



## Interim Report 2013



**China Environmental Technology Holdings Limited**

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 646

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## CORPORATE INFORMATION

### Board of Directors

#### Executive Directors:

Mr. Xu Zhong Ping (*Chairman*)  
Mr. Pan Yutang (*Chief Executive Officer*)  
Mr. Zhang Fang Hong  
Mr. Xu Xiao Yang

#### Non-executive Director:

Mr. Ge Ze Min  
Mr. Ma Tianfu

#### Independent Non-executive Directors:

Mr. Wong Kam Wah  
Mr. Xin Luo Lin  
Prof. Zhu Nan Wen  
Prof. Zuo Jiane

### Audit Committee

Mr. Wong Kam Wah (*Chairman*)  
Mr. Xin Luo Lin  
Prof. Zhu Nan Wen  
Prof. Zuo Jiane

### Remuneration Committee

Mr. Wong Kam Wah (*Chairman*)  
Mr. Xin Luo Lin  
Prof. Zhu Nan Wen  
Prof. Zuo Jiane

### Nomination Committee

Mr. Xin Luo Lin (*Chairman*)  
Mr. Wong Kam Wah  
Prof. Zhu Nan Wen  
Prof. Zuo Jiane

### Company Secretary

Mr. Li Wang Hing, Nelson

### Auditor

Crowe Horwath (HK) CPA Limited  
9/F Leighton Centre  
77 Leighton Road  
Causeway Bay, Hong Kong

### Legal Advisers

Conyers Dill & Pearman

### Principal Share Registrar and Transfer Office

Royal Bank of Canada Trust Company  
(Cayman) Limited  
4th Floor, Royal Bank House  
24 Shedden Road, George Town  
Grand Cayman KY1-1110  
Cayman Islands

### Hong Kong Branch Share Registrar and Transfer Office

Tricor Standard Limited  
Level 22  
Hopewell Centre  
183 Queen's Road East  
Hong Kong

### Registered Office

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

### Head Office and Principal Place of Business

Unit 1003-5  
10th Floor, Shui On Centre  
6-8 Harbour Road  
Wanchai  
Hong Kong  
Tel: (852) 2511 1870  
Fax: (852) 2511 1878

### Listing Information

The Stock Exchange of Hong Kong Limited  
Stock Code: 646

### Principal Bankers

DBS Bank (Hong Kong) Limited  
Hang Seng Bank Limited

### Company Website

[www.cethl.com](http://www.cethl.com)

The board (“Board”) of directors (“Directors”) of China Environmental Technology Holdings Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2013 together with the comparative figures of six months end 30 September 2012.

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2013 — Unaudited

	Note	Six months ended	
		30 June 2013 (Unaudited) HK\$'000	30 September 2012 (Unaudited) HK\$'000
<b>CONTINUING OPERATIONS</b>			
Turnover	3	29,296	27,363
Cost of sales		(20,748)	(21,345)
<b>Gross profit</b>		<b>8,548</b>	<b>6,018</b>
Other income	4	714	137
Other gain/(losses), net	4	584	(508)
Share of loss from associate		(468)	—
Distribution costs		(1,942)	(3,215)
Administrative expenses		(27,577)	(20,378)
<b>Loss from operations</b>		<b>(20,141)</b>	<b>(17,946)</b>
Finance costs	5a	(13)	—
<b>Loss before taxation</b>	5	<b>(20,154)</b>	<b>(17,946)</b>
Income tax credit	6	1,241	1,255
<b>Loss for the period from continuing operations</b>		<b>(18,913)</b>	<b>(16,691)</b>
<b>DISCONTINUED OPERATIONS</b>			
Loss for the period from discontinued operations		—	(1,544)
Gain on disposal of subsidiaries		—	4,472
<b>Loss for the period</b>		<b>(18,913)</b>	<b>(13,763)</b>

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

For the six months ended 30 June 2013 — Unaudited

	Six months ended	
	30 June 2013 (Unaudited) HK\$'000	30 September 2012 (Unaudited) HK\$'000
<i>Note</i>		
<b>Loss for the period attributable to:</b>		
Owners of the Company	(18,764)	(13,494)
Non-controlling interests	(149)	(269)
	<u>(18,913)</u>	<u>(13,763)</u>
<b>Loss attributable to owners of the Company arising from:</b>		
Continuing operations	(18,764)	(16,422)
Discontinued operations	—	2,928
	<u>(18,764)</u>	<u>(13,494)</u>
<b>Loss per share from continuing and discontinued operations (HK cents)</b> 8		
From continuing operations	(0.75)	(0.66)
From discontinued operations	—	0.12
	<u>(0.75)</u>	<u>(0.54)</u>

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

For the six months ended 30 June 2013 — Unaudited

	Six months ended	
	30 June 2013 (Unaudited) HK\$'000	30 September 2012 (Unaudited) HK\$'000
<b>Loss for the period</b>	<b>(18,913)</b>	(13,763)
<b>Other comprehensive income:</b>		
Exchange differences on translating of foreign operations	503	(56)
Realisation of exchange differences transferred to profit or loss upon disposal of subsidiaries	—	(4,122)
Other reserves transferred	777	—
<b>Total other comprehensive income for the period</b>	<b>1,280</b>	(4,178)
<b>Total comprehensive loss for the period</b>	<b>(17,633)</b>	(17,941)
<b>Total comprehensive loss for the period attributable to:</b>		
Owners of the Company	(17,484)	(17,670)
Non-controlling interests	(149)	(271)
	<b>(17,633)</b>	(17,941)
<b>Total comprehensive loss for the period attributable to owners of the Company arises from:</b>		
Continuing operations	(17,484)	(16,476)
Discontinued operations	—	(1,194)
	<b>(17,484)</b>	(17,670)

The notes on pages 10 to 29 form part of this interim report.

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

At 30 June 2013 — Unaudited

	Note	At 30 June 2013 (Unaudited) HK\$'000	At 31 December 2012 (Audited) HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Leasehold land		—	—
Property, plant and equipment		23,821	24,779
Investment properties		—	—
Operating concessions		227,363	224,613
Intangible assets		11,602	12,405
Interests in jointly controlled entities		—	—
Interests in an associate		934	517
		<u>263,720</u>	<u>262,314</u>
<b>Current assets</b>			
Financial assets at fair value through profit or loss		1,843	1,258
Inventories		17,213	7,557
Trade and other receivables	10	38,323	25,439
Cash and cash equivalents	11	79,987	39,573
Pledged bank deposits	11	386	386
		<u>137,752</u>	<u>74,213</u>
<b>Total assets</b>		<u>401,472</u>	<u>336,527</u>
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	12	62,508	62,508
Reserves		103,800	120,480
		<u>166,308</u>	<u>182,988</u>
Non-controlling interests		49	198
<b>Total Equity</b>		<u>166,357</u>	<u>183,186</u>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION***(CONTINUED)*

At 30 June 2013 — Unaudited

	<i>Note</i>	<b>At 30 June 2013 (Unaudited) HK\$'000</b>	At 31 December 2012 (Audited) HK\$'000
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Bank loans	13	125,000	62,000
Deferred tax liabilities		18,440	19,627
		<u>143,440</u>	<u>81,627</u>
<b>Current liabilities</b>			
Trade and other payables	14	59,079	46,719
Bank loans	13	32,000	24,304
Current income tax payable		596	691
		<u>91,675</u>	<u>71,714</u>
<b>Total liabilities</b>		<u>235,115</u>	<u>153,341</u>
<b>Total equity and liabilities</b>		<u>401,472</u>	<u>336,527</u>
<b>Net current assets</b>		<u>46,077</u>	<u>2,499</u>
<b>Total assets less current liabilities</b>		<u>309,797</u>	<u>264,813</u>

The notes on pages 10 to 29 form part of this interim report.



**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the six months ended 30 June 2013 — Unaudited

	Attributable to the owners of the Company										
	Share capital	Share premium	Share Option reserve	Contributed surplus	Exchange reserve	Revaluation reserve-land and buildings	Other reserves	Retained profits/(accumulated losses)	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 April 2012 (audited)	62,508	162,813	14,908	(180)	15,512	20,593	12,701	(41,312)	247,543	802	248,345
Loss for the period	—	—	—	—	—	—	—	(13,494)	(13,494)	(269)	(13,763)
Other comprehensive income	—	—	—	—	(4,176)	—	—	—	(4,176)	(2)	(4,178)
Disposal of subsidiaries	—	—	—	—	—	(20,593)	(3,355)	23,948	—	—	—
Equity-settled share-based transactions	—	—	1,836	—	—	—	—	—	1,836	—	1,836
<b>Balance at 30 September 2012 (unaudited)</b>	<b>62,508</b>	<b>162,813</b>	<b>16,744</b>	<b>(180)</b>	<b>11,336</b>	<b>—</b>	<b>9,346</b>	<b>(30,858)</b>	<b>231,709</b>	<b>531</b>	<b>232,240</b>
Balance at 1 January 2013 (audited)	62,508	162,813	17,297	(180)	13,237	6,919	10,348	(89,954)	182,988	198	183,186
Loss for the period	—	—	—	—	—	—	—	(18,764)	(18,764)	(149)	(18,913)
Other comprehensive income	—	—	—	—	503	—	777	—	1,280	—	1,280
Equity-settled share-based transactions	—	—	804	—	—	—	—	—	804	—	804
<b>Balance at 30 June 2013 (unaudited)</b>	<b>62,508</b>	<b>162,813</b>	<b>18,101</b>	<b>(180)</b>	<b>13,740</b>	<b>6,919</b>	<b>11,125</b>	<b>(108,718)</b>	<b>166,308</b>	<b>49</b>	<b>166,357</b>

The notes on pages 10 to 29 form part of this interim report.

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2013 — Unaudited

	Note	Six months ended	
		30 June 2013 (Unaudited) HK\$'000	30 September 2012 (Unaudited) HK\$'000
Cash used in operations		(15,867)	(11,109)
Tax paid		(197)	(47)
<b>Net cash used in operating activities</b>		<b>(16,064)</b>	<b>(11,156)</b>
<b>Net cash used in investing activities</b>		<b>(8,156)</b>	<b>(20,062)</b>
<b>Net cash from financing activities</b>		<b>65,490</b>	<b>19,892</b>
<b>Increase/(decrease) in cash and cash equivalents</b>		<b>41,270</b>	<b>(11,326)</b>
Cash and cash equivalents at beginning of period	11	39,959	60,255
Effect on foreign exchange rate changes		(856)	—
Cash and cash equivalents at end of period	11	80,373	48,929
<b>Analysis of the balances of cash and cash equivalents</b>			
Cash and cash equivalents		80,373	48,929
		80,373	48,929

The notes on pages 10 to 29 form part of this interim report.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. Basis of preparation

The unaudited condensed consolidated interim financial information has been prepared in accordance with the Hong Kong Accounting Standards (“HKAS”) 34 “Interim Financial Reporting” and other relevant HKAS and Interpretations and Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the disclosure requirements set out in Appendix 16 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The condensed financial statements should be read in conjunction with the Annual Report of the Group for the year ended 31 December 2012.

### 2. Summary of principal accounting policies

The accounting policies adopted are consistent with those set out in the audited consolidated financial statements for the year ended 30 June 2013, except for the adoption of the following amendments issued by the HKICPA which became effective for the Group’s financial year beginning on 1 January 2013.

HKFRS 1 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards — Government Loans</i>
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities</i>
HKFRS 10	<i>Consolidated Financial Statements</i>
HKFRS 11	<i>Joint Arrangements</i>
HKFRS 12	<i>Disclosure of Interests in Other Entities</i>
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 — <i>Transition Guidance</i>
HKFRS 13	<i>Fair Value Measurement</i>
HKAS 1 Amendments	Amendments to HKAS 1 <i>Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income</i>
HKAS 19 (2011)	<i>Employee Benefits</i>
HKAS 27 (2011)	<i>Separate Financial Statements</i>
HKAS 28 (2011)	<i>Investments in Associates and Joint Ventures</i>
HKAS 36 Amendments	Amendments to HKAS 36 <i>Impairment of Assets — Recoverable Amount Disclosures for Non-Financial Assets</i> (early adopted)
HK (IFRIC)-Int20	<i>Stripping Costs in the Production Phase of a Surface Mine</i>
<i>Annual Improvements 2009-2011 Cycle</i>	Amendments to a number of HKFRSs issued in June 2012

The adoption of these amendments has not had any significant effect on the accounting policies or results and financial position of the Group.

## 2. Summary of principal accounting policies (CONTINUED)

The following new standards, new interpretations and amendments to standards and interpretations have been issued but not effective for the financial year beginning 1 January 2013 and have not been early adopted by the Group:

HKFRS 9	<i>Financial Instruments</i> <sup>4</sup>
HKFRS 9, HKFRS 7 and HKAS 39 Amendments	<i>Hedge Accounting</i> and amendments to HKFRS 9, HKRRS 7 and HKAS 39 <sup>4</sup>
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) — <i>Investment Entities</i> <sup>1</sup>
HKAS 19 Amendments	Amendments to HKAS 19 <i>employee Benefits</i> — <i>Defined Benefit Plans: Employee Contributions</i> <sup>2</sup>
HKFRS 14	<i>Regulatory Deferral Accounts</i> <sup>3</sup>
HKAS 32 Amendments	Amendments to HKAS 32 <i>Financial Instruments:</i> <i>Presentation — Offsetting Financial Assets</i> <i>and Financial Liabilities</i> <sup>1</sup>
HKAS 39 Amendments	Amendments to HKAS 39 <i>Financial Instruments:</i> <i>Recognition and Measurement — Novation of</i> <i>Derivatives and Continuation of Hedge</i> <i>Accounting</i> <sup>1</sup>
HK (IFRIC)-Int 21	<i>Levies</i> <sup>1</sup>
<i>Annual Improvements</i> <i>2010-2012 Cycle</i>	Amendments to a number of HKFRSs issued in January 2014 <sup>2</sup>
<i>Annual Improvements</i> <i>2011-2013 Cycle</i>	Amendments to a number of HKFRSs issued in January 2014 <sup>2</sup>

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

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

3 Effective for annual periods beginning on or after 1 January 2016

4 No mandatory effective date yet determined but is available for adoption

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application but is not yet in a position to state whether these new and revised HKFRSs would have a significant impact on the Group's results of operations and financial position.

### 3. Segment reporting

The Group manages its business by division which is organised from the product perspective.

Operating segments are identified on the basis of internal reports which provides information about components of the Group. These information are reported to and reviewed by the Board, being the chief operating decision-makers (“CODM”) for the purposes of resource allocation and performance assessment. The Group has presented the following six reportable segments, no reportable segment has been aggregated to form following reporting segments:

1. Aviation, metro and railway equipment (*Note*)

This segment derives its revenue from sales of train and track maintenance equipment and airport ground support equipment.

2. Vehicles and spare parts (*Note*)

This segment derives its revenue from sales of coaches, trucks and spare parts of bus.

3. Dredging equipment (*Note*)

This segment derives its revenue from sales of components of dredging equipment.

4. Provision of engineering services (*Note*)

This segment provides warranty and maintenance services and after-sales services.

5. Wastewater treatment and construction services

This segment engages in the provision of wastewater treatment plants construction and operation services on a Build-Operate-Transfer (“BOT”) basis.

6. Wastewater treatment equipment trading

This segment engages in the trading of wastewater treatment facilities and machinery and provision for related services.

*Note:* At the end of the reporting period, the four segments were disposed of and discontinued during the period as set out in notes 18.

### 3. Segment reporting (CONTINUED)

#### (a) Segment results

An analysis of the Group's revenue and segment results is reported below:

	Segment revenue		Segment profit (loss)	
	Six months ended		Six months ended	
	30 June 2013 HK\$'000 (Unaudited)	30 September 2012 HK\$'000 (Unaudited)	30 June 2013 HK\$'000 (Unaudited)	30 September 2012 HK\$'000 (Unaudited)
<b>Continuing operations</b>				
Wastewater treatment and construction services	22,195	17,034	(2,429)	3,231
Wastewater treatment equipment trading	7,101	10,329	(1,032)	(4,711)
Total for continuing operations	29,296	27,363	(3,461)	(1,480)
<b>Discontinued operations</b>				
Aviation, metro and railway equipment	—	—	—	—
Vehicles and spare parts	—	34	—	1
Dredging equipment	—	—	—	—
Provision of engineering services	—	192	—	122
Total for discontinued operations	—	226	—	123
Unallocated items	—	—	(16,693)	(13,643)
Total for continuing and discontinued operations	29,296	27,589	(20,154)	(15,000)

### 3. Segment reporting (CONTINUED)

#### (b) Reconciliation of reportable segment results to loss before taxation

	Six months ended	
	30 June 2013 HK\$'000 (Unaudited)	30 September 2012 HK\$'000 (Unaudited)
Reportable segment results	(3,461)	(1,480)
Other income and other losses, net	1,298	(436)
Depreciation and amortisation	(167)	(372)
Finance costs	(13)	—
Unallocated head office and corporate expenses	(17,811)	(15,658)
Consolidated loss before taxation attributable to continuing operations	(20,154)	(17,946)
Consolidated profit (loss) before taxation attributable to discontinued operations	—	2,946
	<u>(20,154)</u>	<u>(15,000)</u>

#### 4. Other income and other losses, net

	Six months ended	
	30 June 2013 HK\$'000 (Unaudited)	30 September 2012 HK\$'000 (Unaudited)
<b>Other income</b>		
Interest income on bank deposits	44	88
Rental income	174	55
Others	496	(6)
	<hr/>	<hr/>
Attributable to continuing operations	714	137
Attributable to discontinued operations	—	246
	<hr/>	<hr/>
	<b>714</b>	<b>383</b>
	<hr/>	<hr/>
<b>Other gain/(losses), net</b>		
Net loss on sale of financial assets at fair value through profit or loss	—	(531)
Net unrealised gain on financial assets at fair value through profit or loss	584	23
	<hr/>	<hr/>
Attributable to continuing operations	584	(508)
Attributable to discontinued operations	—	4,168
	<hr/>	<hr/>
	<b>584</b>	<b>3,660</b>
	<hr/>	<hr/>



## 5. Loss before taxation

Loss before taxation is arrived at after charging:

	<b>Six months ended</b>	
	<b>30 June 2013</b> <b>HK\$'000</b> <b>(Unaudited)</b>	30 September 2012 HK\$'000 (Unaudited)
<b>(a) Finance costs:</b>		
Interest on bank borrowings wholly repayable within five years	<b>4,289</b>	4,112
Less: amount capitalised on qualifying assets	<b>(4,276)</b>	(4,112)
	<hr/>	<hr/>
Attributable to continuing operations	<b>13</b>	—
Attributable to discontinued operations	<b>—</b>	35
	<hr/>	<hr/>
	<b>13</b>	35
	<hr/>	<hr/>
<b>(b) Other items:</b>		
<b>Continuing operations</b>		
Amortisation of intangible assets	<b>4,093</b>	4,092
Amortisation of operating concessions	<b>4,190</b>	1,299
Depreciation of property, plant and equipment	<b>745</b>	1,010
	<hr/>	<hr/>
<b>Discontinued operations</b>		
Amortisation of leasehold land	<b>—</b>	2
Depreciation of property, plant and equipment	<b>—</b>	163
	<hr/>	<hr/>

## 6. Income tax credit

	<b>Six months ended</b>	
	<b>30 June 2013</b> HK\$'000 (Unaudited)	30 September 2012 HK\$'000 (Unaudited)
Current tax — PRC corporate income tax	<b>102</b>	18
Deferred tax	<b>(1,343)</b>	(1,255)
	<b>(1,241)</b>	(1,237)

No provision for Hong Kong profits tax has been made as the Group has no assessable profits arising in Hong Kong for the period ended 30 June 2013. PRC taxation is charged at the appropriate current rate of taxation ruling in the PRC.

## 7. Interim dividend

The Directors do not recommend any interim dividend for the six months ended 30 June 2013 (30 September 2012: Nil).

## 8. Loss per share

### Basic

Basic loss per share is calculated by dividing the loss (earnings) attributable to the owners of the Company by the weighted average number of ordinary shares in issue during the period.

	<b>Six months ended</b>	
	<b>30 June 2013</b> HK\$'000	30 September 2012 HK\$'000
<b>Attributable to the owners of the Company</b>		
From continuing operations	<b>(18,764)</b>	(16,422)
From discontinued operations	—	2,928
	<b>(18,764)</b>	(13,494)

## 8. Loss per share (CONTINUED)

	Number of shares	
	'000	'000
Weighted average number of ordinary shares in issue	<b>2,500,303</b>	2,500,303

The Company has no potential dilutive ordinary shares outstanding during both periods

## 9. Movements in property, plant and equipment, and operating concessions

During the period, the Group spent HK\$302,000 (six months ended 30 September 2012: HK\$473,000) on property, plant and equipment.

During the period, the Group spent HK\$5,181,000 (six months ended 30 September 2012: HK\$7,597,000) on operating concessions.

The Group has pledged its operating concessions with carrying amount of HK\$227,363,000 (31 December 2012 HK\$224,613,000) to secure certain bank loans granted to the Group.

## 10. Trade and other receivables

	<b>30 June 2013</b>	31 December 2012
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(audited)
Trade receivables	<b>19,557</b>	12,143
Other receivables	<b>11,209</b>	9,970
Prepayments and deposits	<b>7,557</b>	3,326
	<b>38,323</b>	25,439

## 10. Trade and other receivables (CONTINUED)

The ageing analysis of the trade receivables based on invoice date were as follows:

	<b>30 June 2013</b> <b>HK\$'000</b> <b>(Unaudited)</b>	31 December 2012 HK\$'000 (audited)
1 to 2 months	<b>8,877</b>	7,040
2 to 3 months	<b>8,123</b>	1,701
more than 3 months	<b>2,557</b>	3,402
	<b>19,557</b>	12,143

## 11. Cash and cash equivalents

	<b>30 June 2013</b> <b>HK\$'000</b> <b>(Unaudited)</b>	31 December 2012 HK\$'000 (audited)
Cash and bank balances	<b>79,987</b>	39,573
Pledged bank deposits	<b>386</b>	386
	<b>80,373</b>	39,959

## 12. Share capital

	<b>No. of shares</b> <b>'000</b>	<b>Amount</b> <b>HK\$'000</b>
<b>Authorised:</b>		
Ordinary shares of HK\$0.025 each	8,000,000	200,000
<b>Issued and fully paid:</b>		
Ordinary shares		
At 31 December 2012 and 30 June 2013	2,500,303	62,508

### 13. Bank loans

	<b>30 June 2013</b> <b>HK\$'000</b> <b>(Unaudited)</b>	31 December 2012 HK\$'000 (audited)
<b>Non-current liabilities</b>		
Bank loans	<b>125,000</b>	62,000
<b>Current liabilities</b>		
Portion of bank loans due for repayment within 1 year	<b>32,000</b>	24,304
Total borrowings	<b>157,000</b>	86,304

### 14. Trade and other payables

	<b>30 June 2013</b> <b>HK\$'000</b> <b>(Unaudited)</b>	31 December 2012 HK\$'000 (audited)
Trade payables	<b>22,990</b>	19,973
Other payables and accruals	<b>21,118</b>	17,712
Sale deposits received	<b>14,971</b>	8,662
Amount due to an associate	<b>—</b>	372
	<b>59,079</b>	46,719

The ageing analysis of the trade payables based on invoice date were as follows:

	<b>30 June 2013</b> <b>HK\$'000</b> <b>(Unaudited)</b>	31 December 2012 HK\$'000 (audited)
Due within 1 month or on demand	<b>521</b>	4,344
Due after 1 month but within 3 months	<b>689</b>	1,793
Due after 3 months	<b>21,780</b>	13,836
	<b>22,990</b>	19,973

## 15. Operating lease commitments

### As lessee

At 30 June 2013, the total future minimum lease payments under non- cancellable operating leases are as follows:

	<b>30 June 2013</b> <b>HK\$'000</b> <b>(Unaudited)</b>	31 December 2012 HK\$'000 (audited)
Within 1 year	<b>4,886</b>	5,129
After 1 year but within 5 years	<b>—</b>	2,321
	<b>4,886</b>	7,450

## 16. Capital commitments

At 30 June 2013, the Group had the following capital commitments:

	<b>30 June 2013</b> <b>HK\$'000</b> <b>(Unaudited)</b>	31 December 2012 HK\$'000 (audited)
Capital expenditure in respect of Upgrade and construction of wastewater treatment plants under a service concession arrangement on a BOT basis:		
— contracted but not provided for	<b>75,885</b>	76,790
Investment in an associate	<b>—</b>	868
Total commitments	<b>75,885</b>	77,658

## 17. Comparative amounts

The comparative consolidated income statement has been re-presented as if operations discontinued during the current period had been discontinued at the beginning of the comparative period.

The Company changed its financial year end date from 31 March to 31 December in the last financial period, details of which are set out in note 2.1.1 of the 2012 Annual Financial Statements. The comparative figures cover the Company's consolidated financial statements for the six months ended 30 September 2012. As a result of the change in the year ended date of the Company, the comparative figures for the condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows and related notes are therefore not entirely comparable with those of the period under review.

## 18. Discontinued operations

On 9 March 2012, the Company entered into sale and purchase agreements with an independent third party to dispose of the Group's 100% equity interest in and shareholder's loan to Yardway Limited, Yardway Motors Limited and Yardway Logistics Equipment (Zhuhai) Company Limited (the "Disposal") which are inactive subsidiaries established in Hong Kong at a total consideration of HK\$17,500,000. These subsidiaries were operating within the vehicles and spare parts and provisions of engineering services segment. The Disposal was completed on 6 June 2012. Accordingly, the operating results of these subsidiaries up to the date of the Disposal are presented as discontinued operation in the financial statements. The operating results of the discontinued operations for the year ended 31 March 2012 included the results of aviation, metro and railway equipment, vehicles and spare parts and provision of engineering services and dredging equipment operations.

**18. Discontinued operations (CONTINUED)****(a) Results of the discontinued operations:**

	<b>Period from 1 April 2012 to 6 June 2012 HK\$'000</b>
Revenue	301
Cost of sales	(128)
Other revenue	246
Other gains	115
Distribution costs	(761)
Administrative expenses	(1,312)
Valuation loss on investment properties	—
	<hr/>
Loss from operations from discontinued operations	(1,539)
Finance costs	(35)
	<hr/>
Loss before taxation from discontinued operations	(1,574)
Income tax	(18)
	<hr/>
	(1,592)
Gain on disposal of discontinued operations (net of nil tax) (Note (29E))	4,472
	<hr/>
Profit for the period	2,880
	<hr/> <hr/>



**18. Discontinued operations (CONTINUED)****(b) Results of the discontinued operations is arrived at after charging/ (crediting) the following:**

	<b>Period from 1 April 2012 to 6 June 2012 HK\$'000</b>
(i) Finance costs:	
Interest on bank advances wholly repayable within five years	<b>35</b>
(ii) Staff costs:	
Contributions to defined contribution retirement plan	<b>22</b>
Salaries, wages and other benefits	<b>386</b>
	<b>408</b>
(iii) Other items:	
Interest income	<b>(10)</b>
Amortisation of prepaid lease payment	<b>2</b>
Depreciation	<b>163</b>
Cost of inventories sold	<b>128</b>
Reversal of write-down of inventories	<b>—</b>
Auditor's remuneration	<b>—</b>
Operating lease charges in respect of properties	<b>71</b>
Impairment loss on trade receivables	<b>—</b>
Loss on disposal of property, plant and equipment	<b>3</b>

**18. Discontinued operations** (CONTINUED)**(c) Cash flows of the discontinued operations:**

	<b>Period from 1 April 2012 to 6 June 2012 HK\$'000</b>
Net cash used in operating activities	<b>(538)</b>
Net cash generated from investing activities	<b>10</b>
Net cash used in financing activities	<b>(139)</b>
	<hr/>
Net cash outflows for the period	<b>(667)</b>
	<hr/> <hr/>

**18. Discontinued operations (CONTINUED)****(d) Effect of the disposal on the financial position of the Group:  
For the period from 1 April 2012 to 30 September 2012**

HK\$'000

Net assets disposed of:

Property, plant and equipment	1,878
Leasehold land	428
Investment properties	39,730
Trade and other receivables	5,883
Inventories	21
Cash and cash equivalents	20,996
Bank loans	(9,326)
Trade and other payables	(32,665)
Current income tax payable	(1,023)
Deferred tax liabilities	(4,448)
Provision for warranty	(4,367)
Net identifiable assets	17,107
Exchange reserve realised on disposal	(4,122)
Gain on disposal of subsidiaries	4,472
	<hr/>
	17,457
	<hr/>

Satisfied by:

Cash consideration	17,500
Transaction costs	(43)
	<hr/>
	17,457
	<hr/>

*Analysis of the net cash outflow in respect of the disposal of subsidiaries*

Cash consideration	17,500
Transaction costs	(43)
Cash and cash equivalents disposed of	(20,996)
	<hr/>
Net cash outflows	(3,539)
	<hr/>

## 19. Business Combination

On 12 April 2013, Shenzhen CETH Environmental Technology Co., Ltd (“Shenzhen CETH”) a wholly-owned subsidiary of the Company entered into an agreement (the “Agreement”) with an independent third party (the “Vendor”) to purchase 100% equity interest in Shenzhen Huaxin Zhongshui Protection Engineering Company Limited (“Shenzhen Huaxin”) at a total consideration of RMB2,900,000 (equivalent to approximately HK\$3,596,000). The acquisition was completed on 15 April 2013. Shenzhen Huaxin is engaged in the environmental engineering business. Through the acquisition, the Group is able to expand its business. Pursuant to the Agreement, the consideration for the acquisition shall be paid in cash as follows:

	HK\$'000
Upon signing of the Agreement	1,079
Upon the receipt of a certificate of attestation	719
Upon the acceptance of application for the approval of the Acquisition by the Market Supervision Administration of Shenzhen	1,438
Upon the approval of the Acquisition granted by the Market Supervision Administration of Shenzhen	<u>360</u>
Total cash consideration	<u><u>3,596</u></u>

During the period, the Group has fully settled the consideration for the acquisition.

**19. Business Combination (CONTINUED)****Identifiable assets and liabilities**

	HK\$'000
<b>Non-current assets</b>	
Property, plant and equipment	89
Intangible assets	622
	<hr/> 711
<b>Current assets</b>	
Inventories	135
Trade and other receivables	
— Trade receivables	365
— Other receivables	3
	368
Cash and cash equivalents	275
	<hr/> 778
<b>Current liabilities</b>	
Trade and other payables	
— Advances from customers	301
— Value added tax payable	4
	305
Deferred tax liabilities	155
	<hr/> 460
Total net assets identified	<hr/> <hr/> 1,029

The receivables acquired in this transaction carried at a fair value and the gross contractual amount is the same as the carrying amount. The best estimate at acquisition date of the contractual cash flows not expected to be collected is Nil.

**19. Business Combination (CONTINUED)**

	HK\$'000
Consideration transferred	3,596
Less: fair value of identifiable net assets acquired	<u>(1,029)</u>
Goodwill	<u>2,567</u>

Goodwill arose in the acquisition of Shenzhen Huaxin because the consideration paid for the combination effectively included the benefit of expected future growth and assembled work force of Shenzhen Huaxin. This benefit is not recognised separately from goodwill because it does not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

**Net cash outflow on acquisition of the subsidiary:**

	HK\$'000
Cash consideration	3,596
Cash and cash equivalents in subsidiary acquired	<u>(275)</u>
Net cash outflow on acquisition of subsidiaries	<u>3,321</u>

The Group incurred acquisition-related costs of approximately HK\$54,000 being legal and professional fees and other charges which have been excluded from the cost of acquisition.

Had the acquisition been completed on 1 January 2013, the Group's revenue would have been approximately HK\$29,847,000 and loss for the period would have been approximately HK\$18,951,000.

The above pro forma information on the Group's revenue and results is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2013, nor is it intended to be a projection of future results.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Results and Business Review

During the six months ended 30 June 2013, the Group recorded a turnover of HK\$29,296,000, representing an increase of 7.06% as compared to HK\$27,363,000 for the six months ended 30 September 2012. Gross profit for the period increased to HK\$8,548,000 (six months ended 30 September 2012: HK\$6,018,000). The result of the Group attributable to the owners of the Company for the period was a loss of HK\$18,764,000 (six months ended 30 September 2012: loss of HK\$13,494,000) mainly due to a significant decrease in activities attributable to construction of wastewater treatment plants and wastewater treatment equipment trading.

The operation of wastewater treatment and construction services for the six months ended 30 June 2013 recorded a loss of HK\$2,429,000, compared to generated a profit of HK\$3,231,000 for the six months ended 30 September 2012.

The operation of wastewater treatment equipment trading recorded a loss of HK\$1,032,000 (six months ended 30 September 2012: profit of HK\$4,711,000).

During the period under review, the Group has expanded its environmental business to more service oriented scope, such as water quality maintenance in the rivers and lakes and the comprehensive manipulation project in the rural areas.

In January 2013, a comprehensive manipulation project (the "Project") of the rural environment along the lake in Xingning Town, Bailang County, Zixing City, Hunan province has been kicked off. The Project is one of the ecology-oriented pilot projects dedicated to the implementation of the ecological environmental protection of the Dongjiang Lake. This is also a strategic project firstly implemented since the Cooperation Agreement signed with the municipal government of Zixing City in Hunan last year.

With the state-of-the-art magnetic separation patented technology and the efficiency and effectiveness of the water treatment performance, the Group's mobile magnetic separation water treatment system devices has won the recognition in the market and secured more service contracts during the period.

One of the examples is a service contract (the "Contract") signed with the Water Authority of Beijing in April 2013 to install the magnetic separation water treatment devices (the "Equipments"), and operate the Equipments in Empress Xiao River for a period of 30 months ("Project Empress Xiao River") by the Group's wholly-owned subsidiary, Beijing Jingrui Kemai Water Purification Technology Co., Ltd. Under the Contract, a monthly service fee is entitled to receive for the operation of the Equipments during the term of Project Empress Xiao River.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### Results and Business Review (CONTINUED)

With the Group's acquisition of Hulu Island wastewater treatment plant in 2010 and Beijing Jingrui Kemai water purification Technology Co., Ltd in 2011, as well as by leveraging on the Group's mobile magnetic separation water treatment patent technology and related environmental protection project management and operational experience, the Group has been successfully developed its businesses in environmental protection industry in the PRC, our service scope covered lakes, watershed protection and comprehensive water treatment, heavy metal wastewater treatment, etc. To facilitate the increasing demand of water treatment service and those "green projects" specifying on the water treatment in the rivers and lakes arising from the 12th Five-Year Plan, an environmental protection company called Shenzhen Huaxin Zhongshui Protection Engineering Company Limited ("Shenzhen Huaxin ") has been acquired to further strengthen our expertise in the environmental protection area for a better development.

With the acquisition of Shenzhen Huaxin, we believe that the Shenzhen Huaxin will reinforce the Group's competitiveness in the environmental protection industry and broaden our development capacity, especially in the field of reclaimed water and the deployment of human and technical resources, coupled with the necessary engineering design qualification and a number of professional qualifications obtained, it will be benefited for the large-scale environmental protection project bidding in the future.

### Outlook

Looking forward, the Group will to try increase its profit margin and to seize more business opportunities which will in turn enhance the long term development of the Group, such as focusing on the water quality maintenance of rivers and lakes and also the manipulation project of the rural environment.

Leveraging on the advantages of the patented technology of magnetic separation and its high efficiency of the wastewater treatment, the market of large scale water quality maintenance projects have been successfully explored. To further expand the market share of the environmental protection industry, the wastewater treatment and watershed management for villages and small towns as well as those "green projects" focusing on pollution control will be our target market.

With the rapid economic growth and the strengthened awareness of environmental protection during the 12th Five-Year Plan, the demand for comprehensive technology and solutions of environmental protection is high, and further creates more business opportunities for the Group. We believe our flagship environmental project in Dongjiang Lake will further solidify its business fundamental in the environmental protection project of the rivers and lakes. It is also anticipated that these kind of project will contribute stable recurring revenue to the Group in the future.



## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### Liquidity

The Group continued to maintain a liquid position. As at 30 June 2013, cash and bank balances of the Group were HK\$79,987,000 (31 December 2012: HK\$39,573,000).

As at 30 June 2013, the Group had total assets of HK\$401,472,000 (31 December 2012: HK\$336,527,000) and total liabilities of HK\$235,115,000 (31 December 2012: HK\$153,341,000). As at 30 June 2013, the current ratio was 1.50 (31 December 2012: 1.03).

The Group's bank borrowings amounted to HK\$157,000,000 (31 December 2012: HK\$86,304,000). The Group's borrowings, denominated in Renminbi, comprise bank loan pledged on the Group's concession right. The Group's gearing ratio, based on the total borrowings to total assets, was 39.11% (31 December 2012: 25.65%).

### Charge on Assets

As at 30 June 2013, the Group's operating concessions with carrying value amounting to HK\$227,363,000 (31 December: HK\$224,613,000) was pledged with the banks to secure banking facilities granted to the Group.

### Employees and Remuneration Policy

The total number of employees of the Group as at 30 June 2013 was 165 (31 December 2012: 149). The Group remunerates its employees based on their performance, work experience and the prevailing market price. The remuneration packages include basic salary, double pay, commission, insurance and mandatory provident fund. The Group operates a share option scheme for the purpose of providing incentives and rewards to eligible Directors and employees of the Group to recognise their contribution to the success of the Group. The packages are reviewed annually by the management and the remuneration committee.

## ADDITIONAL INFORMATION

### Directors' and Chief Executive's Interest in Shares and Underlying Shares

As at 30 June 2013, the Directors and chief executive of the Company had the following interests or short positions in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register of Directors' and chief executives' interests required to be kept under section 352 of the SFO, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in the Listing Rules (the "Model Code"), to be notified to the Company and the Stock Exchange were as follows:

#### Long position

(i) *Interests in issued shares of the Company*

Name of Director	Capacity	No. of ordinary shares interested	% of the Company's issued share capital
Xu Zhong Ping ( <i>note</i> )	Interest held by a controlled corporation	1,200,000,000	47.99%
		Beneficial owner	64,098,431
		1,264,098,431	50.55%
Xu Xiao Yang	Beneficial owner	20,000,000	0.80%

*Note:*

These 1,200,000,000 shares were held under the name of Gentle International Holdings Limited ("Gentle"). Mr. Xu Zhong Ping owns 60% of the issued share capital of Gentle. Mr. Xu was therefore deemed to be interested in the said 1,200,000,000 shares held by Gentle under Part XV of the SFO.

## ADDITIONAL INFORMATION (CONTINUED)

### Directors' and Chief Executive's Interest in Shares and Underlying Shares (CONTINUED)

#### Long position (CONTINUED)

(ii) Interests in underlying shares of the Company

Name of Director	Capacity	No. of share option held	% of the Company's issued share capital
Xu Zhong Ping	Beneficial owner	2,200,000	0.09%
Zhang Fang Hong	Beneficial owner	22,000,000	0.88%
Pan Yutang	Beneficial owner	3,000,000	0.12%
Xu Xiao Yang	Beneficial owner	3,000,000	0.12%
Ma Tianfu	Beneficial owner	3,000,000	0.12%

Apart from the foregoing, as at 30 June 2013, none of the Directors, the chief executive or any of their spouses or children under eighteen years of age has interests in the shares, underlying shares and debentures of the Company, or any of its associated corporations, as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## Share Options

### 2010 Share Option Scheme

The Company has, in accordance with Chapter 17 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), adopted a new share option scheme (the "2010 Share Option Scheme"), as approved by the shareholders of the Company at the extraordinary general meeting held on 10 September 2010. The Directors are given a general mandate to invite eligible participants to take up options at the subscription price as prescribed under the 2010 Share Option Scheme to subscribe for shares of the Company. The purpose of the share option scheme is to enable the Group to grant options to the eligible participants including employees, executive and non-executive Directors, suppliers and customers and shareholders of any members of the Group and any persons or entities that provided research, development or other technical support to the Group or any other group or classes of participants determined by the Directors as incentive or rewards for their contribution to the Group. The share option scheme has become valid and effective for a period of ten years ending on 9 September 2020.

## ADDITIONAL INFORMATION (CONTINUED)

### Share Options (CONTINUED)

#### 2010 Share Option Scheme (CONTINUED)

The exercise price of options is the highest of the nominal value of the shares, the closing price of the shares on the Stock Exchange on the date of offer and the average closing price of the shares on the Stock Exchange for the five business days immediately preceding the date of offer. The options vest in four equal instalments with the first installment vesting from the date of grant. The second, third and fourth instalments vest from one, two and three years after the date of grant respectively. The options are exercisable after the vesting date but within a period of five years from the date of grant. Each option gives the holder the right to subscribe for one ordinary share in the Company.

The total number of securities available for issue under the share option scheme as at 30 June 2013 was 64,500,000 shares which represents 2.58% of the issued share capital of the Company as at 30 September 2012. The number of securities issued and to be issued upon exercise of the options granted to each participant in any 12-month period is limited to 1% of the Company's ordinary shares in issue.

Details of the share options granted under the 2010 Share Option Scheme and a summary of the movements during the period are as follows:

Name	Date of grant	Exercisable period	Exercise price HK\$	Number of share options				Balance at 31.12.2012
				Balance at 1.4.2012	Granted during the period	Exercised during the period	Lapsed during the period	
<b>Directors</b>								
Xu Zhong Ping	17 September 2010	17 September 2010 to 16 September 2020	0.46	2,200,000	—	—	—	2,200,000
Zhang Fang Hong	17 September 2010	17 September 2010 to 16 September 2020	0.46	22,000,000	—	—	—	22,000,000
Pan Yutang	17 September 2010	17 September 2010 to 16 September 2020	0.46	3,000,000	—	—	—	3,000,000
Xu Xiao Yang	17 September 2010	17 September 2010 to 16 September 2020	0.46	3,000,000	—	—	—	3,000,000
Ma Tianfu	17 September 2010	17 September 2010 to 16 September 2020	0.46	3,000,000	—	—	—	3,000,000
Sub-total				33,200,000	—	—	—	33,200,000
<b>Others</b>								
Employees and other qualified participants	17 September 2010	17 September 2010 to 16 September 2020	0.46	31,300,000	—	—	—	31,300,000
Sub-total				31,300,000	—	—	—	31,300,000
<b>Total</b>				64,500,000	—	—	—	64,500,000

**ADDITIONAL INFORMATION (CONTINUED)****Share Options (CONTINUED)****2010 Share Option Scheme (CONTINUED)**

Apart from the foregoing, at no time during the period was the Company, or any of its holding company, subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

**Substantial Shareholders' Interests in Shares**

As at 30 June 2013, the following persons, other than a Director or chief executive of the Company, had interest or short positions in the shares and underlying shares in the Company as recorded in the register required to be kept under section 336 of the SFO:

	<b>Capacity</b>	<b>No. of ordinary shares of the Company interested</b>	<b>% of the Company's issued share capital</b>
Gentle International Holdings Limited	Beneficial owner	1,200,000,000	47.99%
Eternity Venture Limited	Beneficial owner	264,976,000	10.60%
Li Hanying (note 1)	Interest held by a controlled corporation	264,976,000	10.60%
Chung Cheong Group Limited	Beneficial owner	102,304,000	4.09%
Mo Huiqin (note 2)	Interest held by a controlled corporation	102,304,000	4.09%

Note:

- (1) Li Hanying is the sole shareholder of Eternity Venture Limited and was therefore deemed to be interested in the said 264,976,000 shares held by Eternity Venture Limited under Part XV of the SFO.
- (2) Mo Huiqin is the sole shareholder of Chung Cheong Group Limited and was therefore deemed to be interested in the said 102,304,000 shares held by Chung Cheong Group Limited under Part XV of the SFO.

## **ADDITIONAL INFORMATION** (CONTINUED)

### **Substantial Shareholders' Interests in Shares** (CONTINUED)

Save as disclosed above, as at 30 June 2013, so far as is known to the Directors, no person (other than the Directors whose interests are set out in the section headed "Directors' and Chief Executive's Interests in Shares and Underlying Shares" above) had an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

### **Purchase, Redemption or Sale of the Company's Listed Securities**

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

### **Corporate Governance**

The Company recognises the importance of good corporate governance to the Company's healthy growth and has devoted considerable efforts to identifying and formulating corporate governance practices appropriate to the Company's needs.

The Company has complied with the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 to the Listing Rules, throughout the six months ended 30 June 2013 except for the code provision in respect of A.4.1. Details of the deviations from code provision A.4.1 of CG Code in respect of service term of the non- executive Directors respectively are set out in the section "Corporate Governance Report" on pages 19 to 20 of the 2012 Annual Report. (For the nine months ended 31 December 2012).

### **Model Code for Securities Transactions**

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its code of conduct in respect of Directors' dealings in the Company's securities. Specific enquiry has been made of all the Directors who have confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2013.

## ADDITIONAL INFORMATION (CONTINUED)

### Audit Committee

The Company's audit committee is composed of three independent non-executive Directors of the Company. The audit committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the unaudited interim financial statements for the six months ended 30 June 2013.

### Non-compliance with Rule 13.48(1) of the Listing Rules

Pursuant to Rule 13.48(1) of the Listing Rules, the Company is required to send its Interim Report to its Shareholders within three months after the end of financial period, that should be on or before 30 September 2013. Due to the delay in publication of the Annual Report 2012 and subsequent delay in the publication of the Interim Results Announcement, the despatch of the Interim Report 2013 is inevitably affected and therefore delayed.

The Board acknowledges that the delay in the dispatch of the interim report constitutes non-compliance with Rule 13.48(1).

### Sufficiency of Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed public float under the Listing Rules as at the date of this interim report.

### Acknowledgement

Last but not least, the Board would like to take this opportunity to thank the management and staff for their dedication and hard working during the period. The Board would also like to thank all the Group's customers and shareholders for their continued support.

By order of the Board

**Xu Zhong Ping**

*Chairman*

Hong Kong, 3 April 2014