



China Environmental Energy Investment Limited

中國環保能源投資有限公司*

(Incorporated in Bermuda with limited liability)
(Stock code: 986)



Interim Report 2013/2014

*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

Non-executive Directors

Ms. Yao Zhengwei
Mr. Wang Zhenghua
Mr. Liang Jian Hua

Independent Non-executive directors

Mr. Ong King Keung
Mr. Tse Kwong Chan
Ms. Zhou Jue
Ms. Kwok Wing Kiu

Company Secretary

Ms. Tam Hing Yin

Audit Committee

Mr. Ong King Keung (*Chairman*)
Mr. Tse Kwong Chan
Ms. Zhou Jue
Ms. Kwok Wing Kiu

Remuneration Committee

Mr. Tse Kwong Chan (*Chairman*)
Ms. Chan Ching Ho, Kitty
Ms. Zhou Jue
Ms. Kwok Wing Kiu

Nomination Committee

Mr. Ong King Keung (*Chairman*)
Mr. Tse Kwong Chan
Ms. Chan Ching Ho, Kitty
Ms. Kwok Wing Kiu

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
Wing Lung Bank Ltd.

Principal Share Registrar and Transfer Office

MUFG Fund Services (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 2013.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its principal subsidiaries are waste paper, scrap metal and consumable wastes recycling.

RESULTS

The Group’s loss for the six months ended 30 September 2013 and the state of affairs of the Company and the Group as at that date are set out in the financial statements on pages 14 to 48.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Prospects

On 28 March 2013, the Company has entered into a sale and purchase agreement to dispose of the Company's subsidiaries, being Nam Hing (B.V.I.) Limited and its subsidiaries (altogether the "Disposed Group"), mainly engaged in trading and manufacturing of printed circuit boards and trading of industrial laminates (the "Disposal"). The Disposal was completed on 10 April 2013. The principal activities of the Company become recycling of waste paper, scrap metal and consumable wastes subsequent to the completion of the Disposal.

The turnover of the Group for the six months ended 30 September 2013 was HK\$42,308,000, representing a 37% decrease as compared with HK\$67,154,000 of the corresponding period of the previous year. Gross profit from continuing operations was RMB2,834,000 equivalent to HK\$3,514,000 (2012: RMB10,017,000 equivalent to HK\$12,322,000) and gross margin was 8.31% (2012: 18.35%). The decrease in gross profit was attributable to the keen competition in the market and the shrinking demand from the paper manufacturers in China. In order to improve the revenue and gross profit margin, the Company will strengthen the marketing team, develop the sales channels. Operating loss from continuing operations after tax of the Group was HK\$252,359,000 which included a loss of HK\$217,845,000 on change in fair value of financial liabilities designated at fair value through profit or loss (2012: gain of HK\$922,000) and an impairment loss of HK\$16,081,000 on investment in electric car battery business (2012: Nil).

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 slowdown of the China economy and the increasing concern of consumers on the safety of electric cars, the market of electric cars in China shrank in demand. Therefore, the production expansion plan of Swift Profit has been deferred. The carrying value of the business was reduced by HK\$16,081,000 from HK\$82,081,000 as at 31 March 2013 to HK\$66,000,000 as at 30 September 2013 by reference to a business valuation as prepared by an independent professional valuer.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Printed circuit boards and industrial laminates business

As mentioned above, on 28 March 2013, the Company entered into a sale and purchase agreement to dispose of the Disposed Group to Nature Ample Limited (the “Purchaser”) at a consideration of HK\$2,000,000. Given the unsatisfactory performance of the Disposed Group and continuing loss made by the Disposed Group, the directors believe that it was in the interest of the Company and the shareholders of the Company as a whole to reallocate the Group’s financial resources and human resources to strengthen the remaining recycling business after completing the Disposal. The Group incurred a loss of HK\$24,644,000 on the Disposal and the Board would utilize the net proceeds from the Disposal as general working capital of the Group. The Disposal was completed on 10 April 2013 and the Disposed Group has ceased to be the Company’s subsidiaries thereafter.

Outlook

In view of the deteriorating performance of the prevailing businesses of the Group, the Group has been exploring and pondering ways to strengthen the source of income and improve the financial position including but not limited to, as disclosed in the announcements of the Company dated 22 October 2012, 25 October 2012, 23 January 2013, 22 April 2013 and 22 July 2013, the Company’s entering into a non-legal binding memorandum of understanding relating to the proposed acquisition of Altman Investment Limited and its subsidiaries which principally engage in energy conservation and development of new energy.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Liquidity and Financial Resources

As at 30 September 2013, the Group's total cash and bank balances amounted to HK\$4,310,000 (31 March 2013: HK\$3,603,000). Total bank loans, other borrowings, unconvertible bond, financial liabilities designated at fair value through profit or loss and promissory note payable amounted to HK\$448,251,000 as at 30 September 2013 (31 March 2013: HK\$301,864,000). The Group's gearing ratio, which is net debt divided by total shareholders' equity plus net debt, increased from 0.67 as at 31 March 2013 to 1.01 as at 30 September 2013. 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 unconvertible bonds less bank balances and cash. As at 30 September 2013, the Group had a current ratio of 0.15 (31 March 2013: 0.26) and net current liabilities of HK\$420,623,000 (31 March 2013: HK\$270,604,000). As at 30 September 2013, the outstanding amount due by the Company in form of promissory notes was HK\$54,200,000 (31 March 2013: HK\$122,000,000). During the period under review, an aggregate principal value of HK\$67,800,000 of the promissory notes had been repaid.

As at the date of this report, the remaining promissory notes was HK\$54,200,000 which comprised of HK\$25,000,000, HK\$20,000,000, HK\$4,200,000 and HK\$5,000,000 with maturity dates of 31 December 2013, 5 December 2013, 7 November 2013 and 31 January 2013 respectively. The Company is in negotiation with the note holder for extension of the maturity date for the promissory note with principal amount of HK\$4,200,000 due on 7 November 2013.

As at 30 September 2013, redeemable convertible notes with principal amount of HK\$2,000,000 due in November 2013 (31 March 2013: HK\$58,000,000) and 8% coupon convertible notes with principal amount of HK\$68,405,000 due in April 2014 (31 March 2013: HK\$95,000,000) were outstanding. During the period under review, an aggregate principal value of HK\$26,595,000 of 8% coupon convertible notes at the conversion price of HK\$0.148 had been converted into 179,695,945 ordinary shares and an aggregate principal value of HK\$4,000,000 redeemable convertible notes at the conversion price of HK\$2.838 had been converted into 1,409,443 ordinary shares.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Liquidity and Financial Resources (Continued)

Due to the failure to meet the profit guarantee (details of the profit guarantee is set out in the Company's circular dated 23 September 2011) by Lucky Start Holdings Limited, All Prosper Group Limited, Triumph Return Holdings Limited and Jia Sheng Holdings Limited (the "Vendors"), the Company has purchased at HK\$1 from the Vendors with a principal amount of HK\$41,373,857 redeemable convertible notes in May 2013. In June 2013, an aggregate principal value of HK\$10,626,143 redeemable convertible notes at the conversion price of HK\$11.35 had been converted into 936,223 ordinary shares.

As at the date of this report, 8% coupon convertible notes with principal amount of HK\$47,685,000 due in April 2014 were outstanding.

Capital Structure

On 17 July 2013, the Company passed a shareholders' resolution to subdivide each existing issued and unissued share of par value of HK\$0.01 in the share capital of the Company into four subdivided shares of par value of HK\$0.0025 each.

On 22 August 2013, the Company entered into the subscription agreement with Ms. Yang Yunan ("Ms. Yang") pursuant to which Ms. Yang has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue an aggregate of 12,800,000 new subdivided shares in cash at the subscription price of HK\$1.13 per subscription share. The subscription was completed on 28 August 2013. The net proceeds, after deduction of relevant expenses, from the subscription are approximately HK\$14.36 million. The Company utilized approximately HK\$12 million of the net proceeds of the subscription for the repayment of debts owed by the Company and the balances for the working capital of the Group.

On 18 November 2013, the Company entered into the placing agreement with Emperor Securities Limited (the "Placing Agent"), pursuant to which the Placing Agent has conditionally agree to place, on behalf of the Company, up to 83,563,934 placing shares, on a best efforts basis, to the placees at the placing price of HK\$2.01 per placing shares. The maximum net proceeds from the placing are estimated to be approximately HK\$164.13 million which will be used for the repayment of debts owned by the Company, working capital of the Group and for financing future investment opportunities.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Foreign Exchange Exposure

The Group mainly operates in Hong Kong and Mainland China, with revenue and expenditures denominated in Renminbi. During the period under review, the Group did not enter into any derivative contracts aimed at minimizing exchange rate risks. But the Group will continue to review its foreign exchange exposure regularly and might consider using financial instruments to hedge against foreign exchange exposure at appropriate times.

Contingent Liabilities

The Company did not have any contingent liabilities as at 30 September 2013 and 31 March 2013.

Capital Commitments

The Group had no material capital commitments as at 30 September 2013 and 31 March 2013.

Pledge of Assets

As at 30 September 2013, Ideal Market Holdings Limited, a subsidiary of the Company was pledged to a loan of HK\$68,000,000 (31 March 2013: no pledge of assets).

Litigation

The Company announces that a writ of summons (the “Writ”) was issued in the Court of First Instance of the High Court of Hong Kong by First Federal Capital Limited (“FDCL”) against the Company and it was served on the Company by FDCL’s legal adviser on 8 July 2013. In the statement of claim under the Writ, FDCL claims as the holder in due course or, alternatively, the holder for value of a promissory note with principal amount of HK\$5,000,000 issued by the Company (the “Promissory Note”) and claims for the principal amount of HK\$5,000,000 under the Promissory Note, together with interest and costs.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Litigation (Continued)

The Promissory Note was issued by the Company to All Prosper Group Limited (the “Note Holder”) and was due on 31 January 2013. The Company has been in negotiation with the Note Holder for extension of the maturity date for the Promissory Note but as there has been dispute between the Note Holder with FDCL on the ownership of the Promissory Note, the negotiation for extension is pending. FDCL has through its legal adviser requested the Company to register a transfer of the Promissory Note from the Note Holder to FDCL but has not delivered all necessary documents as requested by the Company and as required under the terms and conditions of the Promissory Note. The Company considered that the registration of the transfer of the Promissory Note shall only be made upon strict compliance with the terms and conditions of the Promissory Note for the interest of the Company. The Company has made enquiry to the Note Holder on the transfer of the Promissory Note to FDCL and was informed that the Note Holder has all along been the registered holder of the Promissory Note and has not effected any transfer of the Promissory Note. The Company has instructed legal adviser to contest the claim and to handle all other legal issues arising with FDCL in connection with the dispute.

The Company will keep the shareholders of the Company and potential investors informed of any further material developments in connection with the above action by way of further announcement(s) as and when appropriate.

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 60 employees as at 30 September 2013 (2012: 230). Remunerations are commensurate with the nature of the job, experience and market conditions.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company’s listed securities during the six months ended 30 September 2013.

AUDIT COMMITTEE

The Audit Committee of the Company comprises four members, being the four independent non-executive directors of the Company. The Audit Committee has reviewed the Company's unaudited condensed consolidated financial statements for the period ended 30 September 2013 and discussed 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 securities of the Company (the "Own Code"). Having made specific enquiry of all directors of the Company, they have complied with the required standard set out in the Model Code and the Own Code throughout the six months ended 30 September 2013.

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 possess inside information in relation to the Company or its securities. No incident of non-compliance of the Written Guidelines by the employees was noted by the Company during the six months ended 30 September 2013.

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 2013, 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 2013, no rights to acquire benefits by means of the acquisition of shares or debentures of the Company was 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 or debentures of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 September 2013, the following parties had interests/short positions of 5% or more of the issued 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 |
|---------------------------------|------------------|--------------------------------------|---|
| Mei ChaoHui | Beneficial owner | 26,240,000 [△] | 6.25% |
| Tong Liang | Beneficial owner | 24,000,000 [△] | 5.72% |
| Zhang Jing | Beneficial owner | 40,000,000 | 9.54% |
| Zhu Yingwen | Beneficial owner | 40,000,000 | 9.54% |

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

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 |
|----------------------------------|---|--|--|
| Jiang JianHui | Beneficial owner | 400,589,459 | 95.55% |
| Pacific Plywood Holdings Limited | Beneficial owner [#] | 462,195,945 | 110.24% |
| Allied Summit Inc. | Interest held by controlled corporation [#] | 462,195,945 | 110.24% |
| Su WeiBiao | Interest held by controlled corporations [#] | 462,195,945 | 110.24% |

C. Short 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 [#] | 225,709,459 | 53.83% |
| Allied Summit Inc. | Interest held by controlled corporation [#] | 225,709,459 | 53.83% |
| Su WeiBiao | Interest held by controlled corporations [#] | 225,709,459 | 53.83% |

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

Notes:

- △ The number of shares has been adjusted due to the Company's subdivision of shares on 18 July 2013.
- # Pacific Plywood Holdings Limited was a subsidiary of Allied Summit Inc., which in turn was a controlled corporation of Su WeiBiao. Accordingly, Su WeiBiao and Allied Summit Inc. were deemed to have such interest/short position held by Pacific Plywood Holdings Limited pursuant to Part XV of the SFO.
- † The percentage represents the number of ordinary shares/underlying shares involved divided by the number of the Company's issued shares as at 30 September 2013. As at 30 September 2013, the number of issued shares of the Company was 419,229,116 shares of HK\$0.0025 each.

Save as disclosed above, as at 30 September 2013, 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 interests required to be kept pursuant to Section 336 of the SFO.

CORPORATE GOVERNANCE

The Board is of the view that the Company has met the code provisions 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 2013, except for the following deviations:

Code provision A.2.1

This code provision stipulates that the roles of chairman and chief executive 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.

CORPORATE GOVERNANCE (Continued)

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. Mr. Liang Jian Hua, Mr. Ong King Keung and Ms. Kwok Wing Kiu are engaged for a term of one year, which are automatically renewable for successive terms of one year upon the expiry of the then current term; whereas the other non-executive directors of the Company, namely Ms. Yao Zhengwei, Mr. Wang Zhenghua, Mr. Tse Kwong Chan and Ms. Zhou Jue, are not appointed for a specific term. However, all of the Company's non-executive directors are subject to retirement by rotation and re-election by shareholders of the Company at the annual general meeting pursuant to the Company's Bye-laws. Accordingly, the Board considers that the Company meets the objective of the code provision A.4.1.

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) all the non-executive directors and independent non-executive directors of the Company had not attended the Company's special general meeting (the "SGM") held on 17 July 2013; (ii) all the non-executive directors and the independent non-executive directors of the Company except for Mr. Tse Kwong Chan had not attended the Company's annual general meeting held on 2 September 2013 (the "2013 AGM").

Code provision E.1.2

This code provision stipulates that the chairman of a listed issuer should attend the issuer's annual general meeting. Ms. Chen Tong, the Chairman of the Company, was unable to attend the 2013 AGM due to another business engagement. In view of her absence, Ms. Chen had arranged for Ms. Chan Ching Ho, Kitty, an executive director who is well versed in the Group's business activities and operations, to attend and chair the meeting and communicate with the shareholders of the Company. The Company Secretary and other senior management were also available to answer questions from shareholders of the Company at that meeting.

ON BEHALF OF THE BOARD

Chen Tong

Chairman

Hong Kong
28 November 2013

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Six months ended 30 September 2013

| | | Six months ended | |
|--|-------|-------------------------|------------|
| | | 30 September | |
| | Notes | 2013 | 2012 |
| | | HK\$'000 | HK\$'000 |
| | | | (restated) |
| Continuing Operations | | | |
| Turnover | 4 | 42,308 | 67,154 |
| Cost of sales | | (38,794) | (54,832) |
| | | <hr/> | <hr/> |
| Gross profit | | 3,514 | 12,322 |
| Other income and gains | 5 | 3,791 | 3,361 |
| (Loss)/Gain on change in fair value of financial liabilities designated at fair value through profit or loss | | (217,845) | 922 |
| Selling and distribution costs | | (831) | (7,777) |
| Administrative and other expenses | | (7,022) | (14,860) |
| Impairment loss recognised on available-for-sale investment | | (16,081) | – |
| Finance costs | 6 | (17,376) | (10,645) |
| | | <hr/> | <hr/> |
| Loss before taxation | 7 | (251,850) | (16,677) |
| Taxation | 8 | (509) | (299) |
| | | <hr/> | <hr/> |
| Loss for the period from continuing operations | | (252,359) | (16,976) |
| Discontinued Operations | | | |
| Profit for the period from discontinued operations | | 838 | 3,020 |
| | | <hr/> | <hr/> |
| Loss for the period | | (251,521) | (13,956) |
| | | <hr/> | <hr/> |
| Loss for the period | | (251,521) | (13,956) |
| Other comprehensive expenses | | | |
| Exchange difference arising on translation of foreign operations | | (2,897) | (740) |
| | | <hr/> | <hr/> |
| Total comprehensive expenses for the period | | (254,418) | (14,696) |
| | | <hr/> | <hr/> |

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Continued)

Six months ended 30 September 2013

| | Six months ended 30 September 2013 HK\$'000 | 2012 HK\$'000 (restated) |
|--|--|--------------------------------|
| (Loss)/Profit for the period from continuing operations attributable to: | | |
| Owners of the Company | (253,160) | (17,216) |
| Non-controlling interests | 801 | 240 |
| | <u>(252,359)</u> | <u>(16,976)</u> |
| (Loss)/Profit for the period from continuing and discontinuing operations attributable to: | | |
| Owners of the Company | (252,322) | (14,196) |
| Non-controlling interests | 801 | 240 |
| | <u>(251,521)</u> | <u>(13,956)</u> |
| Total comprehensive (expenses)/income attributable to: | | |
| Owners of the Company | (255,219) | (14,936) |
| Non-controlling interests | 801 | 240 |
| | <u>(254,418)</u> | <u>(14,696)</u> |
| | | (restated) |
| LOSS PER SHARE | | |
| From continuing and discontinued operations | | |
| Basic | <u>HK\$(1.41)</u> | <u>HK\$(0.14)</u> |
| Diluted | <u>N/A</u> | <u>N/A</u> |
| From continuing operations | | |
| Basic | <u>HK\$(1.41)</u> | <u>HK\$(0.17)</u> |
| Diluted | <u>N/A</u> | <u>N/A</u> |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2013

| | Notes | 30 September 2013 HK\$'000 | 31 March 2013 HK\$'000 |
|--|-------|----------------------------------|------------------------------|
| Non-current assets | | | |
| Property, plant and equipment | | 23,681 | 24,246 |
| Goodwill | | 319,000 | 319,000 |
| Intangible assets | | 34,388 | 36,479 |
| Available-for-sale investment | | 66,000 | 82,081 |
| | | <u>443,069</u> | <u>461,806</u> |
| Current assets | | | |
| Inventories | | 2,658 | 657 |
| Trade and bills receivables | 12 | 11,663 | 2,215 |
| Other receivables, prepayments and deposits paid | | 55,165 | 57,632 |
| Bank balances and cash | | 4,310 | 3,603 |
| | | <u>73,796</u> | <u>64,107</u> |
| Assets classified as held for sale | | – | 29,555 |
| | | <u>73,796</u> | <u>93,662</u> |
| Current liabilities | | | |
| Trade and bills payables | 13 | 3,172 | 4,113 |
| Other payables and accruals | | 42,358 | 29,366 |
| Promissory notes payable | | 54,200 | 122,000 |
| Bank and other borrowings | | 93,800 | 26,200 |
| Financial liabilities designated at fair value through profit or loss | | 280,251 | 133,664 |
| Tax payable | | 20,638 | 21,205 |
| | | <u>494,419</u> | <u>336,548</u> |
| Liabilities directly associated with assets classified as held for sale | | – | 27,718 |
| | | <u>494,419</u> | <u>364,266</u> |
| Net current liabilities | | (420,623) | (270,604) |
| | | <u>22,446</u> | <u>191,202</u> |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 30 September 2013

| | 30 September 2013 HK\$'000 | 31 March 2013 HK\$'000 |
|---|---|------------------------------|
| Capital and reserves | | |
| Share capital | 1,048 | 554 |
| Share premium and reserves | (13,686) | 156,365 |
| Equity attributable to owners of the Company | (12,638) | 156,919 |
| Non-controlling interests | 5,860 | 5,059 |
| Total equity | (6,778) | 161,978 |
| Non-current liabilities | | |
| Unconvertible bonds | 20,000 | 20,000 |
| Deferred tax liabilities | 9,224 | 9,224 |
| | 29,224 | 29,224 |
| | 22,446 | 191,202 |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2013

| | 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 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 income for the period | - | - | - | (740) | - | - | - | (740) | - | (740) |
| Total comprehensive income/(expenses) for the period | - | - | - | (740) | - | - | (14,196) | (14,936) | 240 | (14,696) |
| Issue of shares upon conversion of convertible notes | 11,133 | 12,201 | - | - | - | - | - | 23,334 | - | 23,334 |
| Reduction of share capital (19,960) | (19,960) | - | 19,960 | - | - | - | - | - | - | - |
| Transferred to accumulated losses | - | - | (19,960) | - | - | - | 19,960 | - | - | - |
| At 30 Sept 2012 and 1 Oct 2012 | 407 | 481,785 | 2,031 | 34,761 | 464 | - | (7,431) | 512,017 | 17,710 | 529,727 |
| Loss for the period | - | - | - | - | - | - | (364,624) | (364,624) | (12,651) | (377,275) |
| Other comprehensive income for the period | - | - | - | (2,227) | - | - | - | (2,227) | - | (2,227) |
| Total comprehensive income/(expenses) for the period | - | - | - | (2,227) | - | - | (364,624) | (366,851) | (12,651) | (379,502) |
| Issue of shares upon placement of shares | 81 | 4,536 | - | - | - | - | - | 4,617 | - | 4,617 |
| Issue of shares upon subscription of shares | 66 | 7,806 | - | - | - | - | - | 7,872 | - | 7,872 |
| Share issue expenses | - | (736) | - | - | - | - | - | (736) | - | (736) |
| At 31 March 2013 and 1 April 2013 | 554 | 493,391 | 2,031 | 32,534 | 464 | - | (372,055) | 156,919 | 5,059 | 161,978 |
| Loss for the period | - | - | - | - | - | - | (252,322) | (252,322) | 801 | (251,521) |
| Other comprehensive expense for the period | - | - | - | (2,897) | - | - | - | (2,897) | - | (2,897) |
| Total comprehensive expenses for the period | - | - | - | (2,897) | - | - | (252,322) | (255,219) | 801 | (254,418) |
| Issue of shares upon Conversion of convertible notes | 462 | 70,796 | - | - | - | - | - | 71,258 | - | 71,258 |
| Placement of shares | 32 | 14,432 | - | - | - | - | - | 14,464 | - | 14,464 |
| Share issue expenses | - | (60) | - | - | - | - | - | (60) | - | (60) |
| At 30 September 2013 | 1,048 | 578,559 | 2,031 | 29,637 | 464 | - | (624,377) | (12,638) | 5,860 | (6,778) |

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2013

| | | Six Months ended | |
|---|------|-------------------------|-----------------|
| | | 30 September | |
| | | 2013 | 2012 |
| | Note | HK\$'000 | HK\$'000 |
| Net cash used in operating activities | | (973) | (47,402) |
| Net cash generated from/(used in) investing activities | | (8,364) | 12,805 |
| Net cash (used in)/generated from financing activities | | <u>3,737</u> | <u>(24,135)</u> |
| Net (decrease)/increase in cash and cash equivalents | | (5,600) | (58,732) |
| Cash and cash equivalents at beginning of the period | | 10,731 | 67,856 |
| Effect of foreign exchange rate changes | | <u>(821)</u> | <u>(14)</u> |
| Cash and cash equivalents at end of the period | | <u>4,310</u> | <u>9,110</u> |

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2013

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 unaudited condensed consolidated interim financial information for the six months ended 30 September 2013 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 Rules Governing the Listing of Securities on the Stock Exchange (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 2013, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

2. Basis of Preparation of Consolidated Financial Statements

In preparing the condensed consolidated financial statements, the directors of the Company (the "Directors") have considered the future liquidity of the Group. As at 30 September 2013, the Group and the Company had net current liabilities of approximately HK\$420,623,000 and HK\$359,738,740 respectively, which included promissory notes payable of HK\$54,200,000 and bank and other borrowings of HK\$93,800,000. 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2013

2. Basis of Preparation of Consolidated Financial Statements (Continued)

Notwithstanding the aforesaid conditions, the condensed consolidated financial statements have been prepared on a going concern basis on the assumption that the Group will be able to operate as a going concern for the foreseeable future. In the opinion of the Directors, the Group can meet its financial obligations as and when they fall due in the next year from the date of approval of these condensed consolidated financial statements, after taking into consideration of the entered into the Placing Agreement with Emperor Securities Limited (the “Placing Agent”) on 18 November 2013, pursuant to which the Placing Agent has conditionally agreed to place, on behalf of the Company, up to 83,563,934 Placing Shares, on a best effort basis, to the Placees at the Placing Price of HK\$2.01 per Placing Share. The maximum net proceeds from the Placing are estimated to be approximately HK\$164.13 million.

In light of the measures and arrangements implemented to date, the Directors are of the view that the Group has sufficient cash resources to satisfy its working capital and other financial obligations for the next twelve months from the date of approval of these condensed consolidated 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 Directors are of the view that it is appropriate to prepare these condensed 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 these condensed consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2013

3. 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.

| | |
|--|---|
| HKAS 1 (Amendment) | Presentation of Financial Statements |
| HKAS 19 (2011) | Employee Benefits |
| HKAS 27 (2011) | Separate Financial Statements |
| HKAS 28 (2011) | Investments in Associates and Joint Ventures |
| HKFRS 7 (Amendment) | Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities |
| HKFRS 10 | Consolidated Financial Statements |
| HKFRS 11 | Joint Arrangements |
| HKFRS 12 | Disclosure of Interests in Other Entities |
| HKFRS 10, HKFRS 11 and HKFRS 12 (Amendment) | Consolidated Financial Statements, Joint Arrangements and Disclosures of Interests in Other Entities: Transition Guidance |
| HKFRS 13 | Fair Value Measurement |
| HKFRSs (Amendments) | Annual Improvements to HKFRSs 2009 – 2011 Cycle |

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 consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2013

3. 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.

| | |
|--|---|
| HKFRS 7 and HKFRS 9 (Amendments) | Mandatory Effective Date of HKFRS 9 and Transition Disclosures ² |
| HKFRS 9 | Financial Instruments ² |
| HKFRS 10, HKFRS 12 and HKAS 27 (Amendments) | Investment Entities ¹ |
| HKAS 32 (Amendments) | Presentation – Offsetting Financial Assets and Financial Liabilities ¹ |
| HKAS 36 (Amendments) | Impairment of Assets: Recoverable Amount Disclosures for Non-Financial Assets ¹ |
| HKAS 39 (Amendments) | Novation of Derivatives and Continuation of Hedge Accounting ¹ |
| HK(IFRIC) – Int 21 | Levies ¹ |

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

² Effective for annual periods beginning on or after 1 January 2015

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2013

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

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

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

In relation to financial liabilities, the significant change relates to financial liabilities that are designated at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated 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 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 2013, 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2013

4. Segment Information

(a) Revenue from major products

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

| | Continuing Operations | | Discontinued Operations | | Total | |
|---------------------------------|-----------------------|---------------|-------------------------|---------------|---------------|---------------|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Sales of laminates | - | - | - | 156 | - | 156 |
| Sales of printed circuit boards | - | - | 1,850 | 22,919 | 1,850 | 22,919 |
| Sales of recycled materials | 42,308 | 67,154 | - | - | 42,308 | 67,154 |
| | <u>42,308</u> | <u>67,154</u> | <u>1,850</u> | <u>23,075</u> | <u>44,158</u> | <u>90,229</u> |

(b) Business segments

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

Continuing Operations

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

Discontinued Operations

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2013

4. 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 2013

| | Continuing Operations | | Discontinued Operations | | | Total HK\$'000 |
|---|---------------------------------|-----------------------|-------------------------------------|---|-----------------------|-------------------|
| | Wastes recycling HK\$'000 | Sub-total HK\$'000 | Trading of Laminates HK\$'000 | Manufacture and trading of PCBs HK\$'000 | Sub-total HK\$'000 | |
| Segment revenue: | | | | | | |
| Sales to external customers | 42,308 | 42,308 | - | 1,850 | 1,850 | 44,158 |
| Intersegment sales | - | - | - | 1,531 | 1,531 | 1,531 |
| Elimination | - | - | - | (1,531) | (1,531) | (1,531) |
| Revenue from external customers | <u>42,308</u> | <u>42,308</u> | <u>-</u> | <u>1,850</u> | <u>1,850</u> | <u>44,158</u> |
| Segment results | <u>5,314</u> | <u>5,314</u> | <u>(18)</u> | <u>856</u> | <u>838</u> | <u>6,152</u> |
| Interest income | | | | | | 4 |
| Loss on change in fair value of financial liabilities designated at fair value through profit or loss | | | | | | (217,845) |
| Impairment loss recognized on available-for-sale investment | | | | | | (16,081) |
| Other unallocated income | | | | | | 3,000 |
| Other unallocated expense | | | | | | (8,866) |
| Finance costs | | | | | | <u>(17,376)</u> |
| Loss before taxation | | | | | | <u>(251,012)</u> |
| Taxation | | | | | | <u>(509)</u> |
| Loss for the period | | | | | | <u>(251,521)</u> |

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2013

4. 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:

| | 30 September 2013 HK\$'000 | 31 March 2013 HK\$'000 |
|---|---|------------------------------|
| Segment assets | | |
| Wastes recycling | <u>96,153</u> | <u>84,870</u> |
| Total segment assets | 96,153 | 84,870 |
| Assets relating to the discontinued operations | | |
| – Trading of laminates | – | 7,558 |
| – Manufacture and trading of PCBs | – | 17,098 |
| Unallocated | <u>420,712</u> | <u>445,942</u> |
| Total consolidated assets | <u>516,865</u> | <u>555,468</u> |
| Segment liabilities | | |
| Waste recycling | <u>92,189</u> | <u>72,259</u> |
| Total segment liabilities | 92,189 | 72,259 |
| Liabilities relating to the discontinued operations | | |
| – Trading of laminates | – | 14,773 |
| – Manufacture and trading of PCBs | – | 11,229 |
| Unallocated | <u>431,454</u> | <u>295,229</u> |
| Total consolidated liabilities | <u>523,643</u> | <u>393,490</u> |

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2013

4. 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, cash deposits held by securities broker and bank balances and cash, goodwill, intangible assets, investment property, available-for-sale investment, financial assets at fair value through profit or loss, certain other receivables, prepayments and deposits paid, and assets used jointly by reportable segments.
- all liabilities are allocated to reportable segments other than bank and other borrowings, certain other payables and accruals, tax payable, promissory notes payable, financial liabilities designated at fair value through profit or loss, unconvertible bonds and liabilities for which reportable segments are jointly liable.

(c) Geographical information

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

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

Six months ended 30 September 2013 and 2012 respectively

| | Hong Kong | | PRC | | Europe | | Others | | Consolidated | |
|-----------------------------|--------------|----------|---------------|----------|----------|----------|----------|----------|---------------|----------|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| | 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 | 1,850 | 4,236 | 42,308 | 67,154 | - | 4,697 | - | 14,142 | 44,158 | 90,229 |

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2013

5. Other Income and Gains

| | Continuing Operations | | Discontinued Operations | | Total | |
|---|-----------------------|--------------|-------------------------|--------------|--------------|--------------|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Bank interest income | 4 | 392 | - | - | 4 | 392 |
| Rental income | - | - | - | 135 | - | 135 |
| Sale of scrap materials | 787 | - | - | 182 | 787 | 182 |
| Increase in fair value of investment property | - | - | - | 2,180 | - | 2,180 |
| Waive of debts | 3,000 | - | - | - | 3,000 | - |
| Value added tax and other taxes refunded | - | 2,810 | - | - | - | 2,810 |
| Others | - | 159 | 48 | 207 | 48 | 366 |
| | <u>3,791</u> | <u>3,361</u> | <u>48</u> | <u>2,704</u> | <u>3,839</u> | <u>6,065</u> |
| Total | 3,791 | 3,361 | 48 | 2,704 | 3,839 | 6,065 |

6. Finance Costs

| | Continuing Operations | | Discontinued Operations | | Total | |
|---|-----------------------|---------------|-------------------------|------------|---------------|---------------|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Interest expenses on: | | | | | | |
| Bank and other borrowings | | | | | | |
| wholly repayable within five years | 8,881 | 1,577 | - | 153 | 8,881 | 1,730 |
| Factoring arrangements | - | - | - | 19 | - | 19 |
| Interest on promissory notes | 1,419 | 1,088 | - | - | 1,419 | 1,088 |
| Interest on convertible notes | 7,076 | - | - | - | 7,076 | - |
| Imputed interest on promissory note payable | - | 7,694 | - | - | - | 7,694 |
| Imputed interest on unconvertible bond | - | 286 | - | - | - | 286 |
| | <u>17,376</u> | <u>10,645</u> | <u>-</u> | <u>172</u> | <u>17,376</u> | <u>10,817</u> |
| Total | 17,376 | 10,645 | - | 172 | 17,376 | 10,817 |

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2013

7. Loss before Taxation

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

| | Continuing Operations | | Discontinued Operations | | Total | |
|---|-----------------------|------------------|-------------------------|------------------|------------------|------------------|
| | 2013 HK\$'000 | 2012 HK\$'000 | 2013 HK\$'000 | 2012 HK\$'000 | 2013 HK\$'000 | 2012 HK\$'000 |
| Staff costs (including directors' emoluments) | | | | | | |
| Directors' fee, staff salaries and allowances | 3,267 | 5,281 | 176 | 2,512 | 3,443 | 7,793 |
| Retirement benefits contributions | 164 | 15 | 2 | 61 | 166 | 76 |
| | 3,431 | 5,296 | 178 | 2,573 | 3,609 | 7,869 |
| Amortisation of prepaid lease payments | - | - | 1 | 16 | 1 | 16 |
| Amortisation of intangible assets included in administrative and other expenses | 2,091 | 2,091 | - | - | 2,091 | 2,091 |
| Cost of inventories recognised as an expense | 38,794 | 54,832 | 819 | 17,566 | 39,613 | 72,398 |
| Depreciation of property, plant and equipment | 1,244 | 1,308 | 52 | 1,508 | 1,296 | 2,816 |
| Reversal of impairment of other receivables | (3,666) | - | - | - | (3,666) | - |
| Operating lease rentals in respect of rental premises | - | - | - | 336 | - | 336 |

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2013

8. Taxation

| | Continuing Operations | | Discontinued Operations | | Total | |
|---------------------------|-----------------------|----------|-------------------------|----------|----------|----------|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Hong Kong Profits Tax | - | - | - | - | - | - |
| PRC income tax | 509 | 299 | - | - | 509 | 299 |
| Tax charge for the period | 509 | 299 | - | - | 509 | 299 |

Hong Kong Profits Tax

Hong Kong Profits Tax has been provided for at the rate of 16.5% (2012: 16.5%) on the estimated assessable profit for the year.

PRC income tax

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2013

9. Discontinued Operations

On 28 March 2013, the Company entered into a sale and purchase agreement with Nature Ample Limited, which is wholly owned by Mr. Lau Chung Yim, a former director of the Company resigned on 15 March 2012, to dispose of 100% equity interests in and loans made to the Company's subsidiaries, Nam Hing (B.V.I.) Limited and its subsidiaries (altogether the "Disposed Group") for a cash consideration of HK\$2 million. The completion of the disposal of the Disposed Group took place on 10 April 2013. An analysis of the loss for the period from the discontinued operations is as follows:

(a) The results of the discontinued businesses are analysed below:

| | Trading of laminates | | Manufacture and trading of PCBs | | Total | |
|---|----------------------|----------|---------------------------------|----------|----------|----------|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Turnover | - | 156 | 1,850 | 22,919 | 1,850 | 23,075 |
| Cost of sales | - | (137) | (819) | (17,429) | (819) | (17,566) |
| Gross profit | - | 19 | 1,031 | 5,490 | 1,031 | 5,509 |
| Other income | - | 2,521 | 48 | 183 | 48 | 2,704 |
| Selling and distribution expenses | - | (21) | (37) | (932) | (37) | (953) |
| Administrative expenses | (18) | (650) | (186) | (3,418) | (204) | (4,068) |
| Other gains, net | - | - | - | - | - | - |
| Finance costs | - | (115) | - | (57) | - | (172) |
| Profit before taxation | (18) | 1,754 | 856 | 1,266 | 838 | 3,020 |
| Taxation | - | - | - | - | - | - |
| (Loss)/Profit for the period | (18) | 1,754 | 856 | 1,266 | 838 | 3,020 |
| (Loss)/Profit for the period attributable to owner of the Company | (18) | 1,754 | 856 | 1,266 | 838 | 3,020 |

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2013

9. Discontinued Operations (Continued)

- (b) The completion of the disposal of the Disposed Group took place on 10 April 2013. Impairment loss on the Disposed Group of HK\$24,644,000, which represents the excess of the net assets of the Disposed Group and loans made to the Disposed Group by the Company at the completion date over the consideration for the disposal has been recognised at the year ended 31 March 2013.

10. Interim Dividend

The Board did not propose to declare an interim dividend for the six months ended 30 September 2013 (2012: Nil).

11. 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\$252,322,000 (six months ended 30 September 2012: HK\$14,196,000) and on the weighted average ordinary shares of 179,520,383 (six months ended 30 September 2012 restated: 101,401,728) in issue during the period. The weighted average number of ordinary shares for the purpose of basic loss per share for six months ended 30 September 2012 has been restated to take into effect the consolidation and subdivision of the Company's shares made during the period.

(b) *Diluted loss per share*

Diluted earnings/loss per share is not presented because the Group sustained a loss for both of the two periods presented and the impact of conversion of 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 2013

12. Trade and Bills Receivables

| | 30 September 2013 HK\$'000 | 31 March 2013 HK\$'000 |
|--|---|------------------------------|
| Trade and bills receivables | 17,463 | 8,015 |
| <i>Less: allowance for impairment loss</i> | (5,800) | (5,800) |
| | <u>11,663</u> | <u>2,215</u> |

Bill receivables are aged within 3 months 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 2013 HK\$'000 | 31 March 2013 HK\$'000 |
|-----------------|---|------------------------------|
| Within 3 months | 11,465 | 2,017 |
| 4 to 6 months | - | - |
| Over 6 months | 198 | 198 |
| | <u>11,663</u> | <u>2,215</u> |

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2013

13. 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 2013 HK\$'000 | 31 March 2013 HK\$'000 |
|-----------------|---|------------------------------|
| Within 3 months | 2,549 | 3,320 |
| 4 to 6 months | 623 | 783 |
| Over 6 months | - | 10 |
| | <u>3,172</u> | <u>4,113</u> |

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

As at 30 September 2013 and 31 March 2013, trade and bills payables were substantially denominated in the functional currencies of the relevant group entities.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2013

14. Share Capital

| | Number of shares | Nominal amount |
|--|-----------------------------|---------------------------|
| | '000 | HK\$'000 |
| Authorized: | | |
| Ordinary shares of HK\$0.01 each at 1 April 2012 | 100,000,000 | 1,000,000 |
| Share consolidation | (98,000,000) | – |
| Reduction of share capital | – | (980,000) |
| Increase in authorized share capital | <u>98,000,000</u> | <u>980,000</u> |
| | | |
| Ordinary shares of HK\$0.01 each at 31 March 2013 | 100,000,000 | 1,000,000 |
| Subdivision of shares | <u>300,000,000</u> | <u>0</u> |
| | | |
| Ordinary shares of HK\$0.0025 each at 30 September 2013 | <u>400,000,000</u> | <u>1,000,000</u> |

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2013

14. Share Capital (Continued)

| | Number of shares | Nominal amount |
|--|-----------------------------|---------------------------|
| | '000 | HK\$'000 |
| Issued and fully paid: | | |
| Ordinary shares of HK\$0.01 each at 1 April 2012 | 923,396 | 9,234 |
| Issue of shares on conversion of convertible notes (Note a) | 449,339 | 4,493 |
| Issue of shares on conversion of convertible notes (Note b) | 664,000 | 6,640 |
| Share consolidation (Note c) | <u>(1,996,000)</u> | <u>(19,960)</u> |
| Ordinary shares of HK\$0.01 each at 30 September 2012 | 40,735 | 407 |
| Issue of shares on placement of shares (Note d) | 8,100 | 81 |
| Issue of shares on subscription of shares (Note e) | <u>6,560</u> | <u>66</u> |
| Ordinary shares of HK\$0.01 each at 31 March 2013 | 55,395 | 554 |
| Issue of shares on conversion of convertible notes (Note a) | 2,346 | 13 |
| Issue of shares on conversion of convertible notes (Note f) | 179,696 | 449 |
| Subdivision of shares (Note g) | 168,992 | 0 |
| Issue of shares on subscription of shares (Note h) | <u>12,800</u> | <u>32</u> |
| Ordinary shares of HK\$0.0025 each at 30 September 2013 | <u>419,229</u> | <u>1,048</u> |

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2013

14. Share Capital (Continued)

Notes:

- (a) Portion of the 290m Notes were converted into new shares of the Company during the period ended 30 September 2012 and 30 September 2013 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 |
|---------------------------|--|--|
| 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 |
| Total | 102,000 | 449,339 |
| 13 June 2013 | 10,626 | 936 |
| 27 September 2013 | 4,000 | 1,410 |
| Total | 14,626 | 2,346 |

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2013

14. Share Capital (Continued)

Notes: (Continued)

- (b) 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 |
|---------------------------|--|---|
| 22 May 2012 | 6,600 | 60,000 |
| 15 Aug 2012 | 43,340 | 394,000 |
| 16 Aug 2012 | 23,100 | 210,000 |
| | <hr/> | <hr/> |
| Total | 73,040 | 664,000 |
| | <hr/> | <hr/> |

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2013

14. Share Capital (Continued)

Notes: (Continued)

- (c) Pursuant to the resolutions passed at the Company's special general meeting held on 7 September 2012, the Company effected a capital reorganisation as follows:
- (i) every fifty issued and unissued shares of HK\$0.01 each in the Company were consolidated into one consolidated share of HK\$0.5 each;
 - (ii) the par value of each consolidated share was then reduced from HK\$0.5 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 resulted in the credit of approximately HK\$19,960,000 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 98,000,000,000 additional shares of HK\$0.01 each.
- (d) On 8 October 2012, the Company entered into a placement agreement with a financial institution under which 8,100,000 new ordinary shares of the Company were issued at a price of HK\$0.57 per share, giving rise to a gross proceed of HK\$4,617,000 (before expense).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2013

14. Share Capital (Continued)

Notes: (Continued)

- (e) On 4 March 2013, the Company entered into a subscription agreement with a subscriber under which 6,560,000 new ordinary shares of the Company were issued at a price of HK\$1.20 per share, giving rise to a gross proceed of HK\$7,872,000 (before expense).

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.

- (f) Portion of the 95m Notes were converted into new shares of the Company during the period ended 30 September 2013 at the conversion price of HK\$0.148 per share, as follows:

| Date of conversion | Principal amount of the 95m Notes converted HK\$'000 | Number of ordinary shares issued '000 |
|---------------------------|---|--|
| 18 July 2013 | 8,835 | 59,696 |
| 5 August 2013 | 5,920 | 40,000 |
| 30 August 2013 | 11,840 | 80,000 |
| | <hr/> | <hr/> |
| Total | 26,595 | 179,696 |
| | <hr/> | <hr/> |

- (g) On 17 July 2013, the Company passed a shareholders' resolution to subdivide each existing issued and unissued share of par value of HK\$0.01 in the share capital of the Company into four subdivided shares of par value of HK\$0.0025 each.
- (h) On 22 August 2013, the Company entered into a subscription agreement with a subscriber under which 12,800,000 new ordinary shares of the Company were issued at a price of HK\$1.13, giving rise to a net proceed of HK\$14 million.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2013

15. Share Option Scheme

On 30 August 2011, the Company issued a new share options scheme (the “New Scheme”) to override the then share option scheme dated on 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 | <ul style="list-style-type: none"> (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 | 31,470,954 ordinary shares of HK\$0.01 each and approximately 10% of the issued share capital. |

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2013

15. 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.

Period within which the securities must be taken up under an option

An option may be exercised at any time during a period to be determined and notified by the directors to each grantee, but shall end in any event not later than 10 years from the date of offer of the grant of options subject to the provisions for early termination set out in the New Scheme.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2013

15. Share Option Scheme (Continued)

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 28 July 2021.

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

16. 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\$1,250 per month.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2013

16. Employee Retirement Benefits (Continued)

Defined contribution retirement plan (Continued)

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 2013 (six months ended 30 September 2012: Nil) and there were no material forfeitures available to reduce the Group's future contributions at 30 September 2013 and 31 March 2013.

17. Commitments

(a) Capital commitments

The Group had no material capital commitments as at 30 September 2013 and 31 March 2013.

(b) Operating lease commitments

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2013

17. Commitments (Continued)**(b) Operating lease commitments (Continued)***The Group as lessee (Continued)*

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 2013 HK\$'000 | 31 March 2013 HK\$'000 |
|--|---|------------------------------|
| Within one year | 591 | 473 |
| In the second to fifth year, inclusive | 49 | 0 |
| | 640 | 473 |

18. 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 year:

| | Six months ended 30 September 2013 HK\$'000 | 2012 HK\$'000 |
|------------------------------------|--|------------------|
| Interest paid to a related company | 0 | 10 |

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2013

18. Related Party Transactions (Continued)

- (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 for the period:

- (i) The Group had not made purchases of goods from the entities in the Disposed Entities during the current period (31 March 2013, had made purchases of goods from the entities in the Disposed Entities amounted to HK\$88,000).
- (c) Compensation of key management personnel, which are principally the directors of the Company, of the Group:

| | Six months ended | |
|--|-------------------------|----------|
| | 30 September | |
| | 2013 | 2012 |
| | HK\$'000 | HK\$'000 |
| Short-term employee benefits | 1,380 | 1,230 |
| Post-employment benefits | 12 | 15 |
| | <hr/> | <hr/> |
| Total compensation paid to key management personnel | 1,392 | 1,245 |
| | <hr/> | <hr/> |

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