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)

ANNUAL REPORT 2012

*For identification purposes only

Contents

Corporate Information

Executive Directors

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

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. Tse Kwong Chan *(Chairman)*
Ms. Chan Ching Ho, Kitty
Ms. Zhou Jue

Nomination Committee

Mr. Chan Ying Kay *(Chairman)*
Mr. Tse Kwong Chan
Ms. Deng Hong Mei

Auditor

CCTH CPA Limited
Certified Public Accountants
Unit 9-10, 27/F, North Tower
Concordia Plaza
1 Science Museum Road
Tsim Sha Tsui
Kowloon
Hong Kong

Legal Advisor

Li, Wong, Lam & W.I. Cheung
22/F, Infinitus Plaza
199 Des Voeux Road Central
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
DBS Bank Limited, Shanghai Branch
Industrial and Commercial Bank of China 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

Chairman's Statement and Management Discussion & Analysis

I would like to report to the shareholders the annual report of China Environmental Energy Investment Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2012.

BUSINESS REVIEW AND PROSPECTS

Consolidated turnover of the Group for the year ended 31 March 2012 was HK$178,822,000, representing a 234.5% increase as compared with HK$53,455,000 of the previous year. Operating profit after tax of the Group was HK$8,891,000, which included a gain of HK$77,658,000 on valuation of convertible notes and impairment loss of HK$44,888,000 on investment in electric car battery business. Excluding the results of the above gain and loss, the Group experienced a loss of HK$23,879,000 as compared with HK$46,243,000 (excluding a gain of HK$49,800,000 on the disposal of land and buildings in the Suzhou subsidiary in Mainland China and loss of HK$7,001,000 on the disposal of sustained loss-incurring subsidiaries in the Group) of the previous year. The increase in turnover and improved results were attributable to the acquisition of the recycling business during the year.

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

For the year ended 31 March 2012, the PCB division recorded a turnover of HK$42,253,000 (2011: HK$49,860,000), which accounted for approximately 23.6% of the Group's total turnover and represented a decrease of 15.3% as compared with the previous year. Gross profit was HK$7,218,000 and gross margin was 17.1%. The decrease in turnover was attributable to lower market demand arising from the European debts crisis, in the PCB market.

Trading and manufacturing of industrial laminates

During the year under review, the industrial laminate business achieved a turnover of HK$541,000 (2011: HK$4,692,000), representing approximately less than 1% of the Group's total turnover and a decrease of 88.5% as compared with last year. The industrial laminate division continued to sustain loss due to strong competition and weak market demand. Sales orders for the year persistently decreased. The industrial laminate operation in Suzhou, Mainland China during the year remained idle.

Investment in electric car battery business

The Company acquired 9.9% of the issued share capital of Swift Profit International Limited ("Swift Profit") on 29 December 2010. Swift Profit has been granted an exclusive licence 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$44,888,000 by reference to a business valuation as valued by a professional valuer.

The impairment loss on the investment in the electric car battery business is mainly attributable to the change in industry environment and prospect related to electric cars and batteries for electric cars, as well as the increase in costs of operation. Recently, there have been negative incidents, which raised consumers' concerns about the quality, safety and potential problems on electric cars and batteries for electric cars, affecting both domestic and global market and demand for electric cars. In March 2012, A123 Systems Inc., an United States-based developer and manufacturer of advanced lithium iron phosphate batteries, discovered a problem in certain prismatic cells at its Livonia facility and announced it would replace the faulty batteries shipped to five customers, including Fisker Automotive. In addition, an e6 battery-electric car produced by China's best-known electric car manufacturer, the Shenzhen-based BYD, was involved in a fatal car fire accident. Despite the BYD's electric car technology has been found to be safe, the incident put consumers on doubts that fire may have been caused by the batteries exploding or the leaking of electrolyte liquid.

On the other hand, due to the inflation in China, there has been an increase in costs of raw materials, labor and manufacturing overhead in the production of electric car battery. All of these have a negative impact on the profit margin and affect the performance of the electric car battery business.

The electric car battery business has been adversely affected by the battery faults and electric car fire incidents, and the increase in costs of operation. The Company forecasted that the demand for electric car batteries might not as robust as expected and the growth of the business might be restrained.

Acquisition of subsidiaries – recycling business

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 consideration of HK$850 million. The sale shares represent 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. The acquisition was completed on 4 November 2011.

Since its acquisition, the recycling business recorded a turnover of RMB110,592,000 (equivalent to HK$136,028,000), which accounted for approximately 76.1% of the Group's total turnover. Gross profit was RMB15,471,000 (equivalent to HK$19,029,000) and gross margin came to 14.0%. Operating profit after tax was RMB4,264,000 (equivalent to HK$5,245,000). This became the main source of income of the Group.

The Company is in the process of preparation of the financial statements of Ideal Market Holdings Limited and its subsidiaries ("recycling business") for the year ended 31 March 2012 (full year) in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"). Management is of the view that the profit of recycling business for the year ended 31 March 2012 (full year) is below the Profit Guarantee (as defined in the Circular dated 23 September 2011), giving rise to a gain on redemption or repurchase of the Contingency Note (as specified in the Circular dated 23 September 2011). However, the results of recycling business prepared in accordance with HKFRSs cannot be ascertained with reasonable certainty at this stage, any gain on redemption or repurchase of the Contingency Notes has not been recognised in the consolidated financial statements of the Group for the current year. As soon as the results of recycling business for the year ended 31 March 2012 prepared in accordance with HKFRSs are available, the Company will consider whether it is appropriate to make an announcement to its shareholders in this respect.

Continuing connected transactions

On 28 June 2010, the Group entered into the following agreements and transactions: (1) Sale and Purchase Agreement in relation to the disposal of substantial loss incurring subsidiaries manufacturing and trading in industrial laminates and copper foils (the "Disposed Group"), with a company named Nature Ample Limited which is wholly owned by a former director of the Company, namely Mr. Lau Chung Yim, at a consideration of HK$28 million; (2) Master Supply Agreement with Zhongshan Chung Yuen Electronic Applied Materials Company Limited (a member of the Disposed Group) in relation to the Group's purchase of industrial laminates from the Disposed Group for a term commencing from the completion of the disposal of the Disposed Group (the "Disposal") up to 31 March 2012 (with the maximum purchase amounts of HK$4,000,000 and HK$15,000,000 for the period ended 31 March 2011 and for the year ended 31 March 2012, respectively) so as to ensure that the Group has a steady supply of laminates for trading in the market; and (3) continued provision of financial assistance by the Company to the Disposed Group by way of loans advances up to a maximum amount of HK$25,000,000 and by way of a corporate guarantee executed on 11 February 2004 in favour of Bangkok Bank Public Company Limited in respect of borrowing by Bangkok Industrial Laminate Company Limited (a member of the Disposed Group) up to a maximum principal amount of Thai Baht 70,000,000 (equivalent to HK$17,633,000) after the completion of the Disposal.

During the year, the Group purchased industrial laminates amounting to RMB7,342,000 (equivalent to HK$9,031,000) from the Disposed Group and continued to provide financial assistance to the Disposed Group by way of a corporate guarantee in favour of Bangkok Bank Public Company Limited in respect of borrowing of Thai Baht 21,648,000 (equivalent to HK$5,453,000) by Bangkok Industrial Laminate Company Limited (a member of the Disposed Group) as at 31 March 2012.

Pursuant to the Rule 14A.37 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the above continuing connected transactions have been reviewed by the independent non-executive directors of the Company and confirmed that these transactions have been entered into:

(1) in the ordinary and usual course of business of the Group;

(2) on normal commercial terms or on terms no less favourable to the Company than those available to independent third parties; and

(3) in accordance with the relevant agreement governing such transactions on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Pursuant to the Rule 14A.38 of the Listing Rules, the Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The conclusion in the auditor's letter is as follows:

(1) nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have not been approved by the Board;

(2) for transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes them to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Company;

(3) nothing has come to their attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and

(4) with respect to the aggregate amount of each of the continuing connected transactions, nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have exceeded the maximum aggregate annual value disclosed in the previous announcement dated 28 June 2010 and the circular dated 24 December 2010 made by the Company in respect of each of the disclosed continuing connected transactions.

Outlook

The European debt crisis and stagnant economic growth in the United States have severely reduced the market demand of consumers. The management anticipates that the trading environment would be worsened and 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 operating costs. The acquisition of the waste paper recycling business during the year became a main source of income to the Group. We believe that the financial performance of the Group will improve.

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 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 in the issued share capital of the Company. The share consolidation was effected on 30 June 2011.

As at 31 March 2012, the Group's total cash and bank balances, cash deposit held by securities broker and pledged fixed deposits amounted to HK$94,830,000 (2011: HK$3,266,000). Total bank loans, other borrowings, convertible notes, financial liabilities designated at fair value through profit or loss and promissory note payable increased from HK$55,829,000 as at 31 March 2011 to HK$323,021,000 as at 31 March 2012. The Group's gearing ratio, which is net debt divided by total shareholders' equity plus net debt, increased from 0.25 as at 31 March 2011 to 0.40 as at 31 March 2012. Net debt included bank and other borrowings, trade and bills payable, other payables and accruals, promissory note payable, financial liabilities designated at fair value through profit or loss and obligation under finance leases less cash and bank balances, cash deposits and pledged bank deposits. As at 31 March 2012, the Group had a current ratio of 0.52 (2011: 1.77) and net current liabilities of HK$228,315,000 (2011: net current assets of HK$74,972,000).

On 7 October 2011, the Company had entered into an agreement with a placing agent under which the placing agent conditionally agreed to the procurement, on a best effort basis, of placement of 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 convertible notes was approved by the shareholders of the Company on 29 November 2011. As at 31 March 2012, the Company has issued convertible notes in principal value of HK$77 million.

FOREIGN EXCHANGE EXPOSURE

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.

CONTINGENT LIABILITIES

The Company has provided a corporate guarantee of Thai Baht 70,000,000 (equivalent to HK$17,633,000) to a bank for banking facilities granted by the bank to a former subsidiary of the Company (2011: HK$16,848,000).

CAPITAL COMMITMENTS

The Group had no material capital commitments as at 31 March 2012. As at 31 March 2011, the Group had commitment for the outstanding consideration payable for the acquisition of 80% equity interest in and shareholders' loan to Ideal Market Holdings Limited amounted to HK$84,000,000.

PLEDGE OF ASSETS

As at 31 March 2012, the Group's assets pledged as security for banking facilities amounted to approximately HK$37,632,000 (2011: HK$14,434,000).

EMPLOYMENT, TRAINING AND REMUNERATION POLICY

During the year under review, the Group continued to strengthen staff quality through staff development and training programmes. The Group had approximately 452 employees as at 31 March 2012 (2011: 231). The increase in number of employees was due to the acquisition of the recycling business during the year. Remunerations are commensurate with the nature of job, experience and market conditions.

APPRECIATION

On behalf of the board of directors of the Company (the "Board"), I would like to express my sincere appreciation to all management and staff for their diligence and continuing support.

ON BEHALF OF THE BOARD

Ms. Chen Tong
Chairman

Hong Kong, 10 August 2012

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Company recognizes the importance of corporate governance in maintaining its corporate transparency and accountability. The Board sets appropriate policies and implements corporate governance practices in accordance with the needs of the Group's business.

The "Code on Corporate Governance Practices" (the "CG Code") contained in Appendix 14 to the Listing Rules has been revised and renamed as the "Corporate Governance Code and Corporate Governance Report" with effect from 1 April 2012. As this Corporate Governance Report covers the year ended 31 March 2012, all the corporate governance principles and code provisions mentioned herein refer to those stated in the CG Code, not the revised Corporate Governance Code (unless otherwise specified).

In the opinion of the Board, the Company has complied with the code provisions set out in the CG Code, except for the code provisions A.2.1, A.4.1, A.4.2 and E.1.2. Key corporate governance principles and practices of the Company as well as the details of the foregoing deviations are summarized below.

A. THE BOARD

A1. Responsibilities and Delegation

The Board is responsible for the leadership, control and management of the Company and oversees the Group's business, strategic decision and performances in the attainment of the objective of ensuring effective functioning and growth of the Group and enhancing value to investors. All the directors carry out their duties in good faith and in the interests of the Group.

All directors have timely access to all relevant information as well as the advice and services of the Company Secretary and senior management, with a view to ensuring compliance with Board procedures and all applicable laws and regulations. Any director may request for independent professional advice in appropriate circumstances at the Company's expense, upon reasonable request made to the Board.

The Board reserves for its decision on all major matters of the Company, including the approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant financial and operational matters.

The Executive Committee and the senior management are delegated the authority and responsibilities by the Board for the day-to-day management and operation of the Group. The delegated functions and work tasks are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the above-mentioned officers. The Board has the full support of the senior management to discharge its responsibilities.

A THE BOARD (continued)

A2. Board Composition

The Board comprises the following directors as at 31 March 2012:

Executive directors:

Ms. Chen Tong *(Chairman of the Board, Chief Executive Officer and Chairman of the Executive Committee)*
Ms. Deng Hong Mei *(Member of both the Executive Committee and the Nomination Committee)*
Ms. Chan Ching Ho, Kitty *(Member of both the Executive Committee and the Remuneration Committee)*
Mr. Xiang Liang *(Member of the Executive Committee)*

Non-executive directors:

Ms. Yao Zhengwei
Mr. Wang Zhenghua

Independent non-executive directors:

Mr. Chan Ying Kay *(Chairman of both the Audit Committee and the Nomination Committee)*
Mr. Tse Kwong Chan *(Chairman of the Remuneration Committee, Member of both the Audit Committee and the Nomination Committee)*
Ms. Zhou Jue *(Member of both the Audit Committee and the Remuneration Committee)*

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

The Board has at all times during the year ended 31 March 2012 met the requirements of the Listing Rules for having not less than three independent non-executive directors, with at least one of them possessing appropriate professional qualifications or accounting or related financial management expertise as required under the Listing Rules. In addition, the Company's three independent non-executive directors represent one-third of the Board.

A THE BOARD (continued)

A2. Board Composition (continued)

The members of the Board have skills and experience appropriate for the business requirements and objectives of the Group. The independent non-executive directors bring different business and financial expertise, experiences and independent judgement to the Board and they are invited to serve on the Board committees of the Company. Through participation in Board meetings, taking the lead in managing issues involving potential conflicts of interests, the independent non-executive directors have made contributions to the management of the Company and provided adequate checks and balances to safeguard the interests of both the Group and the shareholders.

The biographical details of the directors of the Company are set out under "Brief Biographical Details in respect of Directors and Senior Management Staff" in this annual report. None of the members of the Board is related to one another.

The Company has received written annual confirmation from each independent non-executive director of his/her independence pursuant to the requirements of the Listing Rules. The Company considers all independent non-executive directors to be independent in accordance with the independence guidelines set out in the Listing Rules.

A3. Chairman and Chief Executive Officer

Code provision A.2.1 of the CG Code stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual.

Ms. Chen Tong currently 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.

The Board considers that the current structure of vesting the roles of Chairman and Chief Executive Officer in the same person will not impair the balance of power and authority between the Board and the management of the Company. The Board shall review this structure from time to time to ensure appropriate and timely action to meet changing circumstances.

A THE BOARD (continued)

A4. Appointment and Re-election of Directors

Code Provision A.4.1 of the CG Code 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 code provision A.4.1.

The Company has adopted "Directors' Nomination Procedures" as written guidelines in providing formal, considered and transparent procedures to the Board for evaluating and selecting candidates for directorships. An external recruitment agency may be engaged to carry out the recruitment and selection process when necessary.

Besides, the procedures and process of appointment, re-election and removal of directors are laid down in the Bye-laws. According to the Bye-laws, one-third of the directors for the time being (if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation at each annual general meeting provided that every director shall be subject to retirement at an annual general meeting at least once every three years. In addition, any new director appointed to fill a casual vacancy or as an addition to the Board shall hold office only until the first general meeting after appointment. The retiring directors are eligible for re-election by the shareholders at the respective general meetings. The above provisions comply with the code provision A.4.2 of the CG Code, which stipulates that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years; and all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after appointment.

Mr. Wang Zhenghua and Mr. Chan Ying Kay, who were appointed by the Board as directors of the Company during the year ended 31 March 2012, retired and were re-elected at the annual general meeting of the Company held on 30 August 2011 instead of the first general meeting of the Company after their appointment held on 29 June 2011. Although this arrangement deviates from the code provision A.4.2 of the CG Code and the provision of the Bye-laws, the Board considered that grouping Mr. Wang Zhenghua and Mr. Chan Ying Kay and other retiring directors for re-election in the same general meeting as far as possible provided a clearer and simpler picture to the Company's shareholders.

A THE BOARD (continued)

A4. Appointment and Re-election of Directors (continued)

Pursuant to the aforesaid provision regarding the retirement by rotation in the Bye-laws, Ms. Chan Ching Ho, Kitty, Ms. Yao Zhengwei and Ms. Zhou Jue shall retire by rotation at the forthcoming annual general meeting of the Company (the "2012 AGM"). All the above three retiring directors, being eligible, will offer themselves for re-election at the 2012 AGM. The Board and the Nomination Committee recommended their re-appointment. The Company's circular, sent together with this annual report, contains detailed information of the above three directors as required by the Listing Rules.

A5. Induction and Continuing Development for Directors

Each newly appointed director receives induction on the first occasion of his/her appointment, so as to ensure that he/she has appropriate understanding of the business and operations of the Company and that he/she is sufficiently aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

The existing directors are continually updated with legal and regulatory developments, and the business and market changes to facilitate the discharge of their responsibilities. Continuing briefings and professional development to directors will be arranged whenever necessary.

A6. Board Meetings

A6.1 Board Practices and Conduct of Meetings

Schedules for regular Board meetings are normally agreed with directors in advance in order to facilitate them to attend. In addition, notice of at least 14 days is given of a regular Board meeting. For other Board meeting, reasonable notice is generally given.

Draft agenda of each Board meeting is usually sent to all directors together with the notice in order to give them an opportunity to include any other matters in the agenda for discussion in the meeting.

Board papers together with all appropriate, complete and reliable information are sent to all directors at least 3 days before each Board meeting to keep the directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each director also have separate and independent access to the senior management whenever necessary.

A THE BOARD (continued)

A6. Board Meetings (continued)

A6.1 Board Practices and Conduct of Meetings (continued)

The Financial Controller, Company Secretary and other relevant senior management normally attend regular Board meetings and, where necessary, other Board meetings to advise on business developments, financial and accounting matters, statutory compliance, corporate governance and other major aspects of the Group.

The Company Secretary is responsible to take and keep minutes of all Board meetings. Draft minutes are normally circulated to directors for comments within a reasonable time after each meeting and the final version is open for directors' inspection. Each director is normally able to seek independent professional advice in appropriate circumstances at the Company's expenses, upon making request to the Board.

The Bye-laws contain provisions requiring directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such directors or any of their associates have a material interest. According to the current Board practice, any material transaction, which involves a conflict of interest for a substantial shareholder or a director, will be considered and dealt with by the Board at a duly convened Board meeting.

A THE BOARD (continued)

A6. Board Meetings (continued)

A6.2 Directors' Attendance Records

During the year ended 31 March 2012, 20 Board meetings were held, out of which 4 were regular meetings held at approximately quarterly intervals for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Company.

The attendance records of each director at the Board meetings held during the year ended 31 March 2012 are set out below:

Name of Director	Attendance/Number of Board Meetings
Executive directors	
Ms. Chen Tong	20/20
Ms. Deng Hong Mei	20/20
Ms. Chan Ching Ho, Kitty	20/20
Mr. Xiang Liang	18/20
Mr. Lau Chung Yim (Note 1)	1/18
Non-executive directors	
Ms. Yao Zhengwei	19/20
Mr. Wang Zhenghua (Note 2)	13/14
Independent non-executive directors	
Mr. Chan Ying Kay (Note 2)	13/14
Mr. Tse Kwong Chan	20/20
Ms. Zhou Jue	19/20
Mr. Yau Kwan Shan (Note 3)	0/5

Notes:

1. Mr. Lau Chung Yim has resigned as an executive director with effect from 15 March 2012. Before his resignation, there were a total of 18 Board meetings held during the year ended 31 March 2012.

2. (i) Mr. Wang Zhenghua has been appointed as a non-executive director; and (ii) Mr. Chan Ying Kay has been appointed as an independent non-executive director, both with effect from 8 June 2011. Subsequent to their appointment, there were 14 Board meetings held during the year ended 31 March 2012.

3. Mr. Yau Kwan Shan has resigned as an independent non-executive director with effect from 8 June 2011. Before his resignation, there were a total of 5 Board meetings held during the year ended 31 March 2012.

A THE BOARD (continued)

A6. Board Meetings (continued)

A6.3 Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' dealings in the Company's securities (the "Own Code"). Each director has been given a copy of the Own Code. Having made specific enquiry of all the Company's directors, they have complied with the Own Code throughout the year ended 31 March 2012.

The Company also has established written guidelines on no less exacting terms than the Model Code (the "Employees Written Guidelines") for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company and/or its securities. No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

In case when the Company is aware of any restricted period for dealings in the Company's securities, the Company will notify its directors and relevant employees in advance.

B. BOARD COMMITTEES

To comply with the new code provision of the revised Corporate Governance Code, which requires a listed issuer to establish a nomination committee by 1 April 2012, the Board approved the setting up of its Nomination Committee on 27 March 2012. Accordingly, as at 31 March 2012, the Board has four Board committees, namely, the Executive Committee, the Remuneration Committee, the Audit Committee and the Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board committees have been established with defined terms of reference, which are available on the Stock Exchange's website (www.hkexnews.hk) and on the Company's website (except for the written terms of reference of the Executive Committee which is available to shareholders upon request). All the Board committees should report to the Board on their decisions or recommendations made.

All Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses.

The practices, procedures and arrangements in conducting meetings of Board committees follow in line with, so far as practicable, those of the Board meetings set out in section A6.1 above.

B. BOARD COMMITTEES (continued)

B1. Executive Committee

The Executive Committee comprises all the executive directors of the Company with the Chairman of the Board, Ms. Chen Tong, acting as the chairman of such Committee. The Executive Committee operates as a general management committee under the direct authority of the Board to increase the efficiency for the business decisions. It monitors the execution of the Company's strategic plans and operations of all business units of the Group and discusses and makes decisions on matters relating to the management and day-to-day operations of the Company.

B2. Remuneration Committee

Mr. Lau Chung Yim resigned as an executive director and the chairman of the Remuneration Committee on 15 March 2012. Mr. Tse Kwong Chan and Ms. Chan Ching Ho, Kitty were appointed as the chairman and a member of the Remuneration Committee on 15 March 2012 respectively. At other times during the year ended 31 March 2012, the other members of the Remuneration Committee were the two independent non-executive directors, Mr. Tse Kwong Chan and Ms. Zhou Jue.

The principal responsibilities of the Remuneration Committee include making recommendations to the Board on the Company's remuneration policy and structure and the remuneration packages of directors and members of senior management. The Remuneration Committee is also responsible for establishing transparent procedures for developing such remuneration policy and structure to ensure that no director or any of his/her associates will participate in deciding his/her own remuneration, which remuneration will be determined by reference to the performance of the individual and the Company as well as market practice and conditions.

B. BOARD COMMITTEES (continued)

B2. Remuneration Committee (continued)

During the year ended 31 March 2012, the Remuneration Committee has held 1 meeting and generally reviewed the remuneration policy and structure of the Group and made recommendation to the Board. The attendance records of the foregoing Remuneration Committee meeting are set out as follows:

Name of Remuneration Committee Member	Attendance/Number of Remuneration Committee Meetings
Mr. Tse Kwong Chan	1/1
Ms. Zhou Jue	1/1
Ms. Chan Ching Ho, Kitty (Note 1)	N/A
Mr. Lau Chung Yim (Note 2)	0/1

Notes:

1. Ms. Chan Ching Ho, Kitty has been appointed as a member of the Remuneration Committee of the Company with effect from 15 March 2012. No Remuneration Committee meeting was held subsequent to her appointment during the year ended 31 March 2012.

2. Mr. Lau Chung Yim has resigned as the chairman of the Remuneration Committee with effect from 15 March 2012. Before his resignation, there was 1 Remuneration Committee meeting held during the year ended 31 March 2012.

Details of the remuneration of each of the directors of the Company for the year ended 31 March 2012 are set out in Note 13 to the consolidated financial statements contained in this annual report.

B. BOARD COMMITTEES (continued)

B3. Audit Committee

Mr. Yau Kwan Shan resigned and Mr. Chan Ying Kay was appointed as an independent non-executive director and the chairman of the Audit Committee on 8 June 2011. At other times during the year ended 31 March 2012, the other members of the Audit Committee were the two independent non-executive directors, Mr. Tse Kwong Chan and Ms. Zhou Jue. Both Mr. Yau Kwan Shan and Mr. Chan Ying Kay possess the appropriate accounting and financial management expertise as required under Rule 3.10(2) of the Listing Rules. None of the members of the Audit Committee is a former partner of the Company's existing external auditor.

The main duties of the Audit Committee are reviewing the financial information and reports of the Group and considering any significant or unusual items raised by the financial officers of the Group or external auditors before submission to the Board; reviewing the relationship with and the terms of appointment of the external auditors and making the relevant recommendations to the Board; and reviewing the Company's financial reporting system, internal control system and risk management system.

During the year ended 31 March 2012, the Audit Committee has held 2 meetings and performed the following major works:

– Review and discussion of the annual financial statements, results announcement and report for the year ended 31 March 2011, the related accounting principles and practices adopted by the Group and the relevant audit findings, and recommendations of the re-appointment of the external auditor; and

– Review and discussion of the interim financial statements, results announcement and report for the six months ended 30 September 2011, the related accounting principles and practices adopted by the Group and the relevant audit findings.

The external auditors were invited to attend the above meetings to discuss with the Audit Committee members on issues arising from the audit and financial reporting matters.

B. BOARD COMMITTEES (continued)

B3. Audit Committee (continued)

The attendance records of the foregoing 2 Audit Committee meetings are set out below:

Name of Audit Committee Member	Attendance/Number of Audit Committee Meetings
Mr. Chan Ying Kay (Note 1)	2/2
Mr. Tse Kwong Chan	2/2
Ms. Zhou Jue	2/2
Mr. Yau Kwan Shan (Note 2)	N/A

Notes:

1. Mr. Chan Ying Kay has been appointed as the chairman of the Audit Committee of the Company with effect from 8 June 2011. Subsequent to his appointment, there were 2 Audit Committee meetings held during the year ended 31 March 2012.

2. Mr. Yau Kwan Shan has resigned as the chairman of the Audit Committee of the Company with effect from 8 June 2011. No Audit Committee meeting was held prior to his resignation during the year ended 31 March 2012.

There is no disagreement between the Board and the Audit Committee regarding the appointment of external auditors.

B4. Nomination Committee

As mentioned above, the Nomination Committee was set up on 27 March 2012. It comprises a total of three members, being one executive director, namely Ms. Deng Hong Mei, and two independent non-executive directors, namely Mr. Chan Ying Kay and Mr. Tse Kwong Chan. Accordingly, a majority of the members are independent non-executive directors. The chairman of the Nomination Committee is Mr. Chan Ying Kay.

B. BOARD COMMITTEES (continued)

B4. Nomination Committee (continued)

The principal responsibilities of the Nomination Committee include reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and recommending any changes to the Board; identifying qualified and suitable individuals to become Board members and selecting and making recommendations to the Board on the selection of individuals nominated for directorships; assessing the independence of independent non-executive directors; and making recommendations to the Board on relevant matters relating to the appointment or re-appointment of directors and succession planning for directors in particular, the Chairman and the Chief Executive Officer of the Company.

Prior to the setting up of the Nomination Committee, the Board as a whole was responsible for the said duties of the Nomination Committee. The Board, through its meetings held on the following dates during the year ended 31 March 2012, performed the following works regarding matters relating to the board composition and nomination of directors:

(a) 8 June 2011 (with the presence of Ms. Chen Tong, Ms. Deng Hong Mei, Ms. Chan Ching Ho, Kitty, Mr. Xiang Liang, Mr. Lau Chung Yim, Ms. Yao Zhengwei, Mr. Tse Kwong Chan and Ms. Zhou Jue): (i) acceptance of the resignation of Mr. Yau Kwan Shan as an independent non-executive director and the chairman of the Audit Committee; (ii) appointment of Mr. Wang Zhenghua as a non-executive director; and (iii) appointment of Mr. Chan Ying Kay as an independent non-executive director and the chairman of the Audit Committee;

(b) 30 June 2011 (with the presence of Ms. Chen Tong, Ms. Deng Hong Mei, Ms. Chan Ching Ho, Kitty, Mr. Chan Ying Kay, Mr. Tse Kwong Chan and Ms. Zhou Jue): review of the structure, size and composition of the Board to ensure that it has a balance of expertise, skills and experience appropriate to the requirements for the business of the Group; recommendations of the re-election of the retiring directors standing for re-election at the Company's annual general meeting held on 30 August 2011; and assessment of the independence of all the Company's then independent non-executive directors; and

(c) 15 March 2012 (with the presence of Ms. Chen Tong, Ms. Deng Hong Mei, Ms. Chan Ching Ho, Kitty, Mr. Xiang Liang, Ms. Yao Zhengwei, Mr. Chan Ying Kay, Mr. Tse Kwong Chan and Ms. Zhou Jue): (i) acceptance of the resignation of Mr. Lau Chung Yim as an executive director and the chairman of the Remuneration Committee; (ii) appointment of Mr. Tse Kwong Chan as the chairman of the Remuneration Committee; and (iii) appointment of Ms. Chan Ching Ho, Kitty as a member of the Remuneration Committee.

B. BOARD COMMITTEES (continued)

B4. Nomination Committee (continued)

Subsequent to the setting up of the Nomination Committee, no Nomination Committee meeting was held during the year ended 31 March 2012.

C. DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF THE FINANCIAL STATEMENTS

The directors have acknowledged their responsibilities for preparing the financial statements of the Company for the year ended 31 March 2012. The management has provided such explanation and information to the Board as necessary to enable the Board to assess the financial information and position of the Group.

As set out in note 2 to the consolidated financial statements (the "Note 2") in this annual report, as at 31 March 2012, the Group and the Company had net current liabilities of approximately HK$228,315,000 and HK$160,645,000 respectively, which included promissory notes payable of HK$262,023,000. The Independent Auditor's Report in this annual report and Note 2 have stated that the above conditions indicate the existence of a material uncertainty which may cast significant doubt on the ability of the Group and the Company to continue as a going concern. The consolidated financial statements do not include any adjustments that would result from a failure to obtain the fundings as referred to in Note 2 for financing the working capital and financial commitments of the Group and the Company for the foreseeable future. The auditor considers that adequate disclosures have been made for the above matters in the consolidated financial statements.

Notwithstanding the conditions described above and in the Independent Auditor's Report, the consolidated financial statements have been prepared on the assumption that the Group will be able to operate as a going concern for the foreseeable future. In the opinion of the Board, the Group, as detailed in Note 2, can meet its financial obligations as and when they fall due in the coming year, after taking into consideration those measures and arrangements made subsequent to the reporting date as detailed in Note 2.

In light of the measures and arrangements implemented to date, the Board is of the view that the Group has sufficient cash resources to satisfy their working capital and other financial obligations for the next twelve months from the date of approval of these financial statements after having taken into account the Group's projected cash flows, current financial resources and capital expenditure requirements with respect to the production facilities and development of its businesses. Accordingly, the Board is of the view that it is appropriate to prepare the consolidated financial statements on a going concern basis.

D. INTERNAL CONTROLS

The Board is responsible for maintaining an adequate internal control system and for reviewing the effectiveness of such system on an annual basis. The senior management reviews and evaluates the control process, monitors any risk factors on a regular basis and reports on any findings and measures to address the variances and identified risks.

During the year under review, the Board has conducted a review of the effectiveness of the internal control system of the Company.

E. EXTERNAL AUDITOR AND AUDITOR'S REMUNERATION

With effect from 15 April 2011, CCTH CPA Limited has been appointed as the new auditor to fill the vacancy left by the resignation of SHINEWING (HK) CPA Limited. Details of the above-mentioned change are set out in the Company's announcement dated 15 April 2011.

The statement of the external auditor of the Company about their reporting responsibilities on the Company's financial statements for the year ended 31 March 2012 is set out in the section headed "Independent Auditor's Report" in this annual report.

The fees paid/payable to CCTH CPA Limited in respect of audit services and non-audit services for the year ended 31 March 2012 are analyzed below:

Type of services provided by the external auditor	**Fees paid/payable**
	HK$
Audit services – interim audit fee for the period ended 30 September 2011	769,000
Audit services – audit fee for the year ended 31 March 2012	800,000
TOTAL:	1,569,000

F. COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Company believes that communication with shareholders is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies.

The Company maintains a website at www.986.com.hk, as a communication platform with shareholders and investors, where information and updates on the Company's financial information and other information are available for public access. Investors may write directly to the Company's principal place of business in Hong Kong for any inquiries.

F. COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS (continued)

Shareholders' meetings provide an opportunity for communication between the Board and the shareholders. Board members and appropriate senior staff of the Group are available at the meeting to answer any questions raised by shareholders.

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 for approving the refreshment of general mandate (details of such transaction were set out in the Company's circular dated 23 February 2011), the independent board committee members were not present. The Company's management was arranged to answer questions from the independent shareholders at the meeting.

G. SHAREHOLDERS' RIGHTS

Pursuant to bye-law 58 of the Bye-laws, shareholders holding not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition. The purposes of convening the meeting must be stated in the relevant requisition, signed by all the shareholders concerned in one or more documents in like form and deposited at the Company's head office and principal place of business in Hong Kong.

As one of the measures to safeguard shareholders' interests and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual directors, for shareholders' consideration and voting. Besides, various rights of shareholders, including the right to propose resolutions, are contained in the Bye-laws.

All resolutions being put forward at shareholders' meetings of listed issuers shall be voted by poll pursuant to the Listing Rules. The poll voting results will be posted on the websites of the Stock Exchange (www.hkexnews.hk) and the Company after each shareholders' meeting.

Report of the Directors

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 March 2012.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its principal subsidiaries are set out in Note 49 to the financial statements. The Company has acquired subsidiaries of recycling business during the year.

RESULTS

The Group's profit for the year ended 31 March 2012 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 39 to 144.

SUMMARY OF FINANCIAL INFORMATION

A summary of the published results and assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements, is set out below. This summary does not form part of the audited financial statements.

	Year ended 31 March				
	2012	2011	2010	2009	2008
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**178,822**	58,818	69,042	129,394	302,813
Profit/(loss) before tax	**9,221**	568	(39,591)	(82,138)	(91,037)
Tax	**(330)**	(4,012)	(372)	(267)	(528)
Profit/(loss) for the year	**8,891**	(3,444)	(39,963)	(82,405)	(91,565)

Certain comparative figures were restated to conform with the current year's presentation.

SUMMARY OF FINANCIAL INFORMATION (continued)

	At 31 March				
	2012	2011	2010	2009	2008
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
			(Restated)	(Restated)	
Property, plant and equipment	**46,619**	18,898	67,199	79,315	145,800
Investment properties	**10,150**	9,380	6,960	5,870	7,360
Prepaid land lease payments	**1,063**	1,052	14,800	14,926	15,431
Goodwill	**522,849**	–	–	–	–
Intangible assets	**39,728**	–	–	–	–
Available-for-sale investment	**128,000**	172,888	–	–	–
Amount due from a minority shareholder	**13,300**	–	–	–	–
Total non-current assets	**761,709**	202,218	88,959	100,111	168,591
Current assets	**243,345**	172,404	93,219	68,357	151,319
Current liabilities	**(471,660)**	(97,432)	(126,790)	(124,375)	(196,774)
Net current (liabilities)/assets	**(228,315)**	74,972	(33,571)	(56,018)	(45,455)
Total assets less current liabilities	**533,394**	277,190	55,388	44,093	123,136
Long term portion of bank and other borrowings	**–**	–	(11,543)	(13,665)	(7,860)
Long term portion of finance lease payables	**(414)**	–	–	(65)	(897)
Deferred tax liabilities	**(11,891)**	–	–	–	–
Net assets	**521,089**	277,190	43,845	30,363	114,379

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the Group's property, plant and equipment and investment property during the year are set out in notes 19 and 20 to the financial statements respectively.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year are set out in notes 38 and 39 to the financial statements respectively.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

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 year.

RESERVES

Details of movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES

At 31 March 2012, the Company has reserves comprising contributed surplus and retained profits available for cash distribution and/or distribution in specie was HK$89,574,000. In addition, the Company's share premium account in the amount of HK$469,584,000 may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, the sales attributable to the Group's five largest customers accounted for approximately 64% of the total sales for the year and sales to the largest customer included therein amounted to approximately 32%.

In the year under review, the purchases attributable to the Group's five largest suppliers accounted for less than 30% of the total purchases for the year.

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

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive directors:

Ms. Chen Tong	
Ms. Deng Hong Mei	
Ms. Chan Ching Ho, Kitty	
Mr. Xiang Liang	
Mr. Lau Chung Yim	(Resigned on 15 March 2012)

Non-executive directors:

Ms. Yao Zhengwei	
Mr. Wang Zhenghua	(Appointed on 8 June 2011)

Independent non-executive directors:

Mr. Chan Ying Kay	(Appointed on 8 June 2011)
Ms. Zhou Jue	
Mr. Tse Kwong Chan	
Mr. Yau Kwan Shan	(Resigned on 8 June 2011)

In accordance with the Bye-laws and the agreement among the directors, Ms. Chan Ching Ho, Kitty, Ms. Yao Zhengwei and Ms. Zhou Jue shall retire as directors of the Company at the forthcoming annual general meeting of the Company. The above retiring directors, being eligible, will offer themselves for re-election at the forthcoming annual general meeting of the Company.

BRIEF BIOGRAPHICAL DETAILS IN RESPECT OF DIRECTORS AND SENIOR MANAGEMENT STAFF

Executive directors:

Ms. Chen Tong, aged 48, is the Chairman of the Board, the Chief Executive Officer, the Chairman of the Executive Committee and an executive director of the Company. She joined the Group in December 2010. Ms. Chen graduated from Tongji University in 2002 with a bachelor's degree in administrative management. She is currently the vice general manager of a logistic company in The People's Republic of China. She has over 10 years experience in the banking industry and is an economist.

Ms. Deng Hong Mei, aged 41, is an executive director and a member of both the Executive Committee and Nomination Committee of the Company. She joined the Group in November 2009. Ms. Deng has served as a project manager in a private company in Hong Kong for about 9 years. She has extensive experience in the field of business and project management.

Ms. Chan Ching Ho, Kitty, aged 56, is an executive director and a member of both the Executive Committee and Remuneration Committee of the Company. She joined the Group in March 2010. Ms. Chan holds (i) a certificate in real estate agency practice from School of Professional and Continuing Education, the University of Hong Kong; (ii) a professional diploma in estate and facilities management from the Hong Kong Productivity Council; and (iii) a certificate course for management and instructors in security and property management from Hong Kong College of Technology. Prior to joining the Board, Ms. Chan has around 30 years experience in sales and marketing and property management in Hong Kong.

Mr. Xiang Liang, aged 43, is an executive director and a member of the Executive Committee of the Company. He joined the Group in March 2010. Mr. Xiang holds a degree in accounting and finance from Shanghai TV University and is a banker of Hongkou Qu, Shanghai Branch, China Construction Bank for more than 20 years.

Mr. Lau Chung Yim, aged 62, was an executive director, a member of the Executive Committee and the Chairman of the Remuneration Committee of the Company and has resigned from all of these offices with effect from 15 March 2012. He holds a bachelor's degree in mechanical engineering from the University of Massachusetts at Lowell, the United States of America and is a registered professional engineer in the province of Ontario, Canada. He joined the Group in 1977 and has over 30 years' experience in the production of laminates and printed circuit boards. Mr. Lau is the elder brother of Mr. Lau Chung Pun, Daniel (Assistant General Manager of the Group).

BRIEF BIOGRAPHICAL DETAILS IN RESPECT OF DIRECTORS AND SENIOR MANAGEMENT STAFF (continued)

Non-executive directors:

Ms. Yao Zhengwei, aged 25, is a non-executive director of the Company. She joined the Company in January 2011. Ms. Yao graduated in Shanghai I&C Foreign Languages School. She is currently studying Finance in Shanghai Jiao Tong University and working in the investment division of a fund management company.

Mr. Wang Zhenghua, aged 30, is a non-executive director of the Company. He joined the Company in June 2011. He graduated from University of Shanghai for Science and Technology in 2006 with a Bachelor's degree in marketing. Mr. Wang has been working in the field of sales, marketing and communications in The People's Republic of China for 6 years.

Independent non-executive directors:

Mr. Chan Ying Kay, aged 48, is as an independent non-executive director and the Chairman of both the Audit Committee and the Nomination Committee of the Company. He joined the Company in June 2011. He graduated from the University of Sheffield with a Master of Business Administration, and is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. Mr. Chan has over 20 years of experience in accounting and finance. Mr. Chan is currently an independent non-executive director of Doxen Energy Group Limited (a company listed on the Main Board of the Stock Exchange; stock code: 668). He is also currently the company secretary and chief financial officer of FinTronics Holdings Company Limited (a company listed on the Main Board of the Stock Exchange; stock code: 706). Before joining FinTronics Holdings Company Limited, he was an executive director and the company secretary of Bestway International Holdings Limited (a company listed on the Main Board of the Stock Exchange; stock code: 718).

Ms. Zhou Jue, aged 26, is an independent non-executive director of the Company. She joined the Company in December 2010. She is also a member of both the Audit Committee and the Remuneration Committee of the Company. Ms. Zhou studied in Shanghai Maritime University in corporate management. She is currently an investment consultant in an investment management company and she has experience in hotel management.

Mr. Tse Kwong Chan, aged 42, is as an independent non-executive director, the Chairman of the Remuneration Committee and a member of both the Audit Committee and the Nomination Committee of the Company. He joined the Company in March 2011. He graduated from Dawson College, Canada with a degree majoring in Mathematics in 1991. Mr. Tse has over 20 years of working experience in the area of sales and marketing and management.

BRIEF BIOGRAPHICAL DETAILS IN RESPECT OF DIRECTORS AND SENIOR MANAGEMENT STAFF (continued)

Independent non-executive directors: (continued)

Mr. Yau Kwan Shan, aged 49, was an independent non-executive director and the Chairman of the Audit Committee of the Company and has resigned from these offices with effect from 8 June 2011. He is a fellow member of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. He has extensive experience in accounting and financial management. He had previously worked for an international accounting firm and a number of companies listed on the Main Board of The Stock Exchange of Hong Kong Limited. He had been the financial controller and company secretary of the Group from September 1996 to February 2000.

Senior management staff:

Mr. Lau Chung Pun, Daniel, aged 45, is a younger brother of Mr. Lau Chung Yim. Mr. Lau joined the Group in 1995 and is the Assistant General Manager of the Group. He holds a bachelor's degree and a master's degree in electrical engineering from the University of Southern California, the USA. He had extensive experience in computer software simulations before joining the Group.

Ms. Ip Sau Wah Katherine, aged 52, is the Administrative Manager of the Group. She joined the Group in 1997 and has extensive experience in office administration and the human resources field.

Mr. Leung Chi Wing, Billy, aged 45, is the Company's secretary, authorized representative and authorized person to accept service of process and notices on behalf of the Company in Hong Kong. He joined the Group in January 2011. He is a member of the Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants and The Institute of Chartered Secretaries and Administrators in the United Kingdom. He holds a Bachelor's degree in Accountancy and has extensive experiences in finance, accounting and company secretarial functions.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' REMUNERATION

The directors' fees are subject to shareholders' approval at general meeting every year. Other emoluments are determined by the Board with reference to directors' duties, responsibilities and performance and the results of the Group.

DIRECTORS' INTERESTS IN CONTRACTS

Save as the interest of a former director of the Company in the continuing connected transactions disclosed in the Chairman's Statement and Management Discussion & Analysis, none of the directors of the Company nor their respective associates had a material beneficial interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

None of the directors nor their respective associates was interested in any business apart from the Group's business which competes or is likely to compete, either directly or indirectly, with the Group's businesses pursuant to Rule 8.10 of the Listing Rules.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 March 2012, 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 or the SFO) which were acquired 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

During the year, no 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 31 March 2012, the following parties had interests of 5% or more of the issued shares and underlying shares of the Company according to the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

A. Long position in issued ordinary shares of the Company

Name of substantial shareholder	Capacity	Number of ordinary shares interested	Notes	Percentage+ of the Company's issued share capital
Chiu Se Chung Samuel	Beneficial owner	9	2	0%
Hue Kwok Chiu	Beneficial owner	18,711,717	2	2.02%
Lu Yan Hong	Beneficial owner	97,078,589	2	10.51%
Lucky Start Holdings Limited	Beneficial owner	132,158,589	1 & 2	14.31%
Zhao Zhen Zhen	Interest held by controlled corporation	132,158,589	1 & 2	14.31%
Mao Yin Chun	Beneficial owner	44,052,863	2	4.77%
Shao Yan	Beneficial owner	17,621,145	2	1.90%

Notes:

1. These shares were held by Lucky Start Holdings Limited, a controlled corporation of Zhao Zhen Zhen.

2. These substantial shareholders had Interests in both issued shares and underlying shares of the Company.

B. Long position in the underlying shares of the Company (physically settled unlisted equity derivatives) – convertible notes

Name of substantial shareholder	Capacity	Number of underlying shares in respect of the convertible notes issued	Notes	Percentage+ of the underlying shares over the Company's issued share capital
Chiu Se Chung Samuel	Beneficial owner	88,000,000		9.53%
Hue Kwok Chiu	Beneficial owner	264,317,182	2	28.62%
Liu Deqiang	Beneficial owner	88,000,000		9.53%
Lu Yan Hong	Beneficial owner	6,607,930	2	0.7%
Lucky Start Holdings Limited	Beneficial owner	88,105,728	1 & 2	9.54%
Zhao Zhen Zhen	Interest held by controlled corporation	88,105,728	1 & 2	9.54%
Mao Yin Chun	Beneficial owner	94,713,656	2	10.25%
Ng Kwok Wai	Beneficial owner	88,000,000		9.53%
Ren Zhanli	Beneficial owner	130,000,000		14.07%
Shao Yan	Beneficial owner	63,876,653	2	6.91%
Sze Ting Hing Mary	Beneficial owner	88,000,000		9.53%
Wang Zhen Ying	Beneficial owner	138,766,519		15.02%
Zhou Jingwen	Beneficial owner	88,000,000		9.53%
Zou Jian Ping	Beneficial owner	50,660,792		5.48%

Notes:

1. These underlying shares were held by Lucky Start Holdings Limited, a controlled corporation of Zhao Zhen Zhen.

2. These substantial shareholders had Interests in both issued shares and underlying shares of the Company.

+ The percentage represents the number of ordinary shares/underlying shares interested divided by the number of the Company's issued shares as at 31 March 2012.

Save as disclosed above, as at 31 March 2012, no person, other than the directors of the Company whose interests are set out in the section headed "Directors' interests and short positions in shares and underlying shares" above, had registered an interest or a short position in the shares or underlying shares of the Company as recorded in the register of interest required to be kept pursuant to Section 336 of the SFO.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors of the Company, as at the date of this report, there is a sufficient public float of not less than 25% of the Company's total issued share capital as required under the Listing Rules.

EVENTS AFTER THE REPORTING PERIOD

Details of the significant events of the Group are set out in Note 50 to the financial statements.

AUDITOR

SHINEWING (HK) CPA Limited has acted as the auditor of the Company for the years ended 31 March 2009 and 2010. SHINEWING (HK) CPA Limited has tendered its resignation as auditor of the Company with effect from 14 April 2011. CCTH CPA Limited has been appointed as auditor of the Company with effect from 15 April 2011 to fill the casual vacancy following the resignation of SHINEWING (HK) CPA Limited.

The consolidated financial statements of the Company for the years ended 31 March 2011 and 2012 were audited by CCTH CPA Limited who will retire at the forthcoming annual general meeting and, being eligible, will offer itself for re-appointment. A resolution will be submitted to the forthcoming annual general meeting to re-appoint CCTH CPA Limited as the auditor of the Company.

ON BEHALF OF THE BOARD

Ms. Chen Tong
Chairman

Hong Kong
10 August 2012

Independent Auditor's Report

CCTH CPA LIMITED
中正天恆會計師有限公司

TO THE SHAREHOLDERS 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 39 to 144, which comprise the consolidated statement of financial position as at 31 March 2012, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of 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 Section 90 of the Bermuda Companies Act 1981, 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.

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

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 year ended 31 March 2011, 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 year's consolidated financial statements is modified because of the possible effects of the matters referred to above on the comparability of the current year'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 31 March 2012 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance.

EMPHASIS OF MATTERS

Without further qualifying our opinion, we draw attention to Note 2 to the consolidated financial statement regarding the adoption of going concern basis on which the consolidated financial statements have been prepared. As at 31 March 2012, the Group and the Company had net current liabilities of approximately HK$228,315,000 and HK$160,645,000 respectively, including promissory notes payable of HK$262,023,000.

The conditions set out in Note 2 to the consolidated financial statements indicate the existence of a material uncertainty which may cast significant doubt on the ability of the Group and the Company to continue as a going concern. The consolidated financial statements do not include any adjustments that would result from a failure to obtain the fundings as referred to in Note 2 for financing the working capital and financial commitments of the Group and the Company for the foreseeable future. We consider that adequate disclosures have been made for the above matters in the consolidated financial statements.

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

Hong Kong, 10 August 2012

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2012

	Notes	2012 HK$'000	2011 HK$'000
Continuing Operations			
Turnover	8	**178,822**	53,455
Cost of sales		**(152,475)**	(42,206)
Gross profit		**26,347**	11,249
Gain on change in fair value of financial liabilities designated at fair value through profit or loss	35	**77,658**	–
Gain on disposal of property, plant and equipment		**–**	49,800
Other income and gains	10	**12,353**	3,526
Selling and distribution expenses		**(7,573)**	(1,932)
Administrative and other expenses		**(42,657)**	(34,106)
Impairment loss recognised on available-for-sale investment	24	**(44,888)**	–
Finance costs	11	**(12,019)**	(2,700)
Profit before taxation	12	**9,221**	25,837
Taxation	15	**(330)**	(4,012)
Profit for the year from continuing operations		**8,891**	21,825
Discontinued Operations			
Loss for the year from discontinued operations	16	**–**	(25,269)
Profit/(loss) for the year		**8,891**	(3,444)
Profit/(loss) for the year		**8,891**	(3,444)
Other comprehensive income			
Exchange difference arising on translation of foreign operations		**2,062**	9,197
Total comprehensive income for the year		**10,953**	5,753

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2012

	Notes	2012 HK$'000	2011 HK$'000
Profit/(loss) for the year attributable to:			
Owners of the Company		**7,842**	(3,444)
Non-controlling interests		**1,049**	–
		8,891	(3,444)
Total comprehensive income attributable to:			
Owners of the Company		**9,904**	5,753
Non-controlling interests		**1,049**	–
		10,953	5,753
EARNINGS/(LOSS) PER SHARE	18		
From continuing and discontinued operations			
Basic		**HK1.90 cents**	HK(3.77) cents
Diluted		**HK(8.33) cents**	N/A
From continuing operations			
Basic		**HK1.90 cents**	HK23.88 cents
Diluted		**HK(8.33) cents**	HK22.83 cents

Consolidated Statement of Financial Position

As at 31 March 2012

	Notes	2012 HK$'000	2011 HK$'000
Non-current assets			
Property, plant and equipment	19	**46,619**	18,898
Investment property	20	**10,150**	9,380
Prepaid lease payments	21	**1,063**	1,052
Goodwill	22	**522,849**	–
Intangible assets	23	**39,728**	–
Available-for-sale investment	24	**128,000**	172,888
Amount due from a minority shareholder	25	**13,300**	–
		761,709	202,218
Current assets			
Inventories	26	**18,014**	6,449
Trade and bills receivables	27	**54,081**	4,503
Other receivables, prepayments and deposits paid	28	**76,420**	158,124
Financial assets at fair value through profit or loss	29	**–**	62
Pledged bank deposits	30	**24,420**	2,029
Cash deposits held by securities broker	30	**40,000**	–
Bank balances and cash	30	**30,410**	1,237
		243,345	172,404
Current liabilities			
Trade and bills payables	31	**86,094**	8,807
Other payables and accruals	32	**35,577**	28,699
Promissory notes payable	33	**262,023**	–
Bank and other borrowings	34	**35,081**	46,980
Financial liabilities designated at fair value through profit or loss	35	**25,917**	–
Tax payable		**26,856**	4,097
Obligations under finance leases	36	**112**	–
Convertible notes	37	**–**	8,849
		471,660	97,432
Net current (liabilities)/assets		**(228,315)**	74,972
		533,394	277,190

Consolidated Statement of Financial Position

As at 31 March 2012

	Notes	2012 HK$'000	2011 HK$'000
Capital and reserves			
Share capital	38	**9,234**	117
Share premium and reserves		**494,385**	277,073
Equity attributable to owners of the Company		**503,619**	277,190
Non-controlling interests		**17,470**	–
Total equity		**521,089**	277,190
Non-current liabilities			
Obligations under finance leases	36	**414**	–
Deferred tax liabilities	40	**11,891**	–
		12,305	–
		533,394	277,190

The consolidated financial statements on pages 39 to 144 were approved and authorised for issue by the board of directors on 10 August 2012 and are signed on its behalf by:

Deng Hong Mei
Director

Chan Ching Ho, Kitty
Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2012

	Attributable to owners of the Company									
	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	Non-controlling Interests HK$'000	Total HK$'000
At 1 April 2010	50,272	170,806	2,031	24,242	464	–	(203,970)	43,845	–	43,845
Loss for the year	–	–	–	–	–	–	(3,444)	(3,444)	–	(3,444)
Other comprehensive income										
Exchange difference arising on translation of foreign operations	–	–	–	9,197	–	–	–	9,197	–	9,197
Total comprehensive income/ (expenses) for the year	–	–	–	9,197	–	–	(3,444)	5,753	–	5,753
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	–	34,813
Issue of shares on conversion of convertible notes	126,172	75,717	–	–	–	(32,936)	–	168,953	–	168,953
Issue of shares upon placing of shares	10,050	19,095	–	–	–	–	–	29,145	–	29,145
Share issue expenses	–	(5,319)	–	–	–	–	–	(5,319)	–	(5,319)
At 31 March 2011 and 1 April 2011	117	260,299	2,031	33,439	464	1,877	(21,037)	277,190	–	277,190
Profit for the year	–	–	–	–	–	–	7,842	7,842	1,049	8,891
Other comprehensive income										
Exchange difference arising on translation of foreign operations	–	–	–	2,062	–	–	–	2,062	–	2,062
Total comprehensive income for the year	–	–	–	2,062	–	–	7,842	9,904	1,049	10,953
Non-controlling interests arising on acquisition of subsidiaries	–	–	–	–	–	–	–	–	16,421	16,421
Issue of shares upon right issues	3,030	203,046	–	–	–	–	–	206,076	–	206,076
Issue of shares upon conversion of convertible notes	6,087	14,809	–	–	–	–	–	20,896	–	20,896
Share issue expenses	–	(8,570)	–	–	–	–	–	(8,570)	–	(8,570)
Redemption of convertible notes	–	–	–	–	–	(1,877)	–	(1,877)	–	(1,877)
At 31 March 2012	**9,234**	**469,584**	**2,031**	**35,501**	**464**	**–**	**(13,195)**	**503,619**	**17,470**	**521,089**

Note: The contributed surplus of the Group at 31 March 2012 and 31 March 2011 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 year ended 31 March 2012

	Notes	2012 HK$'000	2011 HK$'000
Operating activities			
Profit/(loss) for the year		**8,891**	(3,444)
Adjustments for:			
Tax charge recognised in profit or loss		**330**	4,012
Finance costs		**12,019**	3,007
Depreciation of property, plant and equipment		**5,998**	15,041
Amortisation of intangible assets		**1,743**	–
Amortisation of prepaid lease payments		**33**	150
Impairment loss recognised in respect of available-for-sale investment		**44,888**	–
Impairment loss recognised in respect of			
– trade receivables		**27**	3,419
– other receivable		**1,845**	–
Write down of inventories		**657**	–
Loss on disposal of subsidiaries	44	**–**	7,001
Loss/(gain) on disposal of property, plant and equipment		**192**	(48,647)
Gain on change in fair value of financial liabilities designated at fair value through profit or loss		**(77,658)**	–
Increase in fair value of investment property		**(770)**	(2,420)
Gain on change in fair value of financial assets at fair value through profit or loss		**–**	(15)
Bank interest income		**(294)**	(6)
Imputed interest income		**(286)**	–
Reversal of allowance on trade receivables		**(3,622)**	–
Net foreign exchange gain		**–**	6,193
Operating cash flows before movements in working capital		**(6,007)**	(15,709)
Increase in amount due from a minority shareholder		**(3,416)**	–
Decrease in inventories		**18,730**	6,013
(Increase)/decrease in trade and bills receivables		**(20,010)**	2,061
Decrease/(increase) in other receivables, prepayments and deposits paid		**7,873**	(23,099)
Decrease in financial assets at fair value through profit or loss		**62**	–
Increase/(decrease) in trade and bills payables		**24,926**	(7,130)
Decrease in other payables and accruals		**(14,355)**	(1,404)
Cash generated from/(used in) operations		**7,803**	(39,268)
Income tax paid		**(11,913)**	(819)
Net cash used in operating activities		**(4,110)**	(40,087)

Consolidated Statement of Cash Flows

For the year ended 31 March 2012

	Notes	2012 HK$'000	2011 HK$'000
Investing activities			
Acquisition of property, plant and equipment		**(8,352)**	(41,536)
Acquisition of subsidiaries	43	**(187,349)**	–
Deposits paid for acquisition of investment		**–**	(96,000)
Acquisition of available-for-sale investment		**–**	(25,000)
Proceeds from disposal of property, plant and equipment and prepaid lease payments		**59,620**	73,863
Disposal of subsidiaries	44	**–**	27,782
Bank interest received		**294**	6
(Increase)/decrease in pledged bank deposits		**(22,391)**	10,012
Net cash used in investing activities		**(158,178)**	(50,873)
Financing activities			
Proceeds from issue of new shares		**206,076**	29,145
Share issue expenses		**(8,570)**	(5,319)
Proceeds from issue of convertible notes		**77,000**	110,000
Redemption of convertible notes		**(10,810)**	–
Proceeds from borrowings		**2,615**	25,133
Repayments of borrowings		**(31,059)**	(63,426)
Decrease in trust receipt loans		**(931)**	(6,015)
Increase/(decrease) in advances from banks on Factored Receivables		**215**	(76)
Repayments of obligations under finance leases		**(97)**	(65)
Interest paid		**(3,942)**	(2,280)
Net cash generated from financing activities		**230,497**	87,097
Net increase/(decrease) in cash and cash equivalents		**68,209**	(3,863)
Cash and cash equivalents at beginning of the year		**(1,891)**	1,129
Effects of exchange rate changes		**1,538**	843
Cash and cash equivalents at end of the year		**67,856**	(1,891)
Cash and cash equivalents at end of the year, represented by:			
Bank balances and cash	30	**70,410**	1,237
Bank overdrafts	34	**(2,554)**	(3,128)
		67,856	(1,891)

Notes to consolidated financial statements

For the year ended 31 March 2012

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 activities of its principal subsidiaries are set out in Note 49. The Company together with its subsidiaries are referred to as the Group.

In prior years, the Company's functional currency was Hong Kong dollar ("HK$"). Due to the continuing expansion of the Group's business operations in the People's Republic of China ("PRC"), the directors have determined that the functional currency of the Company be changed from HK$ to Renminbi ("RMB") during the year. The directors have made an assessment of the impact of the change of the functional currency of the Company and concluded that there was no material effect on the results and financial position of the Group.

The consolidated financial statements are presented in HK$ as the directors consider that HK$ is the appropriate presentation currency for the users of the Group's financial statements given that the shares of the Company are listed on the Stock Exchange.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

In preparing these consolidated financial statements, the board of directors (the "Board") has considered the future liquidity of the Group. As at 31 March 2012, the Group and the Company had net current liabilities of approximately HK$228,315,000 and HK$160,645,000 respectively, which included promissory notes payable of HK$262,023,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

Notwithstanding the aforesaid conditions, the consolidated financial statements have been prepared on the assumption that the Group will be able to operate as a going concern for the foreseeable future. In the opinion of the Board, the Group can meet its financial obligations as and when they fall due in the coming year, after taking into consideration of several measures and arrangements made subsequent to the reporting date as further detailed below:

– On 1 June 2012, the Company entered into a placing agreement with FT Securities Limited (the "Placing Agent") pursuant to which the Placing Agent has conditionally agreed to procure the placements, on a best effort basis, of the unconvertible bonds to be issued by the Company up to an aggregate principal amount of HK$200,000,000. Up to the date of approval of these consolidated financial statements, the Company has issued the unconvertible bonds giving rise to a gross proceed of HK$10,000,000.

– On 26 June 2012, the Company entered into a subscription agreement with Pacific Plywood Holdings Limited (the "Subscriber") pursuant to which the Company has conditionally agreed to issue, and the Subscriber has conditionally agreed to subscribe for, the convertible notes in the aggregate principal amount of HK$95 million in cash. Up to the date of approval of these consolidated financial statements, the Company has not issued any of these convertible notes.

– In August 2012, the Company has entered into a non-binding memorandum of intent with the holder of the promissory notes with an aggregate principal amount of HK$156 million under which the said holder allows the Company for the settlement of the notes within one year from the date of their maturity without penalty or additional fees.

In light of the measures and arrangements implemented to date, the Board is of the view that the Group has sufficient cash resources to satisfy their working capital and other financial obligations for the next twelve months from the date of approval of these financial statements after having taken into account of the Group's projected cash flows, current financial resources and capital expenditure requirements with respect to the production facilities and development of its businesses. Accordingly, the Board is of the view that it is appropriate to prepare these consolidated financial statements on a going concern basis.

Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to restate the values of assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively. The effects of these potential adjustments have not been reflected in the consolidated financial statements.

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

New and revised Standards, Amendments and Interpretations applied in the current period

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

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

The application of the new and revised HKFRSs 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.

New and revised Standards, Amendments and Interpretations in issue but not yet effective

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

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2009-2011 Cycle[3]
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[1]
HKFRS 7 (Amendments) and HKFRS 9 (Amendments)	Disclosures – Offsetting Financial Assets and Financial Liabilities[3]
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendments)	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interest in Other Entities: Transition Guidance[3]
HKFRS 9	Financial Instruments[5]
HKFRS 10	Consolidated Financial Statements[3]
HKFRS 11	Joint Arrangements[3]
HKFRS 12	Disclosure of Interests in Other Entities[3]
HKFRS 13	Fair Value Measurement[3]
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[2]
HKAS 19 (as revised in 2011)	Employee Benefits[3]
HKAS 27 (as revised in 2011)	Separate Financial Statements[3]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[3]
HKAS 32 (Amendment)	Offsetting Financial Assets and Financial Liabilities[4]
HK (IFRIC) – INT 20	Stripping Costs in the Production Phase of a Surface Mine[5]

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

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

The directors anticipate that the application of the new and revised standards, amendments or interpretations will have no material impact on the Group's consolidated financial statements except for those which may be relevant as disclosed below.

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

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

In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liabilities that is attributable to changes in the credit risk of those liabilities is presented in other comprehensive income, unless the presentation of the effects of changes in credit risk of the liabilities in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's 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 annual period beginning on or after 1 January 2015, with earlier application permitted. The directors anticipate that HKFRS 9 will be adopted in the Group's consolidated financial statements for the financial year ending 31 March 2016. Based on the Group's and the Company's financial assets and financial liabilities at 31 March 2012, the directors anticipate that the application of the new standard will affect the classification and measurement of the Group's and the Company's available-for-sale investment and may affect the classification and measurement of other financial assets and financial liabilities. Up to the date of approval of the consolidated financial statements, the directors are still in the process of assessing the potential financial impact.

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

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

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

The directors anticipate that HKFRS 13 will be adopted in the Group's consolidated financial statements for the financial year ending 31 March 2014 and that the application of the new standard will not have effect on the amounts reported in the consolidated financial statements but may result in more extensive disclosures in the consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

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 value, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

The significant accounting policies adopted by the Group are as follows:

(a) Basis of consolidation

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

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance (effective from 1 January 2010 onwards).

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

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

Changes in the Group's ownership interest in existing subsidiaries

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of consolidation (continued)

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

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

(b) Business combinations

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Business combinations (continued)

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

- 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. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another HKFRS.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Business combinations (continued)

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and considered as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets", as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

Business combinations achieved in stages were accounted for as separate steps. Goodwill was determined at each step. Any additional acquisition did not affect the previously recognised goodwill.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Goodwill

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

For the purposes of impairment testing, goodwill is allocated to each of the 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 more frequently, when there is an indication that the unit may be impaired. 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.

(d) Investments in subsidiaries

Investments in subsidiaries are included in the Company's statement of financial position at cost less any identified impairment loss.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) 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(4)(n)).

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.

(f) 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 freehold land and 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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Property, plant and equipment (continued)

Construction in progress represents 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.

(g) 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 properties 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.

(h) 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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Intangible assets

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. Alternatively, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

(j) Inventories

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

(k) 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).

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Impairment of tangible and intangible assets other than goodwill (continued)

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

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) 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 or cash generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

(l) 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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(I) 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.

Financial assets at FVTPL are measured at fair value, with any gains or losses on remeasurement recognised 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 as available for sale 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).

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Financial instruments (continued)

Financial assets *(continued)*

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 amount due from a minority shareholder, trade and bills receivables, other receivables, pledged bank deposits, cash deposits held by securities broker and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) 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. 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. Changes in the carrying amount of the allowance account are recognised in 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.

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(I) Financial instruments (continued)

Financial liabilities and equity instruments *(continued)*

Financial liabilities designated at FVTPL

The Group has designated certain convertible notes with conversion option settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of equity instruments and the conversion option is not closely related to the liability component of the convertible bonds as financial liability carried at fair value through profit or loss. At initial recognition and in subsequent periods, the convertible notes are measured at fair value with changes in fair value recognised in profit or loss in the period in which they arise.

Interest expense on financial liabilities designated at FVTPL is included in net gains or losses.

Other financial liabilities

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

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 with conversion option that will be settled by the exchange of a fixed amount of cash or a fixed number of the Company's own equity instruments, 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. The conversion option is regarded as an equity instrument.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Financial instruments (continued)

***Convertible notes** (continued)*

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 accumulated losses. No gain or loss is recognised in profit and loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are 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.

Convertible notes issued by the Company with conversion option that will be settled other than by the exchange of a fixed amount of cash or for a fixed number of the Company's own equity instruments is a conversion option derivative. The Group has designated those notes as financial liability carried at fair value through profit or loss and the accounting policy of which is set out above.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(I) Financial instruments (continued)

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.

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

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

On derecognition of a financial asset, 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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Share-based payments transactions

Share options granted by the Company to employees of the Group in an equity-settled share-based payment arrangement

For grants of share options that are conditional upon satisfying specified vesting conditions, the fair value of services received is determined by reference to the fair value of share options granted at the grant date and is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve).

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

For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

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

(n) 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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) 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 charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

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

(o) 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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Foreign currencies (continued)

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollar) 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 unless exchange rates fluctuate significantly during the period, in which case the exchange rates at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the exchange reserve).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss. In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss.

Goodwill and fair value adjustment on identifiable assets acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in equity under the heading of exchange translation reserve.

(p) Taxation

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Taxation (continued)

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 differences and it is probable that the temporary differences will not reverse in the foreseeable future.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) 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.

(r) 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.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 4, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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.

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

5. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires management to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate present value.

The carrying amount of goodwill as at 31 March 2012 was HK$522,849,000 (2011: Nil). Details of the impairment testing on goodwill are set out in Note 22.

Impairment loss of 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 on available-for-sale investment amounting to HK$44,888,000 has been recognised in respect of the year ended 31 March 2012 (2011: Nil), details of which are disclosed in Note 24.

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.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

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 year ended 31 March 2012, the Group recognised an increase in fair value of investment property amounted to approximately HK$770,000 (2011: HK$2,420,000).

Impairment loss recognised in respect of trade and other receivables (including amount due from a minority shareholder)

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 31 March 2012, the carrying amounts of trade and other receivables (including amount due from a minority shareholder) amounted to an aggregate of approximately HK$141,577,000 (net of accumulated impairment loss of approximately 2,177,000) (2011: carrying amounts amounted to an aggregate of approximately HK$66,021,000 (net of accumulated impairment loss of approximately HK$3,926,000)).

5. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

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 31 March 2012, the carrying amount of inventories is approximately HK$18,014,000 (2011: HK$6,449,000). Write down of inventories amounted to HK$657,000 (2011: Nil) has been charged to profit or loss in respect of the year.

6. 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 the prior year.

The capital structure of the Group consists of net debt and equity attributable to owners of the Company. Net debt includes trade and bills payables, other payables and accruals, promissory notes payable, bank and other borrowings, financial liabilities designated at FVTPL, convertible notes, obligations under finance leases, less the aggregate of pledged bank deposits, cash deposits held by securities broker and bank balances and cash. Equity attributable to owners of the Company includes issued share capital and reserves.

6. CAPITAL RISK MANAGEMENT (continued)

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.

	2012 HK$'000	2011 HK$'000
Trade and bills payables	86,094	8,807
Other payables and accruals	35,577	28,699
Promissory notes payable	262,023	–
Bank and other borrowings	35,081	46,980
Financial liabilities designated at FVTPL	25,917	–
Convertible notes	–	8,849
Obligations under finance leases	526	–
Less: Pledged bank deposits, cash deposits held by securities broker, and bank balances and cash	(94,830)	(3,266)
Net debt	350,388	90,069
Equity attributable to owners of the Group	503,619	277,190
Capital and net debt	854,007	367,259
Gearing ratio	41%	25%

7. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2012 HK$'000	2011 HK$'000
Financial assets		
Available-for-sale investment	**128,000**	172,888
Financial assets at FVTPL	**–**	62
Loan and receivables		
Amount due from a minority shareholder	**27,641**	–
Trade and bills receivables	**54,081**	4,503
Other receivables and deposits paid	**60,878**	157,997
Pledged bank deposits	**24,420**	2,029
Cash deposits held by securities broker	**40,000**	–
Bank balances and cash	**30,410**	1,237
	365,430	338,716
Financial liabilities		
Financial liabilities at amortised cost		
Trade and bills payables	**86,094**	8,807
Other payables and accruals	**35,577**	28,699
Promissory notes payable	**262,023**	–
Bank and other borrowings	**35,081**	46,980
Obligations under finance leases	**526**	–
Convertible notes	**–**	8,849
	419,301	93,335
Financial liabilities designated at FVTPL	**25,917**	–
	445,218	93,335

7. 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, amount due from a minority shareholder, trade and bills receivables, other receivables and deposits paid, pledged bank deposits, cash deposits held by securities broker, bank balances and cash, trade and bills payables, other payables and accruals, promissory notes payable, bank and other borrowings, financial liabilities designated at FVTPL, obligations under finance leases 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 RMB.

For the two years ended 31 March 2012 and 2011, 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, accordingly no sensitivity analysis is presented.

7. FINANCIAL INSTRUMENTS (continued)

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

Market risk *(continued)*

Fair value and cash flow interest rate risk

The Group has pledged bank deposits, cash deposits held by securities broker, bank balances, bank and certain other borrowings, and promissory notes payable which bear interest and are therefore exposed to interest rate risk. Pledged bank deposits, cash deposits held by securities broker, bank balances and bank and other borrowings bearing at variable rates expose the Group to cash flow interest-rate risk. Bank and other borrowings bearing at fixed rates expose the Group to fair value interest-rate risk. During the year, the Group has not hedged its cash flow and fair value interest rate risk.

At the end of the reporting period, assuming the pledged bank deposits, cash deposits held by securities broker, 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 (2011: 100 basis points) and all other variables held constant, there was an decrease in post-tax profit by approximately HK$651,000 (2011: increase in post-tax loss of HK$437,000). If interest rates had decreased by 100 basis points (2011: 100 basis points), there would be an equal but opposite impact on the results for the year. A 100 basis point increase or decrease represents management's assessment of the reasonably possible change in interest rates.

Credit risk

The carrying amounts of the trade and other receivables (including amount due from a minority shareholder) included in the consolidated statement of financial position represent 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 31 March 2012, the Group has concentration of credit risk as 9% (2011: 6%) and 21% (2011: 18%) of the total trade and bills receivables were due from the Group's largest and the five largest customers respectively.

As at 31 March 2012, the Group has also significant concentration of credit risk arising from the amount due from a minority shareholder of HK$27,641,000 (2011: Nil) (see Note 25) and the advances to staff of HK$15,155,000, the advances to ex-staff of HK$27,188,000 (2011: Nil) and the advances to purchase suppliers and other parties of HK$13,928,000 (2011: Nil) included in other receivables (see Note 28).

7. FINANCIAL INSTRUMENTS (continued)

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

Credit risk *(continued)*

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 and authorised banks in the PRC. Further, the credit risk on the cash deposits held by securities broker is also limited because the securities broker is considered reputable and financially sound.

Liquidity risk

The Group had net current liabilities of approximately HK$228,315,000 as at 31 March 2012 (2011: net current assets of approximately HK$74,972,000). Management is of the view that the Group is able to operate as a going concern for the foreseeable future for the reasons set out in Note 2. 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 and 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.

7. 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 31 March 2012				
Non-derivative financial liabilities				
Trade and bills payables	**86,094**	**–**	**86,094**	**86,094**
Other payables and accruals	**35,577**	**–**	**35,577**	**35,577**
Promissory notes payable	**273,650**	**–**	**273,650**	**262,023**
Bank and other borrowings	**36,048**	**–**	**36,048**	**35,081**
Obligations under finance leases	**140**	**454**	**594**	**526**
Convertible notes	**–**	**–**	**–**	**–**
	431,509	**454**	**431,963**	**419,301**
Derivative financial liabilities				
Financial liabilities designated at FVTPL (Note)	**–**	**–**	**–**	**25,917**
As at 31 March 2011				
Non-derivative financial liabilities				
Trade and bills payables	8,807	–	8,807	8,807
Other payables and accruals	28,699	–	28,699	28,699
Promissory notes payable	–	–	–	–
Bank and other borrowings	47,705	–	47,705	46,980
Obligations under finance leases	–	–	–	–
Convertible notes	307	10,854	11,161	8,849
	85,518	10,854	96,372	93,335
Derivative financial liabilities				
Financial liabilities designated at FVTPL	–	–	–	–

Note: This is categorized based on contractual terms regarding conversion into the Company's shares at maturity on the assumption that there are no redemption or conversion of the convertible notes (classified as financial liabilities designated at FVTPL) outstanding at 31 March 2012 before the maturity date.

7. 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).

7. FINANCIAL INSTRUMENTS (continued)

(c) Fair value (continued)

	31 March 2012			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Financial assets				
Financial assets at FVTPL				
Listed equity securities	**–**	**–**	**–**	**–**
Financial liabilities				
Financial liabilities designated at FVTPL	**–**	**25,917**	**–**	**25,917**

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

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

8. TURNOVER

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

9. 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;

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; and

Wastes recycling: waste paper, scrap metal and consumable wastes recycling.

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.

9. 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 year ended 31 March 2012

	Continuing Operations				Discontinued Operations			
	Trading of laminates HK$'000	Manufacture and trading of PCBs HK$'000	Wastes recycling 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	541	42,253	136,028	178,822	–	–	–	178,822
Intersegment sales	–	–	–	–	–	–	–	–
Elimination	–	–	–	–	–	–	–	–
Revenue from external customers	541	42,253	136,028	178,822	–	–	–	178,822
Segment (loss)/profit	(1,832)	(939)	9,023	6,252	–	–	–	6,252
Interest income				580			–	580
Gain on change in fair value of financial liabilities designated at FVTPL				77,658			–	77,658
Increase in fair value of investment property				770			–	770
Other unallocated income				2,513			–	2,513
Impairment loss recognised on available-for-sale investment				(44,888)			–	(44,888)
Other unallocated expenses				(21,645)			–	(21,645)
Finance costs				(12,019)			–	(12,019)
Profit before taxation				9,221			–	9,221

9. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

Segment revenue and results *(continued)*

For the year ended 31 March 2011

	Continuing Operations				Discontinued Operations			
	Trading of laminates HK$'000	Manufacture and trading of PCBs HK$'000	Wastes recycling 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	3,595	49,860	–	53,455	1,097	4,266	5,363	58,818
Intersegment sales	–	–	–	–	16,445	1,834	18,279	18,279
Elimination	–	–	–	–	(16,445)	(1,834)	(18,279)	(18,279)
Revenue from external customers	3,595	49,860	–	53,455	1,097	4,266	5,363	58,818
Segment loss	(497)	(3,253)	–	(3,750)	(9,776)	(7,475)	(17,251)	(21,001)
Interest income				6			–	6
Gain on disposal of property, plant and equipment				49,800			14	49,814
Gain on change in fair value of financial assets at FVTPL				15			–	15
Increase in fair value of investment property				2,420			–	2,420
Other unallocated income				1,085			–	1,085
Loss on disposal of subsidiaries				–			(7,001)	(7,001)
Other unallocated expenses				(21,039)			(724)	(21,763)
Finance costs				(2,700)			(307)	(3,007)
Profit/(loss) before taxation				25,837			(25,269)	568

9. 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 4. Segment profit/loss represents the profit/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.

No operating segments have been aggregated to the Group's reportable segments.

Segment assets and liabilities

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

As at 31 March 2012

	Continuing Operations			
	Trading of laminates HK$'000	Manufacture and trading of PCBs HK$'000	Wastes recycling HK$'000	Sub-total HK$'000
Segment assets	20,010	34,376	216,230	270,616
Unallocated assets				734,438
Consolidated total assets				1,005,054
Segment liabilities	17,098	16,094	145,814	179,006
Unallocated liabilities				304,959
Consolidated total liabilities				483,965

9. 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	Wastes recycling HK$'000	Sub-total HK$'000
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

None of the Group's assets and liabilities at 31 March 2012 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, cash deposits held by securities broker and bank balances and cash, goodwill, intangible assets, investment property, available-for-sale investment, financial assets at FVTPL, certain 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, promissory notes payable, financial liabilities designated at FVTPL, convertible notes and liabilities for which reportable segments are jointly liable.

9. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

Other segment information *(continued)*

In respect of the year ended 31 March 2012

	Continuing Operations				Discontinued Operations			
	Trading of laminates HK$'000	Manufacture and trading of PCBs HK$'000	Wastes recycling 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	–	3,530	2,402	5,932	–	–	–	5,932
Amortization of prepaid lease payment	–	33	–	33	–	–	–	33
Impairment loss recognised in respect of trade receivables	–	27	–	27	–	–	–	27
Impairment loss recognised in respect of other receivables	–	–	1,845	1,845	–	–	–	1,845
Loss on disposal of property, plant and equipment	–	19	173	192	–	–	–	192
Reversal of impairment on trade receivables	–	3,621	–	3,621	–	–	–	3,621
Value added tax and other taxes refunded	–	–	4,869	4,869	–	–	–	4,869
Additions to non-current assets (Note)	–	1,530	7,445	8,975	–	–	–	8,975
Amount regularly provided to the chief operating decision maker but not included in measure of segment profit or loss or segment assets:								
Amortisation of intangible assets				1,743			–	1,743
Depreciation of property, plant and equipment				66			–	66
Bank interest income				294			–	294
Imputed interest income on amount due from a minority shareholder				286			–	286
Rental income				277			–	277
Gain on change in fair value of financial liabilities designated at FVTPL				77,658			–	77,658
Increase in fair value of investment property				770			–	770
Impairment loss recognised on available-for-sale investment				44,888			–	44,888
Finance costs				12,019			–	12,019
Additions to non-current assets (Note)				–			–	–

9. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

***Other segment information** (continued)*

In respect of the year ended 31 March 2011

	Continuing Operations				Discontinued Operations			
	Trading of laminates HK$'000	Manufacture and trading of PCBs HK$'000	Wastes recycling 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	–	3,727	–	3,727	7,150	4,122	11,272	14,999
Amortization of prepaid lease payment	90	31	–	121	29	–	29	150
Impairment loss recognised in respect of trade receivables	–	3,419	–	3,419	–	–	–	3,419
Gain on disposal of property, plant and equipment	48,647	–	–	48,647	–	–	–	48,647
Additions to non-current assets (Note)	–	41,208	–	41,208	–	–	–	41,208
Amount regularly provided to the chief operating decision maker but not included in measure of segment profit or loss or segment assets:								
Depreciation of property, plant and equipment				42			–	42
Bank interest income				6			–	6
Rental income				204			–	204
Increase in fair value of investment property				2,420			–	2,420
Finance costs				2,700			307	3,007
Additions to non-current assets (Note)				328			–	328

Note: Excluding assets acquired through acquisition of subsidiaries (details of which are set out in Note 43) and financial assets.

9. SEGMENT INFORMATION (continued)

(b) Revenue from major products

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

	Continuing Operations		Discontinued Operations		Total	
	2012	2011	**2012**	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Sales of laminates	**541**	3,595	**–**	1,097	**541**	4,692
Sales of PCBs	**42,253**	49,860	**–**	–	**42,253**	49,860
Sales of recycled materials	**136,028**	–	**–**	–	**136,028**	–
Sales of copper foils	**–**	–	**–**	4,266	**–**	4,266
	178,822	53,455	**–**	5,363	**178,822**	58,818

(c) Geographical information

The Group's operations are mainly located in Hong Kong, the PRC and Europe in respect of the two years presented.

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

	Hong Kong		PRC		Europe		Others		Consolidated	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue:										
Sales to external customers	**9,992**	26,142	**137,090**	5,364	**24,369**	20,547	**7,371**	6,765	**178,822**	58,818

9. SEGMENT INFORMATION (continued)

(c) Geographical information (continued)

The following is an analysis of the carrying amount of non-current assets (other than goodwill and intangible assets which are attributable to the wastes recycling segment in the PRC) analysed by the geographical areas in which the assets are located:

	Hong Kong		PRC		Consolidated	
	2012	2011	**2012**	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Non-current assets	**138,972**	182,555	**60,160**	19,663	**199,132**	202,218

An analysis of the non-current assets of the Group (other than financial assets) by geographical areas in which the assets are located:

	Hong Kong		PRC		Consolidated	
	2012	2011	**2012**	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Non-current assets	**10,972**	9,667	**609,437**	19,663	**620,409**	29,330

(d) Information about major customers

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

	Revenue generated from	**2012 HK$'000**	2011 HK$'000
Company A	Sale of recycled materials	**56,502**	N/A*
Company B	Sale of recycled materials	**21,655**	N/A*
Company C	Sale of recycled materials	**18,058**	N/A*

* The corresponding revenue does not contribute over 10% of the total revenue of the Group in the respective year.

10. OTHER INCOME AND GAINS

	Continuing Operations		Discontinued Operations		Total	
	2012	2011	**2012**	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Rental income (Note a)	**277**	204	**–**	–	**277**	204
Increase in fair value of investment property	**770**	2,420	**–**	–	**770**	2,420
Reversal of impairment on trade receivables (Note 27)	**3,621**	–	**–**	–	**3,621**	–
Bank interest income	**294**	6	**–**	–	**294**	6
Imputed interest income on amount due from a minority shareholder	**286**	–	**–**	–	**286**	–
Value added tax and other taxes refunded (Note b)	**4,869**	–	**–**	–	**4,869**	–
Sale of scrap materials	**118**	170	**–**	–	**118**	170
Gain on change in fair value of financial assets at FVTPL	**–**	15	**–**	–	**–**	15
Others	**2,118**	711	**–**	1,413	**2,118**	2,124
	12,353	3,526	**–**	1,413	**12,353**	4,939

Notes:

(a) The direct operating expenses from investment property that generated rental income amounted to approximately HK$53,000 (2011: HK$43,000).

(b) A subsidy was granted by the PRC local government to the Company's subsidiaries which are engaged in wastes recycling business in the PRC. Under this subsidy, the subsidiaries are entitled to a refund of value added tax and other taxes paid, calculated on a basis as agreed by the local government. The taxes refunded are included in other income and gains.

11. FINANCE COSTS

	Continuing Operations		Discontinued Operations		Total	
	2012	2011	**2012**	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Interest expenses on:						
Bank and other borrowings wholly repayable within five years	**3,869**	1,889	**–**	307	**3,869**	2,196
Factoring arrangements	**65**	84	**–**	–	**65**	84
Obligations under finance leases	**8**	–	**–**	–	**8**	–
Imputed interest on promissory notes payable (Note 33)	**7,993**	–	**–**	–	**7,993**	–
Imputed interest on convertible notes (Note 37)	**84**	727	**–**	–	**84**	727
	12,019	2,700	**–**	307	**12,019**	3,007

12. PROFIT/(LOSS) BEFORE TAXATION

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

	Continuing Operations		Discontinued Operations		Total	
	2012	2011	**2012**	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Staff costs (including directors' emoluments)						
– Directors' fees, staff salaries and allowances	**19,699**	13,503	**–**	3,354	**19,699**	16,857
– Retirement benefits contributions	**505**	197	**–**	10	**505**	207
	20,204	13,700	**–**	3,364	**20,204**	17,064
Auditors' remuneration	**1,569**	674	**–**	47	**1,569**	721
Amortisation of prepaid lease payments	**33**	121	**–**	29	**33**	150
Amortisation of intangible assets included in administrative and other expenses	**1,743**	–	**–**	–	**1,743**	–
Cost of inventories recognised as an expense	**139,066**	42,206	**–**	19,365	**139,066**	61,571
Depreciation of property, plant and equipment	**5,998**	3,769	**–**	11,272	**5,998**	15,041
Direct operating expenses of investment property	**53**	43	**–**	–	**53**	43
Foreign exchange loss, net	**1,434**	–	**–**	–	**1,434**	–
Impairment loss recognised in respect of trade receivables	**27**	3,419	**–**	–	**27**	3,419
Impairment loss recognised in respect of other receivables	**1,845**	–	**–**	–	**1,845**	–
Operating lease rentals in respect of rental premises	**176**	1,083	**–**	–	**176**	1,083
Write down of inventories	**657**	–	**–**	–	**657**	–
Loss on disposal of financial assets at FVTPL	**6**	–	**–**	–	**6**	–
Loss on disposal of property, plant and equipment	**192**	1,153	**–**	–	**192**	1,153

13. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to the directors are:

	2012 HK$'000	2011 HK$'000
Fees	**704**	364
Other emoluments:		
Salaries, allowances and benefits in kind	**2,141**	1,287
Retirement benefits contribution	**63**	43
	2,204	1,330
	2,908	1,694

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

(a) Executive directors

2012	Salaries, allowances and benefits in kind HK$'000	Retirement benefits contribution HK$'000	Total HK$'000
Chen Tong	1,359	16	1,375
Lau Chung Yim[2]	184	9	193
Chan Ching Ho, Kitty	201	19	220
Xiang Liang	196	–	196
Deng Hong Mei	201	19	220
	2,141	63	2,204

13. DIRECTORS' EMOLUMENTS (continued)

(a) Executive directors (continued)

2011	Salaries, allowances and benefits in kind HK$'000	Retirement benefits contribution HK$'000	Total HK$'000
Chen Tong[1]	226	–	226
Lau Chung Yim	227	7	234
Chan Ching Ho, Kitty	183	12	195
Xiang Liang	196	–	196
Deng Hong Mei	183	12	195
Lau May Wah[3]	272	12	284
	1,287	43	1,330

(b) Non-executive directors

2012	**Fee HK$'000**	**Retirement benefits contributions HK$'000**	**Total HK$'000**
Wang Zhenghua[4]	**145**	**–**	**145**
Yao Zheng Wei	**195**	**–**	**195**
	340	**–**	**340**

2011	Fee HK$'000	Retirement benefits contributions HK$'000	Total HK$'000
Yao Zheng Wei[5]	31	–	31

13. DIRECTORS' EMOLUMENTS (continued)

(c) Independent non-executive directors

2012	**Fees HK$'000**	**Retirement benefits contribution HK$'000**	**Total HK$'000**
Yau Kwan Shan[6]	**26**	**–**	**26**
Zhou Jue	**120**	**–**	**120**
Tse Kwong Chan	**120**	**–**	**120**
Chan Ying Kay[4]	**98**	**–**	**98**
	364	**–**	**364**

2011	Fees HK$'000	Retirement benefits contribution HK$'000	Total HK$'000
Tse Yuk Kong[3]	91	–	91
Yau Kwan Shan	96	–	96
Pravith Vaewhongs[3]	80	–	80
Zhou Jue[1]	35	–	35
Lam Kwun Fu[8]	31	–	31
Tse Kwong Chan[7]	–	–	–
	333	–	333

13. DIRECTORS' EMOLUMENTS (continued)

Notes:

1. Appointed on 15 December 2010

2. Resigned on 15 March 2012

3. Resigned on 26 January 2011

4. Appointed on 8 June 2011

5. Appointed on 26 January 2011

6. Resigned on 8 June 2011

7. Appointed on 16 March 2011

8. Appointed on 15 December 2010 and resigned 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 the years ended 31 March 2012 and 2011.

14. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, four (2011: five) were directors of the Company where emoluments are included in Note 13 above. The emoluments of the remaining one individual (2011: Nil) were as follows:

	2012 HK$'000	2011 HK$'000
Salaries and benefits in kind	689	–
Contribution to retirement benefits scheme	12	–
	701	–

15. TAXATION

	2012 HK$'000	2011 HK$'000
Hong Kong Profits Tax	327	–
PRC income tax	304	4,012
	631	4,012
Deferred tax credit (Note 40)	(301)	–
Tax charge for the year	330	4,012

Hong Kong Profits Tax

Hong Kong Profits Tax has been provided for at the rate of 16.5% on the estimated assessable profit the year (2011: Nil).

15. TAXATION (continued)

PRC income tax

Under the Law of the People's Republic of China ("PRC") on Enterprise Income Tax (the "EIT Law") and implementation regulation of the EIT Law, the tax rate of the operating subsidiaries in the PRC is 25%.

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

	2012 HK$'000	2011 HK$'000
Profit before taxation		
Continuing operations	**9,221**	25,837
Discontinued operations	**–**	(25,269)
	9,221	568
Tax at the applicable rate of 25% (2011: 16.5%)	**2,305**	94
Tax effect of income not taxable for tax purpose	**(13,155)**	(399)
Tax effect of expenses not deductible for tax purpose	**8,492**	1,628
Tax effect of tax losses not recognised	**337**	2,689
Utilisation of tax losses previously not recognised	**(413)**	–
Effect of different tax rates of subsidiaries operating in other jurisdictions	**3,080**	–
Others	**(316)**	–
Tax charge for the year	**330**	4,012

Following the acquisition by the Group of the recycling business during the year (see Note 43), the Group's activities are substantially carried out in the PRC. In the preparation of the above reconciliation, the PRC income tax rate of 25% has been taken as the applicable tax rate for the current year. The applicable tax rate adopted in the prior year's reconciliation represents Hong Kong Profits Tax rate.

Details of deferred tax are set out in Note 40.

16. 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 former 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 ("Laminates Business") and of manufacturing trading of copper foils ("Copper Foils Business"). Upon the disposal of the Disposed Entities, the Group discontinued the businesses undertaken by the Disposed Entities.

The results of the Laminates Business and the Copper Foils Business for both of the years presented are summerised as follows:–

	2012 **HK$'000**	2011 HK$'000
Loss of Laminates Business	–	(10,496)
Loss of Copper Foils business	–	(7,772)
	–	(18,268)
Loss on disposal of subsidiaries	–	(7,001)
Loss for the year from discontinued operations	–	(25,269)

16. DISCONTINUED OPERATIONS (continued)

The results of the Laminates Business and the Copper Foils Business are analysed below:

	Notes	2012 HK$'000	2011 HK$'000
Turnover		–	5,363
Cost of sales		–	(19,365)
Gross loss		–	(14,002)
Other income and gains	10	–	1,413
Gain on disposal of property, plant and equipment		–	14
Selling and distribution expenses		–	(661)
Administrative and other expenses		–	(4,725)
Finance costs	11	–	(307)
Loss before taxation	12	–	(18,268)
Taxation		–	–
Loss for the year		–	(18,268)
Cash flows from discontinued operations			
Net cash outflow from operating activities		–	(4,023)
Net cash inflow from investing activities		–	21
Net cash outflow from discontinued activities		–	(1,592)
Net cash outflow from discontinued operations		–	(5,594)

17. DIVIDENDS

No dividend was paid or proposed during the year ended 31 March 2012 (2011: Nil), nor has any dividend been proposed since the end of the reporting period (2011: Nil).

18. EARNINGS/(LOSS) PER SHARE

The calculation of the basic and diluted earnings/loss per share attributable to owners of the Company is as follows:

	Continuing and Discontinued Operations		Continuing Operations	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Earnings/loss				
Earnings/(loss) for the purpose of basic earning/loss per share				
Profit/(loss) for the year attributable to owners of the Company	**7,842**	(3,444)	**7,842**	21,825
Effect of dilutive potential ordinary shares:				
Gain on change in fair value of financial liabilities designated at FVTPL	**(77,658)**	–	**(77,658)**	–
Imputed interest on convertible notes	**–**	–	**–**	–
(Loss)/earnings for the purpose of diluted earnings per share	**(69,816)**	N/A	**(69,816)**	21,825

18. EARNINGS/(LOSS) PER SHARE (continued)

	2012	2011	**2012**	2011
	'000	'000	**'000**	'000
Number of shares				
Weighted average number of ordinary shares for the purpose of basic earnings/loss per share	**413,804**	91,396	**413,804**	91,396
Effect of dilutive potential ordinary shares:				
Convertible notes	**424,517**	4,221	**424,517**	4,221
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**838,321**	95,617	**838,321**	95,617

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

The computation of diluted earnings per share for both of the years presented does not assume the conversion of certain convertible notes of the Company since their exercise would result in an increase in earnings per share.

Diluted earnings per share from continuing and discounted operations for the prior year is not presented because the Group sustained a loss for such year and the impact of conversion of convertible notes, if any, is regarded anti-dilutive.

19. PROPERTY, PLANT AND EQUIPMENT

	Freehold land	Buildings	Leasehold improvements	Plant and machinery	Furniture and office equipment	Motor vehicles	Construction in progress	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
COST								
At 1 April 2010	3,396	111,420	–	318,920	15,783	2,616	26,901	479,036
Additions	–	–	65	37,069	4,152	250	–	41,536
Disposals	–	(62,878)	–	–	–	(2,616)	(26,901)	(92,395)
Derecognised on disposal of subsidiaries	(3,396)	(36,112)	–	(277,868)	–	–	–	(317,376)
Exchange realignment	–	550	–	5,786	882	–	–	7,218
At 31 March 2011 and 1 April 2011	–	12,980	65	83,907	20,817	250	–	118,019
Additions	–	–	5,928	1,323	914	623	187	8,975
Disposals	–	–	–	(216)	–	(1,197)	–	(1,413)
Acquired on acquisition of subsidiaries (Note 43)	–	–	3,465	15,929	1,568	3,436	226	24,624
Exchange realignment	–	538	13	1,825	869	14	1	3,260
At 31 March 2012	**–**	**13,518**	**9,471**	**102,768**	**24,168**	**3,126**	**414**	**153,465**
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 year	–	572	17	10,393	4,038	21	–	15,041
Eliminated on disposals	–	(15,397)	–	–	–	(641)	–	(16,038)
Eliminated on disposal of subsidiaries	–	(28,288)	–	(260,236)	–	(1,951)	(26,901)	(317,376)
Exchange realignment	–	363	–	4,565	729	–	–	5,657
At 31 March 2011 and 1 April 2011	–	8,559	17	73,338	17,186	21	–	99,121
Depreciation provided for the year	–	608	996	2,906	919	569	–	5,998
Eliminated on disposals	–	–	–	(195)	–	(483)	–	(678)
Exchange realignment	–	355	17	1,320	713	–	–	2,405
At 31 March 2012	**–**	**9,522**	**1,030**	**77,369**	**18,818**	**107**	**–**	**106,846**
CARRYING AMOUNT								
At 31 March 2012	**–**	**3,996**	**8,441**	**25,399**	**5,350**	**3,019**	**414**	**46,619**
At 31 March 2011	–	4,421	48	10,569	3,631	229	–	18,898

19. PROPERTY, PLANT AND EQUIPMENT (continued)

At 31 March 2012, the carrying amount of the Group's buildings situated in the PRC was HK$3,996,000 (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%
Construction in progress	Not depreciated

The carrying amount of motor vehicles includes an amount of HK$498,000 (2011: Nil) in respect of assets held under finance leases.

20. INVESTMENT PROPERTY

	2012	2011
	HK$'000	HK$'000
At beginning of the year	**9,380**	6,960
Increase in fair value recognised in profit or loss (Note 10)	**770**	2,420
At end of the year	**10,150**	9,380

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 properties.

The Group's investment property as at 31 March 2012 and 2011 is situated in Hong Kong under medium-term leases.

20. INVESTMENT PROPERTY (continued)

The fair value of the Group's investment property at 31 March 2012 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 31 March 2012 and 2011, the Group's investment property was pledged to a bank for banking facilities granted to the Group (Note 34(a)).

21. PREPAID LEASE PAYMENTS

	2012	2011
	HK$'000	HK$'000
At beginning of the year	**1,085**	15,227
Amortised for the year	**(33)**	(150)
Disposal during the year	**–**	(7,936)
Derecognised on disposal of subsidiaries	**–**	(6,656)
Exchange realignment	**45**	600
At end of the year	**1,097**	1,085

	2012	2011
	HK$'000	HK$'000
Analysed for reporting purposes as:		
Current asset (included in other receivables, prepayments and deposits paid)	**34**	33
Non-current asset	**1,063**	1,052
	1,097	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.

22. GOODWILL

	2012	2011
	HK$'000	HK$'000
COST		
At beginning of the year	–	–
Arising on acquisition of subsidiaries (Note 43)	522,849	–
At end of the year	522,849	–

Goodwill of HK$522,849,000 arose from the acquisition of Ideal Market Holdings Limited ("Ideal Market") and was recognised at the date of acquisition, details of which are set out in Note 43. Ideal Market, through its subsidiaries established in the PRC, is engaged in paper waste, scrap metals and consumable wastes recycling in the PRC. For the purposes of impairment testing, the goodwill has been allocated to the CGUs of the recycling business undertaken by Ideal Market.

The recoverable amount has been determined based on a value in use calculation with reference to the valuation performed by an independent professional qualified valuer not connected with the Group. That calculation uses cash flow projections based on financial budgets approved by the directors covering a ten-year period and at a discount rate of 12% (2011: Nil). Cash flows beyond the first five-year period and the ten-year period were extrapolated using a 3% growth rate (representing the expected inflation rate) in considering the economic conditions of the market. Other key assumptions for the value in use calculation relate to the estimation of cash inflows/outflows, including budgeted sales and gross margin, which is based on the CGU's past performance and management's expectations for the market development. The directors believe that any reasonably possible change in any of these assumptions would not cause the carrying amount of the CGU to exceed the corresponding recoverable amount, accordingly the CGU including the goodwill had not suffered any impairment.

23. INTANGIBLE ASSETS

	Customer relationship	
	2012	2011
	HK$'000	HK$'000
COST		
At beginning of the year	**–**	–
Arising on acquisition of subsidiaries (Note 43)	**41,650**	–
Exchange realignment	**170**	–
At end of the year	**41,820**	–
AMORTISATION		
At beginning of the year	**–**	–
Charges for the year	**1,743**	–
Exchange realignment	**349**	–
At end of the year	**2,092**	–
CARRYING AMOUNT AT END OF THE YEAR	**39,728**	–

The cost of customer relationship is amortised on a straight-line basis over its estimated useful life of 10 years. The carrying amount of the customer relationship at 31 March 2012 will be amortised over the remaining useful life of 9.58 years (2011: Nil).

24. AVAILABLE-FOR-SALE INVESTMENT

	2012	2011
	HK$'000	HK$'000
Unlisted shares		
At cost	172,888	172,888
Impairment loss recognised	(44,888)	–
	128,000	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 engaging principally in license 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.

The unlisted investment is measured at cost less impairment loss, if any, because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that its fair value cannot be measured reliably.

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$44,888,000 charged to profit or loss (2011: 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 discounted at the rate of approximately 11% which is determined by reference to the discount rates applicable to those enterprises engaging in business similar to those undertaken by Swift Profit.

25. AMOUNT DUE FROM A MINORITY SHAREHOLDER

	2012 HK$'000	2011 HK$'000
Amount due from a minority shareholder receivable		
Within one year	14,341	–
Between one to two years	13,300	–
	27,641	–
Less: portion receivable within one year included in other receivables (Note 28a)	(14,341)	–
	13,300	–

The amount represents the advances with the principal amount of RMB23,489,000 (2011: Nil) made to a minority shareholder of Ideal Market Holdings Limited ("Ideal Market") by a subsidiary of Ideal Market, of which advances of RMB19,382,000 were made prior to the date of acquisition of Ideal Market by the Group (see Note 43). The amount due from the minority shareholder is unsecured, interest free and repayable by instalments, the last of which falls due in March 2014.

The non-current portion of amount due from a minority shareholder is measured at amortised cost at effective interest rate of 5% (2011: Nil) per annum. The current portion of amount due from the minority shareholder is carried at its principal amount as the interest element involved is insignificant.

26. INVENTORIES

	2012 HK$'000	2011 HK$'000
Raw materials	3,690	3,787
Work in progress	2,160	2,047
Finished goods	12,164	615
	18,014	6,449

27. TRADE AND BILLS RECEIVABLES

	2012 HK$'000	2011 HK$'000
Trade and bills receivables	**54,413**	8,429
Less: allowance for impairment loss	**(332)**	(3,926)
	54,081	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:

	2012 HK$'000	2011 HK$'000
Within 3 months	**36,661**	3,170
4 to 6 months	**16,975**	478
Over 6 months	**445**	855
	54,081	4,503

Movements in allowance for impairment losses of trade and bills receivables are as follows:

	2012 HK$'000	2011 HK$'000
At beginning of the year	**3,926**	1,249
Impairment loss recognised	**27**	3,419
Reversal of impairment loss	**(3,621)**	–
Bad debts written off	**–**	(742)
At end of the year	**332**	3,926

Following the settlement in full of the impaired trade receivables during the year, impairment loss of HK$3,621,000 (2011: Nil) previously made for these receivables was reversed and included in other income and gains (Note 10).

27. TRADE AND BILLS RECEIVABLES (continued)

As at 31 March 2012, trade receivables of the Group amounting to HK$332,000 (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. The Group does not hold any collateral over these receivables.

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

	2012	2011
	HK$'000	HK$'000
Neither past due nor impaired	**36,661**	3,170
Less than 3 months past due	**16,975**	478
4 to 6 months past due	**445**	855
	54,081	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 31 March 2012, included in trade receivables of the Group were Factored Receivables amounted to approximately HK$3,062,000 (2011: HK$2,963,000). In this respect, the advances from the relevant banks of approximately HK$1,126,000 (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 34).

At 31 March 2012, trade and bills receivables with the aggregate carrying amount of approximately HK$5,198,000 (2011: HK$2,674,000) were denominated in US$ while the remaining were denominated in the functional currencies of the relevant group entities.

28. OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS PAID

	2012 HK$'000	2011 HK$'000
Other receivables (Note a)	74,196	61,518
Prepaid lease payments	34	33
Prepayments	1,167	94
Deposits paid for acquisition of an investment (Note b)	–	96,000
Other deposits paid	1,023	479
	76,420	158,124

Notes:

(a) An analysis of other receivables (net of impairment) are as follows:

	2012 HK$'000	2011 HK$'000
Other receivables	76,041	61,518
Less: allowance for impairment loss	(1,845)	–
	74,196	61,518

Details of other receivables are as follows:

	2012 HK$'000	2011 HK$'000
Amount due from a minority shareholder (Note 25)	14,341	–
Advances to staff (Note (i))	15,155	–
Advances to ex-staff (Note (i))	27,188	–
Advances to purchase suppliers and other parties (Note (ii))	13,928	–
Proceeds receivable on disposal of property, plant and equipment (Note (iii))	–	59,077
Others	3,584	2,441
	74,196	61,518

28. OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS PAID (continued)

Notes: (continued)

(i) The advances amounted to RMB12,321,000 and RMB22,106,000 were made to certain staff and ex-staff of certain subsidiaries of Ideal Market respectively by such subsidiaries, of which advances of RMB6,229,000 and RMB16,829,000 respectively were made prior to the date of acquisition of Ideal Market by the Group as referred to in Note 43. Such advances are unsecured, interest free and repayable within one year from the reporting date.

(ii) The advances amounted to RMB5,824,000 and RMB5,499,000 were made to purchase suppliers and certain parties (not connected with the Group) respectively by certain subsidiaries of Ideal Market of which advances of RMB628,000 and RMB5,499,000 respectively were made prior to the date of acquisition of Ideal Market by the Group. Such advances are unsecured, interest free and repayable within one year from the reporting date.

(iii) The proceeds receivable on disposal of property, plant and equipment have been fully settled during the year.

Movements in the allowance for impairment loss of other receivables are as follows:

	2012	2011
	HK$'000	HK$'000
At beginning of the year	**–**	30
Impairment loss recognised	**1,845**	–
Derecognised on disposal of subsidiaries	**–**	(30)
At end of the year	**1,845**	–

(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. Deposits for the acquisition totalled HK$96,000,000 were paid by the Group up to 31 March 2011.

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. The acquisition was completed on 4 November 2011 (Note 43).

29. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2012	2011
	HK$'000	HK$'000
Equity securities listed in Hong Kong, at market value	**–**	62

30. PLEDGED BANKS DEPOSITS, CASH DEPOSITS HELD BY SECURITIES BROKER AND BANK BALANCES AND CASH

The pledged bank deposits were pledged to secure certain bank borrowings of the Group (Note 34(a)).

The cash deposits of HK$40,000,000 represents proceeds received from the issue of convertible notes deposited with a securities broker, which is also the placing agent of the convertible notes.

Pledged bank deposits, cash deposits held by a securities broker, and bank balances and cash comprise cash held by the Group and deposits with banks and securities broker with an original maturity of three months or less. These deposits carry interest at market rates ranging from 0.03% to 0.35% (2011: 0.03% to 0.35%) per annum.

	2012	2011
	HK$'000	HK$'000
Pledged bank deposits	24,420	2,029
Cash deposits held by securities broker	40,000	–
Bank balances and cash	30,410	1,237
	94,830	3,266
Bank deposits with an original maturity of less than three months when acquired, pledged	(24,420)	(2,029)
Bank balances and cash for the purpose of the consolidated statement of cash flows	70,410	1,237

31. 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:

	2012	2011
	HK$'000	HK$'000
Within 3 months	57,968	5,281
4 to 6 months	26,087	1,459
Over 6 months	2,039	2,067
	86,094	8,807

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

At 31 March 2012, trade and bills payables were substantially denominated in the functional currencies of the relevant group entities. At 31 March 2011, trade and bills payables with an aggregate carrying amount of approximately HK$3,718,000 were denominated in US$ while the remaining balances were denominated in the functional currencies of the relevant group entities.

32. OTHER PAYABLES AND ACCRUALS

	2012 HK$'000	2011 HK$'000
Other payables	**28,462**	19,884
Accruals	**7,115**	8,815
	35,577	28,699

Included in other payables at 31 March 2011 are amounts due to the purchaser of the Disposed Entities (Note 16) amounted to HK$15,078,000 which were fully settled during the current year.

At 31 March 2012, other payables and accruals were substantially denominated in the functional currencies of the relevant group entities. At 31 March 2011, other payables and accruals with an aggregate carrying amount of approximately HK$2,301,000 were denominated in US$ while the remaining balances were denominated in the functional currencies of the relevant group entities.

33. PROMISSORY NOTES PAYABLE

In November 2011, the Company issued promissory notes with an aggregate principal amount of HK$260,000,000 (2011: Nil) as part of the consideration for the acquisition of Ideal Market (Note 43). The notes carry interests at 5.25% per annum and are wholly payable on 6 November 2012, being the date which is 12 months after the date of the issue of the notes. The fair value of the promissory notes at the date of issue was estimated to be HK$254,030,000 based on the effective interest rate of 7.5% per annum. Movements during the year of the promissory notes payable are as follows:

	2012 HK$'000	2011 HK$'000
At beginning of the year	**–**	–
Issue of promissory notes, at fair value	**254,030**	–
Interest charged for the year (Note 11)	**7,993**	–
At end of the year	**262,023**	–

The effective interest rate in respect of the promissory notes is 7.5% per annum. At 31 March 2012, promissory notes with an aggregate principal amount HK$260,000,000 (2011: Nil) remained outstanding.

Subsequent to 31 March 2012, the promissory notes with the aggregate principal amount of HK$44,000,000 were repaid by the Group.

34. BANK AND OTHER BORROWINGS

	Notes	Effective interest rate 2012	Effective interest rate 2011	2012 HK$'000	2011 HK$'000
Bank Loans:					
Bank overdrafts		**5.25% – 5.75%**	5.25%	**2,554**	3,128
Trust receipt loans		**N/A**	5.25%	**–**	931
Advances from banks on Factored Receivables		**5.25%**	5.25%	**1,126**	911
Other bank loans		**2.5% – 8.2%**	5.25% – 7.25%	**22,760**	12,353
				26,440	17,323
Loans from a director	c	**N/A**	Nil – 3%	**–**	8,648
Loans from related companies	d	**Nil% – 2.55%**	Nil – 2.55%	**2,432**	5,558
Loans from former directors	e	**Nil**	Nil – 0.984%	**4,182**	12,668
Other borrowings	f	**Nil**	Nil	**2,027**	2,783
				35,081	46,980

	Notes	2012 HK$'000	2011 HK$'000
Analysed as:			
Secured	a	**24,440**	17,323
Unsecured		**10,641**	29,657
		35,081	46,980

34. BANK AND OTHER BORROWINGS (continued)

(a) Certain bank borrowings are secured by:

(i) the Group's investment property with the carrying amount of HK$10,150,000 (2011: HK$9,380,000) (Note 20);

(ii) the Group's Factored Receivables with an aggregate carrying amount of HK$3,062,000 (2011: HK$2,963,000) (Note 27);

(iii) the Group's listed equity securities with an aggregate carrying amount of HK$Nil (2011: HK$62,000) (Note 29); and

(iv) the Group's pledged bank deposits amounting to HK$24,420,000 (2011: HK$2,029,000) (Note 30).

(b) Except for the borrowings with the aggregate amounts of RMB15,000,000 (2011: RMB9,655,000) and US$82,000 (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) The loan from a director is unsecured and repayable on demand or within one year from the reporting date. Such loan outstanding at 31 March 2011 to the extent of HK$7,625,000 was interest free with the remaining balance of HK$1,023,000 carried interest at the rate of 3% per annum. During the year, the loan to the extent of HK$4,466,000 was repaid by the Company and the remaining balance of HK$4,182,000 due to such director has been reclassified to loans from former directors following his resignation as a director of the Company.

(d) The loans from related companies to the extent of HK$1,126,000 (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.

(e) The loans from former directors are unsecured and repayable on demand or within one year from the reporting date. The loans outstanding at 31 March 2011, which was interest free except for an amount of HK$138,000 carried interest at 0.984% per annum, were fully repaid during the year. The loans from former directors outstanding at 31 March 2012 were reclassified from the loan from a director (Note c above).

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

35. FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

	2012 HK$'000	2011 HK$'000
Convertible notes denominated in Hong Kong dollar		
– 290m Notes (Note a)	13,345	–
– 77m Notes (Note b)	12,572	–
	25,917	–

Movements during the year are as follows:

	2012 HK$'000	2011 HK$'000
Balance at beginning of the year	–	–
Issue of 290m Notes, at fair value	47,471	–
Issue of 77m Notes, at fair value		
Cash consideration for the issue	77,000	–
Decrease in fair value at time of issue	(55,541)	–
At fair value	21,459	–
Decrease in fair value of convertible notes	(22,117)	–
Converted into new ordinary shares of the Company	(20,896)	–
Balance at end of the year	25,917	–

	2012 HK$'000	2011 HK$'000
Total gain on decrease in fair value recognised in profit or loss	77,658	–

35. FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

Notes:

(a) On 7 November 2011, the Company issued zero coupon convertible notes with an aggregate principal amount of HK$290,000,000 (the "290m Notes") as part of the consideration for the acquisition of 80% equity interest in and shareholders' loans to Ideal Market (Note 43). The 290m Notes, which will be mature on 7 November 2013, entitle the holders thereof to convert the notes into new ordinary shares of the Company at any time on or after 7 November 2011 until the business day immediately preceding the maturity date. The initial conversion price in respect of the 290 Notes is calculated as the average closing price of the shares of the Company for five consecutive trading days prior to the date of conversion plus a premium of 30%, provided that the conversion price shall not in any event be more than HK$0.68 or less than HK$0.227 per share. The 290m Notes may be redeemed at 100% of its outstanding principal amount (in whole or in part) at the option of the Company at any time prior to the maturity date. Unless previously converted, redeemed and cancelled, the outstanding 290m Notes will be fully converted into shares of the Company at the conversion price on maturity.

Pursuant to the sale and purchase agreement relating to the acquisition of Ideal Market (Note 43), the vendors have provided the Company with the profit guarantee that the net profit after taxation of 蘇州百納再生資源有限公司(“蘇州百納”), a subsidiary of Ideal Market, for the year ended 31 March 2012, which is determined in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), shall not be less than RMB55 million (the "Profit Guarantee"). In this connection, portion of the 290m Notes with the principal amount of HK$52 million (the "Contingency Note") has been deposited with an escrow agent appointed by the Company as security for the Profit Guarantee. Under the agreement, the Contingency Note will only be released to the vendors in the following manner:

(i) in the event that the actual amount of net profit after taxation of 蘇州百納 for the year ended 31 March 2012 equals to or exceeds the Profit Guarantee, the entire Contingency Note will be released to the vendors; or

(ii) in the event that the actual amount of net profit after taxation of 蘇州百納 for the year ended 31 March 2012 is less than the Profit Guarantee, the Company will be entitled to redeem or repurchase at HK$1 such part of the Contingency Note with a principal amount equivalent to the shortfall in the Profit Guarantee on a dollar to dollar basis and the balance of the Contingency Note will be released to the vendors; or

(iii) in the event that 蘇州百納 records net loss after taxation for the year ended 31 March 2012, the Company will be entitled to redeem or repurchase at HK$1 the entire Contingency Note.

During the year, the 290m Notes with an aggregate principal amount of HK$130 million were converted into new ordinary shares of the Company at the initial conversion price of HK$0.227 per share during the period from November 2011 to March 2012. At 31 March 2012, the 290m Notes with an aggregate principal amount of HK$160 million remained outstanding (2011: Nil).

Subsequent to 31 March 2012, the 290m Notes with principal amount of HK$102 million were converted into 449 million new ordinary shares of the Company at the conversion price of HK$0.227 per share.

35. FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

Notes: (continued)

(b) On 7 October 2011, the Company entered into an agreement with a placing agent under which the placing agent has agreed to procure the placement, on a best effort basis, of the zero coupon convertible notes to be issued by the Company up to an aggregate principal amount of HK$110 million. In March 2012, the zero coupon convertible notes with the principal amount of HK$77,000,000 (the "77m Notes") was issued by the Company, giving rise to a gross proceed of HK$77 million. The 77m Notes, which comprise convertible notes with the principal amounts of HK$55 million and HK$22 million issued on 13 March 2012 and 22 March 2012 respectively and maturing on 12 March 2013 and 22 March 2013 respectively, entitle the holders thereof to convert the notes into new ordinary shares of the Company at an initial conversion price of HK$0.11 per share at any time on or after the dates of issues until the business day immediately preceding the respective maturity dates. The 77m Notes may be redeemed at 100% of its outstanding principal amount (in whole or in part) at the option of the Company at any time prior to their respective maturity dates. Unless previously converted, redeemed and cancelled, the outstanding 77m Notes will be fully converted into shares of the Company at the conversion price on maturity.

In March 2012, the 77m Notes with an aggregate principal amount of HK$3.96 million were converted into new ordinary shares of the Company at the initial conversion price of HK$0.11 per share. At 31 March 2012, the 77m Notes with an aggregate principal amount of HK$73.04 million remained outstanding (2011: Nil).

Subsequent to 31 March 2012, the 77m Notes with an aggregate principal amount of HK$6.6 million were converted into 60 million new ordinary shares of the Company at the conversion price of HK$0.11 per share.

The fair values of the 290m Notes and the 77m Notes at the dates of their issue and at the reporting date were determined based on the valuations conducted by LCH (Asia-Pacific) Surveyors Limited ("LCH"), an independent firm of business and financial services valuers, using the "Prepaid Forward Contract" pricing model with key inputs such as share price, expected number of shares to be issued on conversion of the notes, and the dilution effect thereon to the issued shares of the Company.

Up to the date of approval of these consolidated financial statements, the results of 蘇州百納 prepared in accordance with HKFRSs are yet to be determined, the directors of the Company are of the view that the redemption or repurchase of the Contingency Notes by the Company cannot be ascertained with reasonable certainty, accordingly the gain on such redemption or repurchase, if materialized, has not been included in the estimation of the fair value of the 290m Notes at the reporting date.

36. OBLIGATIONS UNDER FINANCE LEASES

The Group leased certain of its motor vehicles under finance leases. The average lease term is 3 years. Interest rates on obligations under the finance leases are fixed at the contract rate of 5.78% per annum. The Group has options to purchase the motor vehicles for a nominal amount at the end of the lease terms. No arrangements have been entered into for contingent rental payments.

	Minimum lease payment		Present value minimum lease payment	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amount payable under finance leases				
Within one year	**140**	–	**112**	–
In more than one year and not more than two years	**140**	–	**119**	–
In more than two years and not more than five years	**314**	–	**295**	–
	594	–	**526**	–
Less: Future finance charges	**(68)**	–	**N/A**	–
Present value of lease obligations	**526**	–	**526**	–
Less: Amounts due for settlement within 12 months			**(112)**	–
Amount due for settlement after 12 months			**414**	–

The Group's obligations under finance leases were secured by the lessor's charge over the leased assets.

37. 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, or HK$40,000,000 and HK$50,000,000 are convertible 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, redeemed and cancelled, the 110m Notes would be redeemed at 100% of the outstanding principal amounts on the respective maturity dates.

The 110m Notes were fully converted into new shares of the Company at the initial conversion prices during the year ended 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 24). 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 by the noteholders at the initial conversion price of HK$0.18 per share. Unless previously converted, redeemed 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.

37. CONVERTIBLE NOTES (continued)

Both of the 110m Notes and the 99m Notes contain two components: liability and equity elements. The fair values of the convertible notes were determined based on the valuations conducted by LCH 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 the 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 (Note 11)	–	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 (Note 11)	–	84	84
Redeemed during the period	–	(8,933)	(8,933)
At 31 March 2012	–	–	–

38. SHARE CAPITAL

	Number of shares '000	Nominal amount HK$'000
Authorised:		
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
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 31 March 2012	**100,000,000**	**1,000,000**

	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
Issue of shares on conversion of convertible notes (Note d)	768,608	76,861
Issue of shares on conversion of convertible 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)	3,030,531	3,030
Share consolidation (Note g)	(2,832,381)	–
Issue of shares on conversion of convertible notes (Note h)	572,687	5,727
Issue of shares on conversion of convertible notes (Note i)	36,000	360
Ordinary shares of HK$0.01 each at 31 March 2012	**923,396**	**9,234**

38. 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 at 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 HK$0.10 each in the Company were consolidated into one consolidated share of 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).

(d) The 110m Notes (see Note 37) were fully converted into new shares of the Company as follows:

Date of conversion	**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	

38. SHARE CAPITAL (continued)

Notes: (continued)

(e) Portion of the 99m Notes (see Note 37) were converted into new shares of the Company at the conversion price of HK$0.18 per share, as follows:

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

(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 26 rights shares for every one 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 expense) to finance the acquisition of 80% equity interest in Ideal Market (Note 43) 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 10 issued and unissued shares of HK$0.001 each in the share capital of the Company were consolidated into one consolidated share of HK$0.01 each. The share consolidation was effected on 30 June 2011.

38. SHARE CAPITAL (continued)

Notes: (continued)

(h) Portion of the 290m Notes (see Note 35) were converted into new shares of the Company at the conversion price of HK$0.227 per share, as follows:

Date of conversion	Principal amount of the 290m Notes converted	Number of ordinary shares issued
	HK$'000	'000
16 November 2011	15,000	66,079
1 December 2011	15,000	66,079
6 December 2011	9,500	41,850
15 December 2011	4,500	19,824
23 December 2011	10,000	44,053
10 January 2012	5,000	22,026
11 January 2012	1,000	4,405
30 January 2012	10,000	44,053
7 February 2012	4,000	17,621
20 February 2012	26,000	114,538
27 February 2012	6,000	26,432
14 March 2012	20,000	88,106
28 March 2012	4,000	17,621
	130,000	572,687

(i) Portion of the 77m Notes (see Note 35) were converted into new shares of the Company at the conversion price of HK$0.11 per share, as the follows:

Date of conversion	Principal amount of the 77m Notes converted	Number of ordinary shares issued
	HK$'000	'000
14 March 2012	1,980	18,000
26 March 2012	1,980	18,000
	3,960	36,000

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

39. 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.
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 the approval of these consolidated financial statements	31,470,905 ordinary shares of HK$0.01 each and approximately 2% of the issued share capital.

39. SHARE OPTION SCHEME (continued)

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.

39. 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 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.

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

Movements of share options granted

No share options were granted, exercised, lapsed or cancelled under the New Scheme and the Old Scheme during the years ended 31 March 2012 and 31 March 2011 and no share options were outstanding as at those dates.

40. DEFERRED TAXATION

The following are the major deferred tax liabilities recognised and movements thereon during the current year.

	Fair value adjustments on business combination	Undistributed earnings of PRC subsidiaries	Total
	HK$'000	HK$'000	HK$'000
At 1 April 2010 and 31 March 2011	–	–	–
Acquired from acquisition of subsidiaries (Note 43)	10,315	2,087	12,402
(Credited)/charged to profit or loss	(510)	209	(301)
Exchange realignment	(210)	–	(210)
At 31 March 2012	9,595	2,296	11,891

Under the EIT Law of the PRC, withholding income tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred tax in respect of temporary differences attributable to the retained earnings of the PRC subsidiaries from 1 January 2008 amounted to HK$2,296,000 (2011: Nil) has been recognised in the consolidated financial statements.

At the end of the reporting period, the Group had unused tax losses of approximately HK$98,166,000 (2011: HK$98,630,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future profit streams. Included in the tax losses are losses of approximately HK$6,865,000 (2011: HK$6,865,000) that will expire within five years from the end of the reporting period. Other losses may be carried forward indefinitely.

41. 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 Company 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.

No forfeited contributions were recognised for the year ended 31 March 2012 (2011: Nil) and there were no material forfeitures available to reduce the Group's future contributions as at 31 March 2012 and 2011.

42. COMMITMENTS

(a) Capital commitments

The Group had no material capital commitments as at 31 March 2012. As at 31 March 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$84,000,000.

(b) Operating lease commitments

The Group as lessor

The Group leases out its investment property (Note 20) and certain of its office properties under operating lease arrangements, with the leases negotiated for terms ranging from one to two years (2011: two to three years). The terms of the leases also require the tenants to pay security deposits.

42. 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:

	2012 HK$'000	2011 HK$'000
Within one year	248	216
In the second to fifth year, inclusive	–	72
	248	288

The rental yield is expected to be approximately 2% at 31 March 2012 (2011: 2%).

The Group as lessee

The Group rented certain office premises and warehouses under operating lease arrangements, with the leases negotiated for a term ranging from one to four years (2011: 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 leases falling due as follows:

	2012 HK$'000	2011 HK$'000
Within one year	1,808	724
In the second to fifth year, inclusive	1,877	–
	3,685	724

43. ACQUISITION OF SUBSIDIARIES

On 4 November, 2011, the Group acquired 80% equity interest in and shareholders' loans to Ideal Market Holdings Limited ("Ideal Market") for an aggregate consideration of HK$850,000,000 which was satisfied by (i) cash of HK$300 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. Further, the vendors have provided the Company with the Profit Guarantee, details of which are set out in Note 35. This acquisition has been accounted for using the purchase method. The amount of goodwill arising as a result of the acquisition was HK$522,849,000. Ideal Market, through its subsidiaries, is engaged in waste paper, scrap metal and consumable wastes recycling. Ideal Market was acquired so as to diversify the Group's business.

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	Fair value
	HK$'000
Property, plant and equipment	24,624
Intangible assets	41,650
Amount due from a minority shareholder	22,830
Inventories	30,657
Trade and bills receivables	25,845
Other receivables, prepayments and deposits paid	69,393
Bank balances and cash	16,651
Trade and bills payables	(51,898)
Other payables and accruals	(33,916)
Tax payable	(33,570)
Bank and other borrowings	(17,763)
Deferred tax liabilities	(12,402)
	82,101

The intangible assets represent customer relationship, being a network of customers which have done business with the subsidiaries of Ideal Market for a number of years of uninterrupted services.

The fair value of amount due from a minority shareholder and trade and other receivables at the date of acquisition amounted to an aggregate of approximately HK$118,068,000. The gross contractual amounts of those trade and other receivables acquired amounted to approximately HK$118,069,000 at the date of acquisition. The contractual cash flows of these receivables are expected to be fully collected.

43. ACQUISITION OF SUBSIDIARIES (continued)

Total consideration transferred which is satisfied by:

	HK$'000
Cash consideration	300,000
Convertible notes issued, at fair value	47,471
Promissory notes issued, at fair value	254,030
Total consideration transferred at fair value	601,501

	HK$'000
Goodwill arising on consideration	
Consideration transferred	601,501
Less: Portion attributable to acquisition of shareholders' loans	(12,972)
Consideration attributable to acquisition of 80% equity interest in Ideal Market	588,529
Less: Net assets acquired	(82,101)
Add: Non-controlling interests	16,421
Goodwill arising on consideration	522,849

	HK$'000
Net cash outflow arising on consideration	
Cash consideration	300,000
Less: Deposits paid in prior years	(96,000)
Cash paid	204,000
Bank balances and cash acquired	(16,651)
	187,349

The subsidiaries acquired contributed HK$136,028,000 and HK$5,245,000 to the Group's revenue and profit for the year, respectively, between the date of acquisition and 31 March 2012.

Acquisition-related costs amounting to HK$1,565,000 have been excluded from the consideration transferred and have been charged to profit or loss and included in the administrative and other expenses in the consolidated statement of comprehensive income.

43. ACQUISITION OF SUBSIDIARIES (continued)

If the acquisition had been completed on 1 April 2011, the revenue of the Group for the year would have been HK$367,197,000 and profit for the year would have been HK$15,322,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2011, nor is it intended to be a projection of future results.

In determining the pro-forma revenue and profit of the Group had Ideal Market been acquired at the beginning of the current year, the directors have calculated amortisation of intangible assets acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the pre-acquisition financial statements.

44. DISPOSAL OF SUBSIDIARIES

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 former 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 and manufacture and trading of copper foils. Upon the disposal of the Disposed Entities, the Group discontinued the businesses undertaken by the Disposed Entities.

44. DISPOSAL OF SUBSIDIARIES (continued)

	HK$'000
Carrying amounts of assets and liabilities over which control was lost:	
Prepaid lease payments	6,656
Trade and bills receivables	1,738
Other receivables, prepayments and deposits paid	22,728
Amounts due from group companies	15,078
Inventories	2,260
Bank balances and cash	218
Trade and bills payables	(5,980)
Other payables and accruals	(2,046)
Bank and other borrowings	(5,651)
Net assets disposed of	35,001
Loss on disposal	(7,001)
	28,000
Satisfied by:	
Cash consideration for the disposal	28,000
Net cash inflow arising on the disposal of subsidiaries	
Consideration received in cash	28,000
Less: bank balances disposed of	(218)
Net cash inflow arising on the disposal	27,782

Net cash flows during the year arising from the Disposed Entities are set out in Note 16.

45. MAJOR NON-CASH TRANSACTIONS

The following non-cash transactions took place during the year ended 31 March 2012:

(a) The Company issued convertible notes and promissory notes with an aggregate principal amount of HK$290,000,000 and HK$260,000,000 as part of the consideration for the acquisition of 80% equity interest in and shareholders' loans to Ideal Market, details of which are set out in Note 43.

(b) As referred to in Notes 35 and 38, portions of the 290m Notes and 77m Notes were converted into new ordinary shares of the Company at the conversion prices of HK$0.227 per share and HK$0.11 per share respectively.

(c) The Group entered into finance leases in respect of its motor vehicles, details of which are set out in Note 36.

The following non-cash transactions took place during the year ended 31 March 2011:

(d) The Company issued convertible notes with an aggregate principal amount of HK$99,000,000 as part of the consideration for the acquisition of 9.9% equity interest in Swift Profit International Limited, details of which are set out in Note 37.

(e) As referred to in Notes 37 and 38, the 110m Notes and substantially all of the 99m Notes were converted into new ordinary shares of the Company.

46. CONTINGENT LIABILITIES

	2012	2011
	HK$'000	HK$'000
Guarantee given in respect of banking facilities granted to a former subsidiary (Note 47(b)(iii))	**17,633**	16,848

As a former director of the Company and the purchaser of the Disposed Entities 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.

47. 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:

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

	Notes	2012 HK$'000	2011 HK$'000
Interest paid to directors	(i)	**–**	9
Interest paid to former directors	(i)	**7**	–
Interest paid to a related company	(ii)	**99**	263
Rental expense paid to directors		**23**	420
Rental income received from a related company		**15**	60

Notes:

(i) The interests paid to directors/former directors of the Company arose from the loans obtained from them. Further details of the loans are disclosed in Note 34.

(ii) The interest paid to a related company, in which a former director of the Company has a beneficial interest, arose from the loan obtained from the related company. Further details of the loan are disclosed in Note 34.

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

(i) The Group had made purchases of goods from the entities in the Disposed Entities amounted to approximately HK$9,031,000 (18 January 2011 to 31 March 2011: HK$2,500,000).

(ii) The Group had no trade payables to the Purchaser of the Disposed Entities outstanding at 31 March 2012 (31 March 2011: outstanding trade payables to the purchaser amounted to HK$15,078,000 which were unsecured, interest free and repayable on demand). The maximum outstanding balance of the Group's trade receivables from the Purchaser during the year amounted to HK$9,630,000 (2011: Nil).

47. RELATED PARTY TRANSACTIONS (continued)

(b) (continued)

(iii) The Company has provided a corporate guarantee of Thailand Baht 70,000,000 (equivalent to HK$17,633,000) (2011: Baht 70,000,000 (equivalent to HK$16,848,000)) to a bank for banking facilities granted by the bank to an entity in the Disposed Entities. Such facilities to the extent of HK$5,453,000 were utilised by the entity as at 31 March 2012 (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 guarantee	
– At 1 April 2011:	HK$6,271,000
– At 31 March 2012:	HK$5,453,000
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. Mr. Lau resigned as director of the Company on 15 March 2012.

(c) Compensation of key management personnel of the Group, who were the directors of the Company, are as follows:

	2012	2011
	HK$'000	HK$'000
Short-term employee benefits	**2,204**	1,330
Post-employment benefits	**704**	364
Total compensation paid to key management personnel	**2,908**	1,694

The remuneration of directors 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 13.

48. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2012 HK$'000	2011 HK$'000
Non-current assets			
Investments in subsidiaries		**601,501**	–
Available-for-sale investment		**128,000**	172,888
		729,501	172,888
Current assets			
Deposits paid		**–**	96,112
Amounts due from subsidiaries	a	**89,163**	118,912
Cash deposits held by securities broker		**40,000**	–
Bank balances and cash		**1,537**	409
		130,700	215,433
Current liabilities			
Other payables and accruals		**1,405**	1,819
Promissory notes payables		**262,023**	–
Bank and other borrowings		**2,000**	–
Financial liabilities designated at fair value through profit or loss		**25,917**	–
Convertible notes		**–**	8,849
		291,345	10,668
Net current (liabilities)/assets		**(160,645)**	204,765
		568,856	377,653
Capital and reserves			
Share capital		**9,234**	117
Share premium and reserves	b	**559,622**	377,536
		568,856	377,653

48. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Notes:

(a) Amounts due from subsidiaries

The amounts are unsecured, non-interest bearing and repayable on demand.

(b) Share premium and reserves

	Share premium HK$'000	Contributed surplus HK$'000 (Note)	Capital redemption reserve HK$'000	Convertible notes equity reserve HK$'000	Retained profits/ (accumulated losses) HK$'000	Total HK$'000
At 1 April 2010	170,806	62,604	464	–	(120,452)	113,422
Loss for the year and total comprehensive expenses for the year	–	–	–	–	(13,633)	(13,633)
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	75,717	–	–	(32,936)	–	42,781
Issue of shares upon placing of shares	19,095	–	–	–	–	19,095
Share issue expenses	(5,319)	–	–	–	–	(5,319)
At 31 March 2011 and 1 April 2011	260,299	62,604	464	1,877	52,292	377,536
Loss for the year and total comprehensive expenses for the year	–	–	–	–	(25,322)	(25,322)
Issue of shares upon right issues	203,046	–	–	–	–	203,046
Issue of shares upon conversion of convertible notes	14,809	–	–	–	–	14,809
Share issue expenses	(8,570)	–	–	–	–	(8,570)
Redemption of convertible notes	–	–	–	(1,877)	–	(1,877)
At 31 March 2012	469,584	62,604	464	–	26,970	559,622

Note: The contributed surplus of the Company at 31 March 2012 represents the excess of the fair value of the subsidiaries acquired pursuant to the reorganisation in 1994, over the nominal value of the Company's shares issued for their acquisition. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus shall not be distributed to the shareholders if there are reasonable grounds for believing that:

(i) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or

(ii) the realisable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital.

49. PRINCIPAL SUBSIDIARIES

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

Name of company	Place of incorporation/ establishment	Class of share held	Issued share capital/ registered capital	Proportion of nominal value of issued capital/registered capital held by the Company				Proportion of voting power held		Principal activities
				Directly		Indirectly				
				2012 %	2011 %	2012 %	2011 %	2012 %	2011 %	
Benveloent Corporation	British Virgin Islands ("BVI")	Ordinary shares	US$10	–	–	100	100	100	100	Investment holding
Nam Hing (B.V.I.) Limited	BVI	Ordinary shares	US$50,000	100	100	–	–	100	100	Investment holding
Nam Hing Industrial Laminate Limited	Hong Kong	Ordinary shares	HK$200/ HK$2,000,000[1]	–	–	100	100	100	100	Trading of laminates
Nam Hing Circuit Board Company Limited	Hong Kong	Ordinary shares	HK$500,000	–	–	100	100	100	100	Trading of printed circuit boards
Natural Century Limited	Hong Kong	Ordinary shares	HK$2	–	–	100	100	100	100	Investment holding
Nam Hing Circuit Board (Dongguan) Co., Ltd.[2,3]	PRC	Contributed capital	HK$38,376,800/ HK$40,000,000	–	–	100	100	100	100	Manufacture of printed circuit boards
Ideal Market Holdings Limited	BVI	Ordinary shares	US$300	80	–	–	–	80	–	Investment holding
蘇州百納再生資源有限公司[4]	PRC	Contributed capital	RMB10,000,000	–	–	80	–	80	–	Waste paper, scrap metal and consumable wastes recycling
蘇州百納再生資源鹽城有限公司[4]	PRC	Contributed capital	RMB1,876,640	–	–	80	–	80	–	Waste paper, scrap metal and consumable wastes recycling
淮安百潤再生資源有限公司[4]	PRC	Contributed capital	RMB1,000,000	–	–	80	–	80	–	Waste paper, scrap metal and consumable wastes recycling

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.

4 The subsidiaries are registered as limited liability enterprises under the PRC laws.

49. PRINCIPAL SUBSIDIARIES (continued)

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

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year 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.

50. EVENTS AFTER THE REPORTING PERIOD

In addition to those disclosed elsewhere in the consolidated financial statements, the following events took place subsequent to the end of the reporting period:

(a) On 1 June 2012, the Company entered into a placing agreement with FT Securities Limited (the "Placing Agent") pursuant to which the Placing Agent has conditionally agreed to procure placements, on a best effort basis, of the unconvertible bonds to be issued by the Company up to an aggregate principal amount of HK$200,000,000. Up to the date of approval of these consolidated financial statements, the Company has issued the unconvertible bonds giving rise to a gross proceed of HK$10,000,000.

(b) On 26 June 2012, the Company entered into a subscription agreement with Pacific Plywood Holdings Limited (the "Subscriber") pursuant to which the Company has conditionally agreed to issue, and the Subscriber has conditionally agreed to subscribe for, the convertible notes in the aggregate principal amount of HK$95 million in cash. Up to the date of approval of these consolidated financial statements, the Company has not issued any of these convertible notes.

(c) On 3 August 2012, the Company announced to propose a capital reorganization, under which

   (i) Every 50 existing issued shares of HK$0.01 each in the Company be consolidated into one consolidated share of HK$0.50 each; and

   (ii) The par value of each consolidated share be then reduced from HK$0.50 to HK$0.01 by the cancellation of HK$0.49 of the par value, resulting in a new par value of HK$0.01 for each consolidated share. The reduction of the share capital will give rise to the credit of approximately HK$14.04 million to the contributed surplus account of the Company.

   The capital reorganization is subject to the approval by the shareholders of the Company at its general meeting to be convened on 7 September 2012.