company is as follows:

Purpose	To provide incentives and rewards to eligible participants for their contributions to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group and any entity in which the Group holds an equity interest (the "Invested Entity").
Eligible participants	(i) any employee (whether full-time or part-time), executive directors, non-executive directors and independent non-executive directors of the Company or any of its subsidiaries or Invested Entity;
	(ii) any supplier of goods or services to any member of the Group or any Invested Entity; any customer of the Group or any Invested Entity; any person or entity that provides research, development or other technological support to the Group or any Invested Entity; and
	(iii) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2011

33. Share option scheme (Continued)

Total number of ordinary shares available for issue under the New Scheme and the percentage of the issued share capital that it represents as at the date of approval of these consolidated financial statements	31,470,905 ordinary shares of HK$0.01 each, representing approximately 10% of the issued share capital.
Maximum entitlement of each eligible participant	Where any grant or further grant of options to an eligible participant would result in the total number of shares issued and to be issued upon exercise of all the options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12 month period up to and including the date of such grant or further grant representing in aggregate over 1% of the total number of shares in issue, such grant or further grant must be separately approved by the shareholders in a general meeting. Where any grant or further grant of options to a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates, would result in the shares issued and to be issued upon exercise of all options already granted and to be granted (including exercised, cancelled and outstanding options) to such person in the 12-month period up to and including the date of such grant: (a) representing in aggregate over 0.1% of the relevant class of shares in issue; and (b) having an aggregate value, based on the closing price of the shares at the date of each grant, in excess of HK$5,000,000, such grant or further grant of options must be approved by the shareholders in a general meeting.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2011

33. Share option scheme (Continued)

Period within which the securities must be taken up under an option	An option may be exercised at any time during a period to be determined and notified by the directors to each grantee, but shall end in any event not later than 10 years from the date of offer of the grant of options subject to the provisions for early termination set out in the New Scheme.
Minimum period for which an option must be held before it can be exercised	There is no minimum period for which an option granted must be held before it can be exercised except otherwise imposed by the directors.
Amount payable on acceptance of the option and the period within which such payment must be made	The offer of a grant of share options may be accepted within 28 days from the date of offer with a consideration of HK$1.00 being payable by the grantee.
Exercise price	Determined by the directors but shall not be less than the highest of (i) the closing price of the ordinary shares as stated in the Stock Exchange's daily quotations sheets on the date of offer of the grant of options, which must be a trading day; (ii) the average closing price of the ordinary shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of offer of the grant of options; and (iii) the nominal value of shares.
The remaining life of the New Scheme	The New Scheme remains in force until 30 August 2021.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2011

33. Share option scheme (Continued)

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

For the six months ended 30 September 2011

No share options were granted, exercised, lapsed or cancelled under the New Scheme and the Old Scheme during the six months ended 30 September 2011 and no share options were outstanding as at that date.

For the year ended 31 March 2011

No share options were granted, exercised, lapsed or cancelled under the Old Scheme during the year ended 31 March 2011 and no share options were outstanding as at that date.

34. Employee retirement benefits

Defined contribution retirement plan

The Group has participated in defined contribution retirement schemes established under Mandatory Provident Fund Ordinance ("MPF schemes") for its employees in Hong Kong. The assets of the MPF Schemes are held separately from those of the Group in funds under the control of independent trustees. Under the rules of the MPF Schemes, each of the employer and its employees are generally required to make contributions to the schemes at 5% of the employee's relevant monthly income, up to a maximum of HK$1,000 per month.

The employees of PRC subsidiaries of the Group are members of state-managed retirement benefits schemes operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes is to make the required contributions under the schemes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2011

34. Employee retirement benefits (Continued)

Defined contribution retirement plan (Continued)

No forfeited contributions were recognised for the six months ended 30 September 2011 (six months ended 30 September 2010: Nil) and there were no material forfeitures available to reduce the Group's future contributions at 30 September 2011 and 31 March 2011.

35. Commitments

(a) Capital commitments

As at 30 September 2011, the Group had commitment in respect of outstanding consideration payable for the acquisition of 80% equity interest in and shareholders' loan to Ideal Market amounted to HK$580,000,000 (31 March 2011: HK$84,000,000) (Note 24(b)).

(b) Operating lease commitments

The Group as lessor

The Group leased out its investment property (Note 19) at 30 September 2011, with the lease negotiated for terms ranging from two to three years (31 March 2011: two to three years). The terms of the lease also require the tenant to pay security deposits.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2011

35. Commitments (Continued)

(b) Operating lease commitments (Continued)

The Group as lessor (Continued)

At the end of the reporting period, the Group had total future minimum lease receivables under the non-cancellable operating leases with its tenants falling due as follows:

	30 September 2011 HK$'000	31 March 2011 HK$'000
Within one year	**180**	216
In the second to fifth year, inclusive	**–**	72
	180	288

The rental yield is expected to be approximately 2% at 30 September 2011 (31 March 2011: 2%).

The Group as lessee

The Group rented certain office premises under operating lease arrangements, with the leases negotiated for a term of one and a half years.

At the end of the reporting period, the Group had total future minimum lease payments under the non-cancellable operating lease falling due as follows:

	30 September 2011 HK$'000	31 March 2011 HK$'000
Within one year	**479**	724
In the second to fifth year, inclusive	**67**	–
	546	724

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2011

36. Contingent liabilities

	30 September 2011 HK$'000	31 March 2011 HK$'000
Guarantee given in respect of banking facilities granted to a former subsidiary (Note 37(b)(iii))	**17,493**	16,848

As a director of the Company and the Purchaser (Note 37(b)) have indemnified any losses arising from the guarantee given by the Group, the directors consider that any losses sustained by the Group relating to the guarantee is unlikely to materialise. No provision for loss has therefore been made in this respect.

37. Related party transactions

In addition to the transactions detailed elsewhere in these consolidated financial statements, the Group had the following material transactions with related parties during the current period:

(a) Interest paid to and rentals received from related parties:

		Six months ended 30 September	
	Notes	2011 HK$'000	2010 HK$'000
Interest paid to directors	(i)	**–**	28
Interest paid to a related company	(ii)	**59**	183
Rentals received from a related company		**15**	30

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2011

37. Related party transactions (Continued)

(a) (Continued)

Notes:

(i) The interest paid to directors of the Company arose from the loans obtained from the directors. Details of the loans are disclosed in Note 29.

(ii) The interest paid to a related company, in which a director of the Company has a beneficial interest, arose from the loan obtained from the related company. Details of the loan are disclosed in Note 29.

(b) On 18 January 2011, the Group disposed of the Disposed Entities (Note 15) to a company (the "Purchaser") which is wholly owned by Mr. Lau Ching Yim, a director of the Company. The Group had the following transactions with the Purchaser and the Disposed Entities during the current period:

(i) The Group had made purchases of goods from certain entities in the Disposed Entities amounted to approximately HK$7,685,000 (18 January 2011 to 31 March 2011: HK$2,500,000).

(ii) The Group had receivable from the Purchaser amounted to approximately HK$8,053,000 at 30 September 2011 (31 March 2011: payable to the Purchaser amounted to approximately HK$15,078,000) which are unsecured, interest free and payable on demand.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2011

37. Related party transactions (Continued)

(b) (Continued)

(iii) The Company has provided a corporate guarantee of Thailand Baht 70,000,000 (equivalent to HK$17,493,000) to a bank for banking facilities granted by the bank to an entity in the Disposed Entities. Such facilities to the extent of HK$5,393,000 were utilised by the entity as at 30 September 2011 (31 March 2011: HK$6,271,000), details of which are as follows:

Name of the entity:	Bangkok Industrial Laminate Company Limited
Name of the related director:	Lau Chung Yim
Maximum liability of the Company under the guarantee	
– at 1 April 2011:	HK$6,271,000
– at 30 September 2011:	HK$5,393,000
Amount paid and liability incurred by the Company for the purpose of fulfilling the guarantee or discharging the security:	Nil

The director, Lau Chung Yim, and the Purchaser have indemnified any losses of the Company arising from the corporate guarantee.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2011

37. Related party transactions (Continued)

(c) Outstanding balances with related parties:

(i) Details of the Group's loans from directors and former directors as at the end of the reporting period are disclosed in Note 29.

(ii) Details of the Group's loans from related companies, in which a director of the Group has a beneficial interest, as at the end of the reporting period are disclosed in Note 29.

(d) Compensation of key management personnel, which are principally the directors of the Company, of the Group:

	Six months ended 30 September	
	2011	2010
	HK$'000	HK$'000
Short-term employee benefits	**1,239**	655
Post-employment benefits	**13**	18
Total compensation paid to key management personnel	**1,252**	673

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

Further details of directors' emoluments are included in Note 12.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2011

38. Principal subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name of company	Place of incorporation/ registration	Nominal amount of issued share/ registered capital	Percentage of equity attributable to the Company 30.9.2011	31.3.2011	Principal activities
Benevolent Corporation	British Virgin Islands (B.V.I.)	US$10	100%	100%	Investment holding
Nam Hing (B.V.I.) Limited	B.V.I.	US$50,000	100%	100%	Investment holding
Nam Hing Industrial Laminate Limited	Hong Kong	HK$200/ HK$2,000,000[1]	100%	100%	Investment holding
Nam Hing Circuit Board Company Limited	Hong Kong	HK$500,000	100%	100%	Trading of printed circuit boards
Natural Century Limited	Hong Kong	HK$2	100%	100%	Investment holding
Nam Hing Circuit Board (Dongguan) Co., Ltd.[2, 3]	PRC	HK$38,376,800/ HK$40,000,000	100%	100%	Manufacture of printed circuit boards

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2011

38. Principal subsidiaries (Continued)

Notes:

[1] Non-voting deferred shares.

[2] The subsidiary is registered as a wholly-foreign-owned enterprise under the PRC laws.

[3] The Group is obliged to pay up the capital contribution by 1997. In the opinion of the directors, the Group is able to obtain further extension from the government authorities.

Except for Nam Hing (B.V.I.) Limited, which operates in Hong Kong, all of the places of operations of the subsidiaries are the same as their places of incorporation/registration.

Nam Hing (B.V.I.) Limited is directly owned by the Company, all other subsidiaries are indirectly held by the Company.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the period or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities subsisting at 30 September 2011 or any time during the period.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2011

39. Events after the reporting period

The following events took place subsequent to 30 September 2011:

(a) As referred to in Note 24(b), the Company entered into the sale and purchase agreement for the acquisition of 80% equity interest in and shareholders' loans to Ideal Market for an aggregate consideration of HK$850 million, of which refundable deposits totalling HK$270 million were paid in cash by the Group up to 30 September 2011. On 4 November 2011, the acquisition of Ideal Market was completed and the outstanding consideration of HK$580 million was satisfied by (i) cash of HK$30 million; (ii) promissory notes with an aggregate principal amount of HK$260 million payable by the Company; and (iii) convertible notes with an aggregate principal amount of HK$290 million issued by the Company. The promissory notes carry interests at 5.25% per annum and are wholly payable on the date which is 12 months after the date of the issue of the promissory notes. The convertible notes, which will be mature on the date after 24 months from the date of issue of these notes, entitle the holders thereof to convert the notes into new ordinary shares of the Company at the initial conversion prices of HK$0.227 per share (being not less than HK$0.227 per share and not more than HK$0.68 per share as stipulated in the relevant documents) during the period from the date of issue of the convertible notes to the date immediately prior to the maturity date of the notes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2011

39. Events after the reporting period (Continued)

(a) (Continued)

Up to the date of approval of these consolidated financial statements, the fair values of the convertible notes and promissory notes included in the purchase consideration for the acquisition and certain assets and liabilities of Ideal Market Group as at the date of acquisition have not been determined, accordingly, goodwill on this acquisition is yet to be measured.

Details of the acquisition and certain financial information regarding Ideal Market are set out in the circular dated 23 September 2011 issued by the Company.

(b) On 7 October 2011, the Company entered into an agreement with a placing agent under which the placing agent has conditionally agreed for the procurement, on a best effort, of placement of the convertible notes with an aggregate principal amount of HK$110 million to be issued by the Company for the estimated net proceeds of approximately HK$106 million. Under the agreement, these convertible notes will be mature on the date which is 12 months after the date of the issue of the convertible notes and the holders of the notes are entitled to convert the notes into new shares of the Company at an initial conversion price of HK$0.11 per share during the period from the date of issue of the convertible notes to the fifth business day before the maturity date of the notes. Unless previously converted, purchased, redeemed or cancelled, all the convertible notes then outstanding on the maturity date will be converted into shares of the Company at the conversion price. The placement of the convertible notes was approved by the shareholders of the Company on 29 November 2011.

Details of the placement of convertible notes are set out in the circulars dated 7 October 2011 and 2 November 2011 issued by the Company.