



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)



*For identification purposes only

CORPORATE INFORMATION

Executive Directors

Ms. Chen Tong (*Chairman and Chief Executive Officer*)
Ms. Chan Ching Ho, Kitty
Mr. Xiang Liang
Ms. Li Lin
(Appointed on 1 December 2012)
Ms. Deng Hong Mei
(Resigned on 1 December 2012)

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. Chan Ching Ho, Kitty
(Appointed on 1 December 2012)
Ms. Deng Hong Mei
(Resigned on 1 December 2012)

Auditor

CCTH CPA Limited
Certified Public Accountants
Unit 5-6, 7/F, Greenfield 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
Industrial and Commercial Bank of
China Limited

Principal Share Registrar and Transfer Office

Butterfield Fulcrum Group (Bermuda) Limited
26 Burnaby Street
Hamilton HM 11
Bermuda

Hong Kong Branch Share Registrar and Transfer Office

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

Website

<http://www.986.com.hk>

Stock Code

986



The board of directors (the “Board”) of China Environmental Energy Investment Limited (the “Company”) presents the interim report and the unaudited condensed consolidated financial statements of the Company and its subsidiaries (together the “Group”) for the six months ended 30 September 2012.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its principal subsidiaries are trading of laminates, manufacturing and trading of printed circuit boards (“PCBs”), waste paper, scrap metal and consumable wastes recycling. The Company has acquired subsidiaries of recycling business in November 2011.

RESULTS

The Group’s loss for the six months ended 30 September 2012 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 13 to 44.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Prospects

The consolidated turnover of the Group for the six months ended 30 September 2012 was HK\$90,229,000, representing a 253% increase from HK\$25,557,000 of the corresponding period of the previous year. The loss of the Group decreased from HK\$14,790,000 (excluding the impairment loss recognised on available-for-sale investment) for the six months ended 30 September 2011 to HK\$13,956,000 for the six months ended 30 September 2012.

The increase in turnover and improved results were attributable to the acquisition of the recycling business on 4 November 2011.



MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Trading and manufacturing of printed circuit boards

For the six months ended 30 September 2012, the PCB division recorded a turnover of HK\$22,919,000 (2011: HK\$25,474,000), which accounted for approximately 25.4% of the Group's total turnover and represented a decrease of 10% as compared with the corresponding period of the previous year. The decrease in turnover was attributable to lower market demand arising from the European debt crisis, in the PCB market.

The PCBs business has recorded an unfavorable performance during the last few years. The Company's directors have considered disposing the PCBs business in the event that no improvement is seen in the coming future.

Trading of industrial laminates

During the period under review, the industrial laminate business achieved a turnover of HK\$156,000 (2011: HK\$83,000), representing approximately less than 1% of the Group's total turnover. The industrial laminate operation in Suzhou, Mainland China remained idle during the period under review.

Investment in the electric car battery business

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

The Board has considered that the carrying value of investment in the electric car battery business needs not be impaired as at 30 September 2012.

Waste paper 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 "Acquisition"). 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.



MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Waste paper recycling business (Continued)

During the period from 1 April 2012 to 30 September 2012, the recycling business recorded a turnover of RMB54,597,000 which accounted for approximately 74.4% of the Group's total turnover. Gross profit was RMB10,018,000 (equivalent to HK\$12,322,000) and gross margin came to 18.35%. Operating profit before tax was RMB974,000 (equivalent to HK\$1,197,000). This became the main source of income of the Group.

The financial results of Ideal Market Holdings Limited which had been consolidated into the annual results of the Company for the year ended 31 March 2012 were for the period from the completion date of the Acquisition (4 November 2011) to 31 March 2012. The announcement for the said annual results was published on 10 August 2012. As at 30 November 2012, the Company is in the process of preparation of the financial statements of Ideal Market Holdings Limited and its subsidiaries for the year ended 31 March 2012 in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"). Based on the latest information, the Company's directors are of the view that the profits of the recycling business for the year ended 31 March 2012 is below the profit guarantee, giving rise to a gain on redemption or repurchase of the contingency note. However, the results of the 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 recognized in the consolidated financial statements of the Group for the current year. As soon as the results of the recycling business for the year ended 31 March 2012 prepared in accordance with HKFRSs are available, the adjustment to the consideration of the Acquisition can be confirmed. The Company will make an announcement to the shareholders in this respect accordingly.

Outlook

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



MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Liquidity and Financial Resources

On 1 June 2012, the Company entered into a placing agreement with FT Securities Limited in respect of a placing of unconvertible bonds due in Year 2017 with principal amounts of up to HK\$200 million on a best effort basis. On 31 August 2012, the Company and FT Securities Limited entered into a supplemental agreement to extend the expiry date of placing period for the unconvertible bonds from 31 August 2012 to 28 February 2013. As at 30 September 2012, the Company has issued the unconvertible bonds due in Year 2017 in principal amount of HK\$10 million. Subsequent to the period end, on 19 October 2012, the Company has further issued unconvertible bonds due in Year 2017 in principal amount of HK\$10 million. HK\$6.5 million of the net proceeds from the issue of unconvertible bonds were used for repayment of promissory notes and balance of the net proceeds of HK\$3.2 million was used for the working capital of the Group.

On 26 June 2012, the Company entered into the 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 due in Year 2014 in the aggregate principal amount of HK\$95 million in cash. The subscription was completed on 12 October 2012. The proceeds raised from the subscription were used for the repayment of promissory notes in aggregate principal amount of HK\$84 million. The conversion price of the convertible notes is HK\$0.592 per conversion share.

On 3 August 2012, the Company announced to reorganize the share capital of the Company to implement a share consolidation scheme on the basis that every fifty (50) issued shares of HK\$0.01 each in the share capital of the Company will be consolidated into one (1) consolidated share of HK\$0.5 each (the "Consolidated Share") in the issued share capital of the Company, the issued share capital of the Company will then be reduced (i) by eliminating any fraction of a Consolidated Share in the issued share capital of the Company following the share consolidation in order to round down the total number of Consolidated Shares to a whole number; and (ii) by cancelling the paid-up capital of the Company to the extent of HK\$0.49 on each issued Consolidated Share so that the nominal value of each issued Consolidated Share will be reduced from HK\$0.5 to HK\$0.01. The credit of approximately HK\$14.04 million arising from the capital reduction will be credited to the contributed surplus account of the Company. The capital reorganization was effected on 10 September 2012.



MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Liquidity and Financial Resources (Continued)

On 8 October 2012, the Company entered into the placing agreement with Cheong Lee Securities Limited (the “Placing Agent”) pursuant to which the Placing Agent has agreed to place, on a best effort basis, to independent placees for up to 8,146,941 new shares of the Company at the placing price of HK\$0.57 per placing share. The net proceeds of HK\$4.4 million raised from the placing of 8,100,000 shares were used for the working capital of the Group.

As at 30 September 2012, the Group’s total cash and bank balances, cash deposit held by securities broker and pledged fixed deposits amounted to HK\$21,117,000 (31 March 2012: HK\$94,830,000). Total bank loans, other borrowings, convertible notes, financial liabilities designed at fair value through profit or loss, promissory note payable and unconvertible bond decreased from HK\$323,021,000 as at 31 March 2012 to HK\$285,505,000 as at 30 September 2012. The Group’s gearing ratio, which is net debt divided by total shareholders’ equity plus net debt, decreased from 0.40 as at 31 March 2012 to 0.37 as at 30 September 2012. Net debt included bank and other borrowings, trade and bills payables, 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 30 September 2012, the Group had a current ratio of 0.43 (31 March 2012: 0.52) and net current liabilities of HK\$197,225,000 as at 30 September 2012 (31 March 2012: HK\$228,315,000).

Foreign Exchange Exposure

As the Group’s operations are principally in the People’s Republic of China (the “PRC”) and all assets and liabilities are denominated either in Renminbi and Hong Kong dollars, main revenues and purchases are denominated in Renminbi and the functional currency of the Group is Renminbi, the Company’s directors believe that the operations of the Group are not subject to significant exchange risk.

Contingent Liabilities

As at 30 September 2012, 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 (31 March 2012: HK\$17,633,000).



MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Capital Commitments

The Group had no material capital commitments as at 30 September 2012 (31 March 2012: Nil).

Pledge of Assets

As at 30 September 2012, the Group's assets pledged as security for banking facilities amounted to approximately HK\$24,337,000 (31 March 2012: HK\$37,632,000).

Employment, Training and Remuneration Policy

During the period under review, the Group continued to strengthen staff quality through staff development and training programmes. The Group had approximately 436 employees as at 30 September 2012 (2011: 231). Remunerations are commensurate with the nature of the job, experience and market conditions. The increase in number of employees was due to the acquisition of the recycling business in November 2011.

SHARE OPTION SCHEME

The Company currently operates a share option scheme for the purpose of providing 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. No share option has been granted under the Company's share option scheme since its adoption on 30 August 2011.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 September 2012.



AUDIT COMMITTEE

The Audit Committee of the Company comprises three members, being the three independent non-executive directors of the Company. The Audit Committee has reviewed the Company's unaudited condensed consolidated financial statements for the six months ended 30 September 2012 and discussed auditing, financial and internal control, and financial reporting matters of the Company.

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS OF THE COMPANY

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") as its own code of conduct regarding directors' dealings in the Company's securities (the "Own Code"). Having made specific enquiry of all the Company's directors, they have complied with the Own Code throughout the six months ended 30 September 2012.

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

The Company has established written guidelines for the relevant employees of the Company (the "Relevant Employees") in respect of their dealings in the securities of the Company (the "Written Guidelines") on terms no less exacting than the required standard set out in the Model Code. For this purpose, "Relevant Employee" includes any employee of the Company or a director or an employee of a subsidiary or holding company of the Company who, because of such office or employment, is likely to be in possession of unpublished price sensitive information in relation to the Company or its securities. No incident of non-compliance of the Written Guidelines was noted by the Company during the six months ended 30 September 2012.

DIRECTORS' INTERESTS IN CONTRACTS

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 period.



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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

During the period ended 30 September 2012, no rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director of the Company or their respective spouse or minor children, or were any such rights exercised by them, or was the Company or any of its subsidiaries a party to any arrangement to enable the Company's directors, or their associates, to acquire such benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.



SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 September 2012, the following parties had interests of 5% or more in the issued shares/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	Percentage ⁺ of the Company's issued share capital
Lucky Start Holdings Limited (Note)	Beneficial owner	4,405,286	10.81%
Zhao Zhen Zhen (Note)	Interest held by controlled corporation	4,405,286	10.81%
Jia Hong Xing	Beneficial owner	9,871,400	24.23%
Ren Zhanli	Beneficial owner	2,600,000	6.38%

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

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	Percentage ⁺ of the underlying shares over the Company's issued share capital
Pacific Plywood Holdings Limited	Beneficial owner	190,000,000	466.43%

[△] The number of shares/underlying shares has been adjusted due to the Company's capital reorganization effective on 10 September 2012.

⁺ The percentage represents the number of ordinary shares/underlying shares interested divided by the number of the Company's issued shares as at 30 September 2012. As at 30 September 2012, the number of issued shares of the Company was 40,734,709 shares of HK\$0.01 each.



SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES (Continued)

Save as disclosed above, as at 30 September 2012, no person 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.

CORPORATE GOVERNANCE

The Board is of the view that the Company has complied with the code provisions as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules during the six months ended 30 September 2012, except for the following deviations:

Code provision A.2.1

This code provision stipulates that the roles of chairman and chief executive officer of a listed issuer should be separate and should not be performed by the same individual. Currently, Ms. Chen Tong ("Ms. Chen") holds the offices of Chairman and Chief Executive Officer of the Company, which constitutes a deviation from the above-mentioned code provision of the CG Code. Ms. Chen has extensive experience in management and over 30 years' business experience. The Board believes that it is in the interests of the Group to have an executive Chairman with in-depth management experiences to guide discussion among Board members on the Group's development and planning, as well as to execute business strategies of the Group.

Code provision A.4.1

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



CORPORATE GOVERNANCE (Continued)

Code provision A.6.7

This code provision requires that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of views of shareholders. Due to other business engagements, (i) Mr. Wang Zhenghua and Ms. Yao Zhengwei, the Company's non-executive directors, and Ms. Zhou Jue, the Company's independent non-executive director, had not attended the Company's special general meetings (the "SGM") held on 7 and 26 September 2012 and the Company's annual general meeting held on 26 September 2012 (the "2012 AGM"); and (ii) Mr. Chan Ying Kay and Mr. Tse Kwong Chan, the Company's independent non-executive directors, had not attended the SGM held on 7 September 2012.

Code provision E.1.3

This code provision requires that the issuer should arrange for the notice to shareholders to be sent for annual general meeting at least 20 clear business days before the meeting. As additional time was required for finalizing the Company's financial statements for the year ended 31 March 2012, there was a delay in sending the Company's annual report for the year ended 31 March 2012 and the notice for convening the 2012 AGM (the "Notice") to the Company's shareholders. Though the Notice was sent to the shareholders on 3 September 2012, which was less than 20 clear business days before the 2012 AGM, the Company gave not less than 21 clear days' notice pursuant to the Bye-laws.

ON BEHALF OF THE BOARD

Chen Tong

Chairman

Hong Kong

30 November 2012



CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2012

		Six months ended	
		30 September	
		2012	2011
	Notes	HK\$'000	HK\$'000
Turnover	3	90,229	25,557
Cost of sales		(72,398)	(20,705)
Gross profit		17,831	4,852
Other income and gains	4	6,987	1,318
Selling and distribution costs		(8,730)	(953)
Administrative and other expenses		(18,928)	(19,542)
Finance costs	5	(10,817)	(465)
Loss before taxation	6	(13,657)	(14,790)
Taxation	7	(299)	–
Loss for the period		(13,956)	(14,790)
Other comprehensive expenses			
Impairment loss recognised on available-for-sale investment		–	(21,616)
Exchange difference arising on translation of foreign operations		(740)	(620)
Total comprehensive expenses for the period attributable to owners of the Company		(14,696)	(37,026)
Profit/(loss) for the period attributable to:			
Owners of the Company		(14,196)	(14,790)
Non-controlling interests		240	–
		(13,956)	(14,790)



CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Continued)

For the six months ended 30 September 2012

		Six months ended	
		30 September	
		2012	2011
	Notes	HK\$'000	HK\$'000
Total comprehensive income/(expenses) attributable to:			
Owners of the Company		(14,936)	(37,026)
Non-controlling interests		240	–
		<u>(14,696)</u>	<u>(37,026)</u>
 LOSS PER SHARE			
Basic	9	<u>HK(1.12) cents</u>	<u>HK(7.38) cents</u>
Diluted		<u>N/A</u>	<u>N/A</u>



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2012

		30 September 2012	31 March 2012
	Notes	HK\$'000	HK\$'000
Non-current assets			
Property, plant and equipment		42,022	46,619
Investment properties		12,330	10,150
Prepaid lease payments		981	1,063
Goodwill		522,849	522,849
Intangible assets		37,637	39,728
Available-for-sale investment		128,000	128,000
Amount due from a minority shareholder		3,969	13,300
		747,788	761,709
Current assets			
Inventories		16,690	18,014
Trade and bills receivables	10	34,083	54,081
Other receivables, prepayments and deposits paid		79,580	76,420
Pledged fixed deposits		12,007	24,420
Cash deposits held by securities broker		-	40,000
Bank balances and cash		9,110	30,410
		151,470	243,345
Current liabilities			
Trade and bills payables	11	16,201	86,094
Other payables and accruals		29,056	35,577
Promissory notes payable		225,718	262,023
Bank and other borrowings		47,840	35,081
Financial liabilities designated at fair value through profit or loss		3,360	25,917
Tax payable		26,408	26,856
Obligations under finance leases		112	112
		348,695	471,660
Net current liabilities		(197,225)	(228,315)
		550,563	533,394



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 30 September 2012

		30 September	31 March
		2012	2012
	Notes	HK\$'000	HK\$'000
Capital and reserves			
Share capital	12	407	9,234
Share premium and reserves		511,611	494,385
Equity attributable to owners of the Company		512,018	503,619
Non-controlling interests		17,710	17,470
Total equity		529,728	521,089
Non-current liabilities			
Obligations under finance leases		357	414
Deferred tax liabilities		11,891	11,891
Unconvertible bond		8,587	–
		20,835	12,305
		550,563	533,394



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2012

	Share capital	Share premium	Contributed surplus	Exchange reserve	Capital redemption reserve	Convertible notes equity reserve	Accumulated losses	Total	Non Controlling Interests	Total
	HK\$ '000	HK\$ '000	HK\$ '000 (Note)	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000
At 1 April 2011	117	260,299	2,031	33,439	464	1,877	(21,037)	277,190	-	277,190
Loss for the period	-	-	-	-	-	-	(36,406)	(36,406)	-	(36,406)
Other comprehensive income for the period	-	-	-	(620)	-	-	-	(620)	-	(620)
Total comprehensive income/(expenses) for the period	-	-	-	(620)	-	-	(36,406)	(37,026)	-	(37,026)
Issue of shares upon rights issue	3,030	203,046	-	-	-	-	-	206,076	-	206,076
Share issue expenses	-	(6,426)	-	-	-	-	-	(6,426)	-	(6,426)
Redemption of convertible notes	-	-	-	-	-	(1,877)	-	(1,877)	-	(1,877)
At 30 September 2011 and 1 October 2011	3,147	456,919	2,031	32,819	464	-	(57,443)	437,937	-	437,937
Profit for the period	-	-	-	-	-	-	44,248	44,248	1,049	45,297
Other comprehensive income for the period	-	-	-	2,682	-	-	-	2,682	-	2,682
Total comprehensive income/(expenses) for the period	-	-	-	2,682	-	-	44,248	46,930	-	46,930
Non-controlling interests arising on acquisition of subsidiaries	-	-	-	-	-	-	-	-	16,421	16,421
Issue of shares upon conversion of convertible notes	6,087	14,809	-	-	-	-	-	20,896	-	20,896
Share issue expenses	-	(2,144)	-	-	-	-	-	(2,144)	-	(2,144)
At 31 March 2012 and 1 April 2012	9,234	469,584	2,031	35,501	464	-	(13,195)	503,619	17,470	521,089
Loss for the period	-	-	-	-	-	-	(14,196)	(14,196)	240	(13,956)
Other comprehensive expense for the period	-	-	-	(740)	-	-	-	(740)	-	(740)
Total comprehensive expenses for the period	-	-	-	(740)	-	-	(14,196)	(14,936)	240	(14,696)
Issue of shares upon conversion of convertible notes	11,133	12,202	-	-	-	-	-	23,335	-	23,335
Reduction of share capital	(19,960)	-	-	-	-	-	-	(19,960)	-	(19,960)
Transferred to Contributed surplus	-	-	19,960	-	-	-	-	19,960	-	19,960
At 30 September 2012	407	481,786	21,991	34,761	464	-	(27,391)	512,018	17,710	529,728

Note: The contributed surplus carried forward from 1 April 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.



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2012

	Six months ended	
	30 September	
	2012	2011
	HK\$'000	HK\$'000
Net cash used in operating activities	(47,402)	(40,588)
Net cash generated from/(used in) investing activities	12,805	(115,169)
Net cash (used in)/generated from financing activities	(24,135)	173,511
Net (decrease)/increase in cash and cash equivalents	(58,732)	17,754
Cash and cash equivalents at beginning of the period	67,856	(1,891)
Effect of foreign exchange rate changes	(14)	248
Cash and cash equivalents at end of the period	9,110	16,111



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 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. The unaudited condensed consolidated interim financial information for the six months ended 30 September 2012 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" and complied with the provisions set out in Appendix 16 of the Listing Rules. The unaudited condensed consolidated interim financial information should be read in conjunction with the annual consolidated financial statements for the year ended 31 March 2012, which have been prepared in accordance with HKFRS.

2. Application of Hong Kong Financial Reporting Standards

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

In the current interim period, the Group has 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.

HKFRS 7 (Amendment)	Disclosures – Transfers of Financial Assets
HKAS 1 (Amendments)	Presentation of Financial Statements-Severe hyperinflation and removal of fixed dates for first-time adopters
HKAS 12 (Amendment)	Deferred tax: Recovery of underlying assets

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



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2012

2. Application of Hong Kong Financial Reporting Standards (Continued)

New and revised Standards 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 not yet effective.

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

¹ Effective for annual periods beginning on or after 1 January 2013

² Effective for annual periods beginning on or after 1 January 2014

³ Effective for annual periods beginning on or after 1 January 2015



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2012

2. Application of Hong Kong Financial Reporting Standards (Continued)

New and revised Standards and Interpretations in issue but not yet effective (Continued)

The directors of the Company anticipate that the application of the new and revised standards, amendments or interpretations will have no material impact on the Group's condensed 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.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2012

2. Application of Hong Kong Financial Reporting Standards (Continued)

New and revised Standards and Interpretations in issue but not yet effective (Continued)

In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liabilities that is attributable to changes in the credit risk of those liabilities is presented in other comprehensive income, unless the presentation of the effects of changes in the liabilities credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liabilities credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liabilities designated as at fair value through profit or loss was presented in profit or loss. HKFRS 9 is effective for annual period beginning on or after 1 January 2015, with earlier application permitted. The directors of the Company 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 of the Company 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 condensed consolidated financial statements, the directors of the Company are still in the process of assessing the potential financial impact.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2012

2. Application of Hong Kong Financial Reporting Standards (Continued)

New and revised Standards and Interpretations in issue but not yet effective (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 specified 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 of the Company 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.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2012

3. Segment Information

(a) Revenue from major products

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

	Total	
	Six months ended	
	30 September	
	2012	2011
	HK\$'000	HK\$'000
Sales of laminates	156	83
Sales of PCBs	22,919	25,474
Sales of recycled materials	67,154	–
	90,229	25,557

(b) Business segments

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

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.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2012

3. Segment Information (Continued)

(b) Business segments (Continued)

Segment revenue and results

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

For the six months ended 30 September 2012

	Trading of laminates HK\$'000	Manufacture and trading of PCBs HK\$'000	Wastes recycling HK\$'000	Total HK\$'000
Segment revenue:				
Sales to external customers	156	22,919	67,154	90,229
Intersegment sales	–	19,138	–	19,138
Elimination	–	(19,138)	–	(19,138)
Revenue from external customers	<u>156</u>	<u>22,919</u>	<u>67,154</u>	<u>90,229</u>
Segment results	<u>(358)</u>	<u>1,305</u>	<u>1,904</u>	<u>2,851</u>
Bank interest income				392
Gain on change in fair value of financial liabilities and unconvertible bond designated at fair value through profit or loss				922
Increase in fair value of investment property				2,180
Other unallocated income				56
Unallocated expenses				(9,241)
Finance costs				(10,817)
Loss before taxation				<u>(13,657)</u>



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2012

3. Segment Information (Continued)

(b) Business segments (Continued)

Segment revenue and results (Continued)

For the six months ended 30 September 2011

	Trading of laminates HK\$'000	Manufacture and trading of PCBs HK\$'000	Wastes recycling HK\$'000	Total HK\$'000
Segment revenue:				
Sales to external customers	83	25,474	–	25,557
Intersegment sales	–	21,297	–	21,297
Elimination	–	(21,297)	–	(21,297)
Revenue from external customers	<u>83</u>	<u>25,474</u>	<u>–</u>	<u>25,557</u>
Segment results	<u>9</u>	<u>4,843</u>	<u>–</u>	<u>4,852</u>
Bank interest income				43
Fair value changes in financial assets at fair value through profit or loss				8
Gain on redemption of convertible notes				570
Increase in fair value of investment property				160
Other unallocated income				537
Unallocated expenses				(20,495)
Finance costs				(465)
Loss before taxation				<u>(14,790)</u>



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2012

3. Segment Information (Continued)

(b) Business segments (Continued)

Segment assets and liabilities

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

As at 30 September 2012

	Trading of laminates HK\$'000	Manufacture and trading of PCBs HK\$'000	Wastes recycling HK\$'000	Sub-total HK\$'000
Assets and liabilities:				
Segment assets	20,089	33,185	160,129	213,403
Unallocated assets				<u>685,855</u>
Consolidated total assets				<u>899,258</u>
Segment liabilities	17,103	12,216	99,901	129,220
Unallocated liabilities				<u>240,310</u>
Consolidated total liabilities				<u>369,530</u>



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2012

3. Segment Information (Continued)

(b) Business segments (Continued)

Segment assets and liabilities (Continued)

As at 31 March 2012

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



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2012

3. Segment Information (Continued)

(b) Business segments (Continued)

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

- all assets are allocated to reportable segments other than certain pledged bank deposits, bank balances and cash, investment property, available-for-sale investment, financial assets at fair value through profit or loss, other receivables, prepayments and deposits paid, and assets used jointly by reportable segments.
- all liabilities are allocated to reportable segments other than certain bank and other borrowings, tax payable, convertible notes and liabilities for which reportable segments are jointly liable.

(c) Geographical information

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

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

For the six months ended 30 September 2012 and 2011 respectively

	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	4,236	4,965	67,154	780	4,697	11,744	14,142	8,068	90,229	25,557



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2012

4. Other Income and Gains

	Six months ended 30 September	
	2012 HK\$'000	2011 HK\$'000
Sale of scrap materials	182	68
Bank interest income	392	43
Rental income	135	123
Foreign exchange gain, net	–	300
Fair value change in financial assets at fair value through profit or loss	922	8
Gain on redemption of convertible notes	–	570
Increase in fair value of investment property	2,180	160
Value added tax and other taxes refunded	2,810	–
Others	366	46
	<hr/>	<hr/>
Total	6,987	1,318
	<hr/>	<hr/>

5. Finance Costs

	Six months ended 30 September	
	2012 HK\$'000	2011 HK\$'000
Interest expenses on:		
Bank and other borrowings wholly repayable within five years	1,730	332
Factoring arrangements	19	49
Interest on promissory notes	1,088	–
Imputed interest on promissory notes	7,694	–
Imputed interest on unconvertible bond	286	–
Imputed interest on convertible notes	–	84
	<hr/>	<hr/>
	10,817	465
	<hr/>	<hr/>



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2012

6. Loss before Taxation

The Group's loss before taxation is arrived at after charging:

	Six months ended	
	30 September	
	2012	2011
	HK\$'000	HK\$'000
Staff costs (including directors' emoluments)		
– Salaries and allowances and directors' fees	7,793	7,361
– Retirement benefits contributions	76	61
	7,869	7,422
Auditors' remuneration – current period	–	895
Amortization of prepaid lease payments	16	16
Amortization of intangible assets	2,091	–
Cost of inventories recognized as an expense	72,398	20,705
Depreciation of property, plant and equipment	2,816	1,746
Direct operating expenses (including repairs and maintenance) of investment property	–	11
Impairment loss recognized in respect of trade receivables	–	366
Operating lease rentals in respect of rented premises	336	314



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2012

7. Taxation

	Six months ended	
	30 September	
	2012	2011
	HK\$'000	HK\$'000
Hong Kong Profits Tax	–	–
PRC income tax	299	–
	<hr/>	<hr/>
Tax charge for the period	299	–
	<hr/> <hr/>	<hr/> <hr/>

Hong Kong Profits Tax

No provision for Hong Kong profit tax has been made as the Group has no estimated assessable profit for the period (2011: Nil).

PRC income tax

Under the Law of 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%.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2012

8. Interim Dividend

The Board did not propose to declare an interim dividend for the six months ended 30 September 2012 (2011: Nil).

9. Loss per Share

(a) *Basic loss per share*

The calculation of the basic loss per share is based on the loss attributable to owners of the Company of approximately HK\$14,196,000 (six months ended 30 September 2011: HK\$14,790,000) and on the weighted average ordinary shares of 1,267,521,597 (six months ended 30 September 2011: 200,420,847) in issue during the period.

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

(b) *Diluted loss per share*

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



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2012

10. Trade and Bills Receivables

	30 September 2012 HK\$'000	31 March 2012 HK\$'000
Trade and bills receivables	34,415	54,413
Less: allowance for impairment loss	(332)	(332)
	<u>34,083</u>	<u>54,081</u>

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

	30 September 2012 HK\$'000	31 March 2012 HK\$'000
Within 3 months	18,540	36,661
4 to 6 months	14,917	16,975
Over 6 months	626	445
	<u>34,083</u>	<u>54,081</u>



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2012

11. Trade and Bills Payables

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

	30 September 2012 HK\$'000	31 March 2012 HK\$'000
Within 3 months	10,242	57,968
4 to 6 months	2,849	26,087
Over 6 months	3,110	2,039
	16,201	86,094

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

As at 30 September 2012, trade and bills payables were substantially denominated in the functional currencies of the relevant group entities.

12. Share Capital

	Number of shares '000	Nominal amount HK\$'000
Authorized:		
Ordinary shares of HK\$0.001 each at 1 April 2011	1,000,000,000	1,000,000
Share consolidation (Note a)	(900,000,000)	—
Ordinary shares of HK\$0.01 each at 30 September 2012	100,000,000	1,000,000



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2012

12. Share Capital (Continued)

	Number of shares '000	Nominal amount HK\$'000
Issued and fully paid:		
Ordinary shares of HK\$0.001 each at 1 April 2011	116,559	117
Issue of shares upon rights issue (Note b)	3,030,531	3,030
Share consolidation (Note a)	(2,832,381)	–
	<hr/>	<hr/>
Ordinary shares of HK\$0.01 each at 30 September 2011	314,709	3,147
Issue of shares on conversion of convertible notes (Note c)	572,687	5,727
Issue of shares on conversion of convertible notes (Note d)	36,000	360
	<hr/>	<hr/>
Ordinary shares of HK\$0.01 each at 31 March 2012	923,396	9,234
Issue of shares on conversion of convertible notes (Note c)	449,339	4,493
Issue of shares on conversion of convertible notes (Note d)	664,000	6,640
Share consolidation (Note e)	(1,996,001)	(19,960)
	<hr/>	<hr/>
Ordinary shares of HK\$0.01 each at 30 September 2012	40,734	407

Notes:

- (a) 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.
- (b) In April 2011, the Company proposed to implement a rights issue of the new shares of the Company at the subscription price of HK\$0.068 per rights share on the basis of twenty six (26) rights shares for every one (1) new share held. In April 2011, the rights issue became unconditional 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 a gross proceed of approximately HK\$206.08 million (before expenses) to finance expansion plans and daily operating expenses.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2012

12. Share Capital (Continued)

Notes: (Continued)

- (c) 290m Notes were converted into new shares of the Company at the conversion price of HK\$0.227 per share, as follow:

Date of conversion	Principal amount of the 290m Notes converted HK\$'000	Number of ordinary shares issued '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
11 April 2012	40,000	176,211
17 April 2012	10,000	44,053
16 May 2012	42,000	185,022
31 May 2012	10,000	44,053
	102,000	449,339
Total	232,000	1,022,026



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2012

12. Share Capital (Continued)

Notes: (Continued)

- (d) 77m Notes were converted into new shares of the Company at the conversion price of HK\$0.11 per share, as follow:

Date of conversion	Principal amount of the 77m Notes converted HK\$'000	Number of ordinary shares issued '000
23 March 2012	1,980	18,000
26 March 2012	1,980	18,000
	3,960	36,000
22 May 2012	6,600	60,000
15 August 2012	43,340	394,000
16 August 2012	23,100	210,000
	73,040	664,000
Total	77,000	700,000

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

- (e) On 3 August 2012, the Company announced to reorganize the share capital of the Company to implement a share consolidation scheme on the basis that every fifty (50) issued shares of HK\$0.01 each in the share capital of the Company will be consolidated into one (1) consolidated share of HK\$0.5 each (the "Consolidated Share") in the issued share capital of the Company, the issued share capital of the Company will then be reduced (i) by eliminating any fraction of a Consolidated Share in the issued share capital of the Company following the share consolidation in order to round down the total number of Consolidated Shares to a whole number; and (ii) by cancelling the paid-up capital of the Company to the extent of HK\$0.49 on each issued Consolidated Share so that the nominal value of each issued Consolidated Share will be reduced from HK\$0.5 to HK\$0.01. The credit of approximately HK\$14.04 million arising from the capital reduction will be credited to the contributed surplus account of the Company. The capital reorganization was effected on 10 September 2012.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2012

13. Employee Retirement Benefits

Defined contribution retirement plan

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

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

No forfeited contributions were recognised during the six months ended 30 September 2012 (six months ended 30 September 2011: Nil) and there were no material forfeitures available to reduce the Group’s future contributions at 30 September 2012 and 31 March 2012.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2012

14. Commitments

(a) Capital commitments

The Group had no material capital commitments as at 30 September 2012 (31 March 2012: Nil).

(b) Operating lease commitments

The Group as lessor

The Group leases its investment property and certain of its office properties under operating lease arrangements, with the leases negotiated for terms ranging from two to three years (31 March 2012: one to two years). The terms of the leases also require the tenants to pay security deposits.

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

	30 September 2012 HK\$'000	31 March 2012 HK\$'000
Within one year	270	248
In the second to fifth year, inclusive	112	–
	382	248

The rental yield is expected to be approximately 2% at 30 September 2012 (31 March 2012: 2%).



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2012

14. Commitments (Continued)

(b) Operating lease commitments (Continued)

The Group as lessee

The Group leases certain of its office properties under an operating lease arrangement, with the lease negotiated for a term of ranging from one to four years.

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

	30 September 2012 HK\$'000	31 March 2012 HK\$'000
Within one year	1,808	1,808
In the second to fifth year, inclusive	973	1,877
	2,781	3,685

15. Contingent Liabilities

	30 September 2012 HK\$'000	31 March 2012 HK\$'000
Guarantee given in respect of banking facilities granted to a former subsidiary	17,633	17,633

As a former director of the Company and the purchaser of the former subsidiaries namely Cosmo Terrace Corporation, Fittingco Inc., Majestic Mountain Limited and Ottawa Enterprises Limited together with their subsidiaries ("Disposed Entities") have indemnified any losses arising from the guarantee given by the Group, the directors of the Company 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.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2012

16. Related Party Transactions

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

	Six months ended	
	30 September	
	2012	2011
	HK\$'000	HK\$'000
Interest paid to a related company	10	59
Rental income received from a related company	–	15
	_____	_____

- (b) On 18 January 2011, the Group disposed of the Disposed Entities to a company 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 for the period:
- (i) The Group had made purchases of goods from the entities in the Disposed Entities amounted to approximately HK\$25,000 in respect of the current period (31 March 2012: HK\$9,031,000).



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2012

16. Related Party Transactions (Continued)

(b) (Continued)

- (ii) The Company has provided a corporate guarantee of Thailand Baht 70,000,000 (equivalent to HK\$17,663,000) to a bank for banking facilities granted by the bank to an entity in the Disposed Entities. Such facilities to the extent of HK\$5,748,823 were utilised by the entity as at 30 September 2012 (31 March 2012: HK\$5,453,000), details of which are as follows:

Name of the entity:	Bangkok Industrial Laminate Company Limited
Name of the related director:	Lau Chung Yim
Maximum liability of the Company under the guarantee	
– at 1 April 2012:	HK\$5,453,000
– at 30 September 2012:	HK\$5,748,823
Amount paid and liability incurred by the Company for the purpose of fulfilling the guarantee or discharging the security:	Nil

The former 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.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2012

16. Related Party Transactions (Continued)

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

	Six months ended	
	30 September	
	2012	2011
	HK\$'000	HK\$'000
Short-term employee benefits	1,230	1,239
Post-employment benefits	15	13
	<hr/>	<hr/>
Total compensation paid to key management personnel	1,245	1,252
	<hr/>	<hr/>

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

