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## **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)**

### **ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTH ENDED 30 SEPTEMBER 2014**

The Board of Directors (the “Board”) of China Environmental Energy Investment Limited (the “Company”) hereby presents the unaudited condensed consolidated interim results of the Company and its subsidiaries (together the “Group”) for the six months ended 30 September 2014 together with the comparative figures for the corresponding previous period as follows:

#### **CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

*Six months ended 30 September 2014*

		<b>Six months ended 30 September</b>	
		<b>2014</b>	2013
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Continuing Operations</b>			
Turnover	4	<b>15,046</b>	42,308
Cost of sales		<b>(14,147)</b>	(38,794)
Gross profit		<b>899</b>	3,514
Investment and other income	5	<b>1,074</b>	3,791
Other gains and losses	6	<b>(84)</b>	(233,926)
Selling and distribution costs		<b>(921)</b>	(831)
Administrative and other expenses		<b>(13,457)</b>	(7,022)
Finance costs	7	<b>(19,687)</b>	(17,376)
Loss before taxation	8	<b>(32,176)</b>	(251,850)
Taxation	9	<b>–</b>	(509)

\* *For identification purposes only*

	<b>Six months ended</b>	
	<b>30 September</b>	
<i>Notes</i>	<b>2014</b>	2013
	<b>HK\$'000</b>	<b>HK\$'000</b>
Loss for the period from continuing operations	<u>(32,176)</u>	<u>(252,359)</u>
<b>Discontinued Operations</b>		
Profit for the period from discontinued operations	<u>–</u>	<u>838</u>
Loss for the period	<u>(32,176)</u>	<u>(251,521)</u>
Other comprehensive expenses		
Exchange difference arising on translation of foreign operations	<u>(1,707)</u>	<u>(2,897)</u>
Total comprehensive expenses for the period	<u><b>(33,883)</b></u>	<u><b>(254,418)</b></u>
(Loss)/Profit for the period from continuing operations attributable to:		
Owners of the Company	<u>(31,877)</u>	<u>(253,160)</u>
Non-controlling interests	<u>(299)</u>	<u>801</u>
	<u><b>(32,176)</b></u>	<u><b>(252,359)</b></u>
(Loss)/Profit for the period from continuing and discontinuing operations attributable to:		
Owners of the Company	<u>(31,877)</u>	<u>(252,322)</u>
Non-controlling interests	<u>(299)</u>	<u>801</u>
	<u><b>(32,176)</b></u>	<u><b>(251,521)</b></u>
Total comprehensive (expenses)/income attributable to:		
Owners of the Company	<u>(33,584)</u>	<u>(255,219)</u>
Non-controlling interests	<u>(299)</u>	<u>801</u>
	<u><b>(33,883)</b></u>	<u><b>(254,418)</b></u>
		(Restated)
Loss Per Share		
From continuing and discontinued operations		
Basic	<u><b>HK\$(0.12)</b></u>	<u>HK\$(7.03)</u>
Diluted	<u>N/A</u>	<u>N/A</u>
From continuing operations		
Basic	<u><b>HK\$(0.12)</b></u>	<u>HK\$(7.05)</u>
Diluted	<u>N/A</u>	<u>N/A</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30 September 2014*

		30 September 2014	31 March 2014
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		<b>19,017</b>	19,639
Goodwill		<b>185,838</b>	185,838
Intangible assets		<b>30,070</b>	32,178
Available-for-sale investment		<b>218,033</b>	64,954
		<u><b>452,958</b></u>	<u>302,609</u>
Current assets			
Inventories		<b>440</b>	372
Trade and bills receivables	<i>13</i>	<b>3,442</b>	3,944
Other receivables, prepayments and deposits paid		<b>31,970</b>	22,568
Restricted bank deposits		<b>5,059</b>	11,767
Bank balances and cash		<b>4,070</b>	10,603
		<u><b>44,981</b></u>	<u>49,254</u>
Current liabilities			
Trade and bills payables	<i>14</i>	<b>6,282</b>	22,887
Other payables and accruals		<b>54,520</b>	47,570
Promissory notes payable		<b>158,200</b>	5,000
Bank and other borrowings		<b>92,029</b>	75,861
Financial liabilities designated at fair value through profit or loss		<b>1,900</b>	–
Tax payable		<b>22,290</b>	21,994
		<u><b>335,221</b></u>	<u>173,312</u>
Net current liabilities		<u><b>(290,240)</b></u>	<u>(124,058)</u>
		<u><b>162,718</b></u>	<u>178,551</u>

	<b>30 September</b>	31 March
	<b>2014</b>	2014
<i>Notes</i>	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
Capital and reserves		
Share capital	<b>2,410</b>	2,320
Share premium and reserves	<b>135,430</b>	151,117
	<hr/>	<hr/>
Equity attributable to owners of the Company	<b>137,840</b>	154,437
Non-controlling interests	<b>(3,423)</b>	(3,124)
	<hr/>	<hr/>
Total equity	<b>134,417</b>	150,313
	<hr/>	<hr/>
Non-current liabilities		
Unconvertible bonds	<b>20,231</b>	20,168
Deferred tax liabilities	<b>8,070</b>	8,070
	<hr/>	<hr/>
	<b>28,301</b>	28,238
	<hr/>	<hr/>
	<b>162,718</b>	178,551
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*NOTES:*

**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 2014 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" and comply 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 2014, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

**2. BASIS OF PREPARATION OF CONDENSED 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 2014, the Group and the Company had net current liabilities of approximately HK\$290,240,000 and HK\$243,119,000 respectively. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's and the Company's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

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 entering into the placing agreement and underwriting agreement with Win Fung Securities Limited (the "Placing Agent") both on 12 November 2014, pursuant to which the Placing Agent has conditionally agreed to place up to 48,190,489 new shares, on a best effort basis, to the placees at the placing price of HK\$0.97 per placing share and underwrite not less than 1,927,619,560 shares and not more than 2,314,080,968 shares respectively. The maximum net proceeds from the placing of new shares are estimated to be approximately HK\$46.28 million and net proceeds from underwritten shares are estimated to be not less than approximately HK\$375.89 million and not more than approximately HK\$451.25 million respectively.

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.

### **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.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 39	Financial Instruments: Recognition and Measurement – Amended by Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC) Interpretation 21	Levies

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.

## New and revised Standards and Interpretations in issue but not yet effective

The following new standards and amendments to standards have been issued but are not yet effective for the period and have not been early adopted by the Group.

HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortization <sup>2</sup>
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer Plants <sup>2</sup>
HKAS 19 (Amendment)	Defined Benefit Plans: Employee Contribution <sup>1</sup>
HKAS 27 (Amendment)	Equity Method in Separate Financial Statements <sup>2</sup>
HKAS 28 and HKFRS 10 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>2</sup>
HKFRS 9	Financial Instruments <sup>5</sup>
HKFRS 11 (Amendment)	Accounting for Acquisition of Interest in Joint Operations <sup>2</sup>
HKFRS 14	Regulatory Deferral Accounts <sup>2</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>4</sup>
Annual Improvements 2012	Improvements to HKASs and HKFRSs cycle <sup>1</sup>
Annual Improvements 2013	Improvements to HKASs and HKFRSs cycle <sup>1</sup>
Annual Improvements 2014	Improvements to HKASs and HKFRSs cycle <sup>3</sup>

<sup>1</sup> Effective for annual period beginning on or after 1 July 2014

<sup>2</sup> Effective for annual period beginning on or after 1 January 2016

<sup>3</sup> Effective for annual period beginning on or after 1 July 2016

<sup>4</sup> Effective for annual period beginning on or after 1 January 2017

<sup>5</sup> Effective for annual period beginning on or after 1 January 2018

The Directors are currently assessing the impact of the adoption of the new standards and amendments to standards and are not yet in the position to comment on the impact to the Group.

## 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	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Sales of laminates	-	-	-	-	-	-
Sales of printed circuit boards	-	-	-	1,850	-	1,850
Sales of recycled materials	15,046	42,308	-	-	15,046	42,308
	<u>15,046</u>	<u>42,308</u>	<u>-</u>	<u>1,850</u>	<u>15,046</u>	<u>44,158</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.

***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 2014**

	Continuing Operations		Discontinued Operations		Sub-total	Total
	Wastes recycling	Sub-total	Trading of Laminates	Manufacture and trading of PCBs		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:						
Sales to external customers	15,046	15,046	-	-	-	15,046
Inter-segment sales	-	-	-	-	-	-
Elimination	-	-	-	-	-	-
Revenue from external customers	<u>15,046</u>	<u>15,046</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,046</u>
Segment results	<u>(30)</u>	<u>(30)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(30)</u>
Interest income						89
Loss on change in fair value of financial liabilities designated at fair value through profit or loss						(84)
Other unallocated income						-
Other unallocated expense						(12,464)
Finance costs						<u>(19,687)</u>
Loss before taxation						(32,176)
Taxation						<u>0</u>
Loss for the period						<u><u>(32,176)</u></u>



**For the six months ended 30 September 2013**

	Continuing Operations		Discontinued Operations		Sub-total	Total
	Wastes	Sub-total	Trading of	Manufacture		
	recycling		Laminates	and trading		
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment revenue:						
Sales to external customers	42,308	42,308	–	1,850	1,850	44,158
Inter-segment 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>	6,152
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						(251,012)
Taxation						<u>(509)</u>
Loss for the period						<u><u>(251,521)</u></u>

***Segment assets and liabilities***

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

	<b>30 September 2014 HK\$'000</b>	31 March 2014 HK\$'000
Segment assets		
Wastes recycling	<u>50,097</u>	<u>48,744</u>
Total segment assets	<u>50,097</u>	<u>48,744</u>
Unallocated	<u>447,842</u>	<u>303,119</u>
Total consolidated assets	<u><b>497,939</b></u>	<u><b>351,863</b></u>
Segment liabilities		
Waste recycling	<u>89,253</u>	<u>86,262</u>
Total segment liabilities	<u>89,253</u>	<u>86,262</u>
Unallocated	<u>274,269</u>	<u>115,288</u>
Total consolidated liabilities	<u><b>363,522</b></u>	<u><b>201,550</b></u>

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, the 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 2014 and 2013 respectively**

	Hong Kong		PRC		Europe		Others		Consolidated	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	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	15,046	42,308	-	-	-	-	15,046	44,158

**5. INVESTMENT AND OTHER INCOME**

	Continuing Operations		Discontinued Operations		Total	
	2014	2013	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Bank interest income	89	4	-	-	89	4
Rental income	-	-	-	-	-	-
Sale of scrap materials	985	787	-	-	985	787
Increase in fair value of investment property	-	-	-	-	-	-
Waive of debts	-	3,000	-	-	-	3,000
Value added tax and other taxes refunded	-	-	-	-	-	-
Others	-	-	-	48	-	48
Total	1,074	3,791	-	48	1,074	3,839

**6. OTHER GAINS AND LOSSES**

	Continuing Operations		Discontinued Operations		Total	
	2014	2013	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loss on change in fair value of financial liabilities designed at fair value through profit or loss	84	217,845	-	-	84	217,845
Impairment loss recognised on available-for-sale investment	-	16,081	-	-	-	16,081
Total	84	233,926	-	-	84	233,926

## 7. FINANCE COSTS

	Continuing Operations		Discontinued Operations		Total	
	2014	2013	2014	2013	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest expenses on:						
Bank and other borrowings wholly repayable within five years	14,461	8,881	-	-	14,461	8,881
Interest on promissory notes	5,165	1,419	-	-	5,165	1,419
Interest on convertible notes	61	7,076	-	-	61	7,076
	-	-	-	-	-	-
	<b>19,687</b>	<b>17,376</b>	<b>-</b>	<b>-</b>	<b>19,687</b>	<b>17,376</b>

## 8. LOSS BEFORE TAXATION

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

	Continuing Operations		Discontinued Operations		Total	
	2014	2013	2014	2013	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Staff costs (including Directors' emoluments)						
Directors' fee, staff salaries and allowances	3,088	3,267	-	176	3,088	3,443
Retirement benefits contributions	95	164	-	2	95	166
	<b>3,183</b>	<b>3,431</b>	<b>-</b>	<b>178</b>	<b>3,183</b>	<b>3,609</b>
Amortisation of prepaid lease payments	-	-	-	1	-	1
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	14,147	38,794	-	819	14,147	39,613
Depreciation of property, plant and equipment	742	1,244	-	52	742	1,296
Reversal of impairment of other receivables	-	(3,666)	-	-	-	(3,666)

## 9. TAXATION

	Continuing Operations		Discontinued Operations		Total	
	2014	2013	2014	2013	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong Profits Tax	-	-	-	-	-	-
PRC income tax	-	509	-	-	-	509
	<b>-</b>	<b>509</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>509</b>

## Hong Kong Profits Tax

Hong Kong Profits Tax has been provided for at the rate of 16.5% (2013: 16.5%) on the estimated assessable profit 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%.

## 10. 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	
	2014	2013	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	-	-	-	1,850	-	1,850
Cost of sales	-	-	-	(819)	-	(819)
Gross profit	-	-	-	1,031	-	1,031
Other income	-	-	-	48	-	48
Selling and distribution expenses	-	-	-	(37)	-	(37)
Administrative expenses	-	(18)	-	(186)	-	(204)
Other gains, net	-	-	-	-	-	-
Finance costs	-	-	-	-	-	-
Profit before taxation	-	(18)	-	856	-	838
Taxation	-	-	-	-	-	-
(Loss)/Profit for the period	-	(18)	-	856	-	838
(Loss)/Profit for the period attributable to owner of the Company	-	(18)	-	856	-	838

- (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 and cumulative exchange gains of HK\$26,624,000 in respect of the disposal of the net assets of the subsidiaries recognised at the year ended 31 March 2014.

## 11. INTERIM DIVIDEND

The Board did not propose to declare an interim dividend for the six months ended 30 September 2014 (2013: Nil).

## 12. 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\$31,877,000 (six months ended 30 September 2013: HK\$252,322,000) and on the weighted average number of 276,142,418 ordinary shares of the Company (six months ended 30 September 2013: 35,904,077) in issue during the period. The weighted average number of ordinary shares for the purpose of calculating basic loss per share for both six months ended 30 September 2014 and 30 September 2013 have been adjusted and restated to take into effect the consolidation of the Company's shares made subsequent to the end of each reporting period and subdivision of Company's shares made during the period ended 30 September 2013.

### (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.

## 13. TRADE AND BILLS RECEIVABLES

	<b>30 September</b>	31 March
	<b>2014</b>	2014
	<b>HK\$'000</b>	<b>HK\$'000</b>
Trade and bills receivables	<b>9,430</b>	9,932
<i>Less:</i> allowance for impairment loss	<b>(5,988)</b>	(5,988)
	<b><u>3,442</u></b>	<b><u>3,944</u></b>

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:

	<b>30 September</b>	31 March
	<b>2014</b>	2014
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
Within 3 months	3,442	3,944
4 to 6 months	–	–
Over 6 months	–	–
	<u>3,442</u>	<u>3,944</u>
	<b><u>3,442</u></b>	<b><u>3,944</u></b>

#### 14. TRADE AND BILLS PAYABLES

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

	<b>30 September</b>	31 March
	<b>2014</b>	2014
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
Within 3 months	–	–
4 to 6 months	6,125	22,730
Over 6 months	157	157
	<u>6,282</u>	<u>22,887</u>
	<b><u>6,282</u></b>	<b><u>22,887</u></b>

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

As at 30 September 2014 and 31 March 2014, trade and bills payables were substantially denominated in the functional currencies of the relevant group entities.

## 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 entire equity interests in 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 Group become recycling of waste paper, scrap metal and consumable wastes (the “Recycling Business”) subsequent to the completion of then Disposal.

The turnover of the Group from continuing operations for the six months ended 30 September 2014 was HK\$15,046,000, representing a 64.44% decrease as compared with HK\$42,308,000 of the previous year. Gross profit from continuing operations was RMB710,839 equivalent to HK\$899,000 (2013: RMB2,834,000 equivalent to HK\$3,514,000) and gross margin was 5.98% (2013: 8.31%). The decrease in gross profit was attributable to decrease in sale price of the recycling paper, continuous rise in the costs of raw materials, manufacturing overheads and minimum wage rate. Operating loss from continuing operations after tax of the Group was HK\$32,176,000 which included a loss of HK\$84,000 on change in fair value of financial liabilities designated at fair value through profit or loss (2013: loss of HK\$217,845,000).

Selling, distribution expenses and administrative expenses from continuing operations were HK\$14,378,000 (2013: HK\$7,853,000). The increase in the expenses was attributable to the increase in professional fees in the current year.

Since the Company’s acquisition of its Recycling Business, the turnover of Recycling Business decreased year by year and fell short of the forecast made at 31 March 2012. This deteriorating performance was attributable to (i) excess production in the paper manufacturing industry; (ii) doldrums of paper manufacturing business due to the slowdown of the national macro economic of the PRC; and (iii) international protectionism, for example, countervailing and anti-dumping, against the development of recycling paper business in the PRC.



## **Electric car battery business**

On 16 July 2010, the Company entered into an agreement pursuant to which the Company conditionally agreed to acquire 9.9% of the issued share capital of Swift Profit International Limited (“Swift Profit”) at a consideration of HK\$170,000,000. The principal asset of Swift Profit is the exclusive licence in relation to the technology of manufacturing multi-element polymer batteries for electric vehicles. Swift Profit is a company incorporated in the British Virgin Islands with limited liability. Swift Profit directly holds 100% of the equity interest in Well Dragon (China) Limited, a company incorporated in Hong Kong and which in turn holds 100% of the equity interest in 象山佳龍能源科技有限公司, a wholly foreign owned enterprise established under the laws of the PRC and is principally engaged in the business of sub-licensing the patent to other factories for the manufacturing of the multi-element polymer batteries for electric vehicles in the PRC.

On 4 June 2014, the Company entered into the sale and purchase agreement (the “Sale and Purchase Agreement”) with Lucky East International Limited (the “Purchaser”), pursuant to which the Purchaser has agreed to acquire and the Company has agreed to sell the sale shares of 9.9% of the entire issued share capital of Swift Profit, at a consideration of HK\$66,000,000 which was settled in three instalments (“Disposal of Swift Profit”). The first instalment in the sum of HK\$3,300,000 was paid within 7 days after date of signing the Sale and Purchase Agreement; the second instalment in the sum of HK\$3,300,000 was paid on 30 June 2014; and the third instalment in the sum of HK\$59,400,000 was paid after the completion of the Disposal of Swift Profit.

Given an intense competition in the industry environment and a less robust demand related to electric cars and batteries, the unsatisfactory performance of Swift Profit and continuing loss making by Swift Profit, the Directors believe that it is in the interest of the Company as a whole to re-allocate the management and the Group’s financial resources to strengthen remaining business of waste paper recycling after the completion of the Disposal of Swift Profit. The Board intended to apply the net proceeds from the Disposal of Swift Profit of approximately HK\$65.9 million for the repayment of debts owed by the Company, working capital of the remaining Group and/or for financing future investment opportunities.

## Acquisition

On 20 January 2014, the Company entered into the sale and purchase agreement with Fortune Glow Limited pursuant to which the Company has conditionally agreed to acquire for and Fortune Glow Limited has conditionally agreed to dispose of the sales shares, representing 10% equity interest in Pure Power Holdings Limited which principally engaged in the exploration and exploitation of natural resources in the United States of America, for the consideration of HK\$125,000,000, which was settled as to HK\$123,200,000 by way of delivery of the promissory notes and as to HK\$1,800,000 by way of delivery of the convertible bonds. The acquisition was completed on 29 April 2014. As advised by the management of Pure Power Holdings Limited, they are currently requesting for extension of the application for permits of drill and planned to have more drillings in February 2015.

On 12 May 2014, the Company and Main Global Group Limited entered into the agreement pursuant to which Main Global Group Limited has conditionally agreed to sell and the Company has conditionally agreed to acquire the sale shares, representing 9.9% equity interest in Starfame Investments Limited which is an investment holding company and indirectly wholly owned 北京吉仁弘暉商貿有限公司 (the “Beijing company”) which is principally engaged in wholesale and distribution products encompassing various aspects of production and livelihood, for a consideration of HK\$30,000,000, which was settled by way of the issue of the promissory note. The acquisition was completed on 20 May 2014. As informed by the management of the Beijing company, the turnover for the first half of 2014 was RMB156,184,000 and operating profit was RMB16,184,000.

On 18 September 2014, the Company and Ms. Chow Yan Ping entered into the agreement pursuant to which Ms. Chow Yan Ping has conditionally agreed to sell and the Company has conditionally agreed to acquire the entire equity interest in Asian Champion Limited which through its subsidiary, HKOMall Limited, is principally engaged in the business of online products sales, provision of web maintenance services and marketing services, for a consideration of HK\$58,000,000, which was settled by way of the issue of the promissory note. The acquisition was completed on 6 October 2014. Following the completion of the said acquisition, Asian Champion Limited and HKOMall Limited have become the subsidiaries of the Company. Accordingly, the Company is interested in 90% issued share capital of the HKOMall Limited.

The Company also entered into a memorandum of understanding on 15 August 2014 (“MOU”) and the supplemental memorandum of understanding on 3 November 2014 (“Supplemental MOU”) in relation to the possible acquisition (“Possible Investment”) of certain equity stake in the capital of Master Resources Holdings Limited, which in turn holds certain equity interests in Onedear Group (the “Target Group Companies”). Under the MOU and Supplemental MOU, the Company and the vendor shall sign a binding sale and purchase agreement in respect of the Possible Investment within 3 months from the date of the Supplemental MOU or such later date as agreed in writing by the parties thereto, subject to further negotiations between the Company and the vendor and the results of the due diligence on the Target Group Companies. The proposed consideration for the Possible Investment and the method and timing of its payment or settlement are to be negotiated and agreed. Based on the preliminary discussions between the Company and the vendor up to the date of this announcement, the proposed consideration for the Possible Investment shall be not more than HK\$760,000,000 and the method and timing of its payment are as follows:–

- (a) as to not less than 50% of the proposed consideration shall be paid in cash upon execution of the formal sale and purchase agreement; and
- (b) the balance of consideration shall be paid by way of issuance of convertible bonds or promissory notes by the Company.

## **Outlook**

In view of the deteriorating performance of the remaining business of the Group, the Group has been exploring and pondering ways to strengthen the source of income and improve the financial position.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 30 September 2014, the Group’s total restricted bank deposits, cash and bank balances amounted to HK\$9,129,000 (31 March 2014: HK\$22,370,000). Total bank loans, other borrowings, unconvertible bond, financial liabilities designated at fair value through profit or loss and promissory notes payable amounted to HK\$272,360,000 as at 30 September 2014 (31 March 2014: HK\$101,029,000). The Group’s gearing ratio, which is net debt divided by equity attributable to owners of the Group plus net debt, increased from 0.49 as at 31 March 2014 to 0.70 as at 30 September 2014. Net debt included bank and other borrowings, trade and bills payable, other payables and accruals, promissory notes payable, unconvertible bonds, financial liabilities designated at fair value through profit or loss and obligation under finance leases less restricted bank deposits, cash and bank balances. As at 30 September 2014, the Group had a current ratio of 0.13 (31 March 2014: 0.28) and net current liabilities of HK\$290,240,000 (31 March 2014: HK\$124,058,000).

As at 30 September 2014, the Company has the following outstanding promissory notes due by the Company (i) in principal amount of HK\$5,000,000 due on 31 January 2013 which was in dispute; (ii) in principal amount of HK\$123,200,000 due on 28 April 2015; and (iii) in principal amount of HK\$30,000,000 due on 19 May 2015.

As at 30 September, 2014, the Company has 8% redeemable convertible notes with principal amount of HK\$1,800,000 due in May 2015, the conversion price of the 8% redeemable convertible notes is HK\$0.768 per share (31 March 2014: Nil). Upon the Share Consolidation (as defined hereinafter) be approved by the shareholders of the Company at special general meeting held on 30 September 2014 and becoming effective on 3 October 2014, the conversion price of the 8% redeemable convertible notes is now HK\$15.36 per consolidated share.

## **CAPITAL STRUCTURE**

On 27 May 2014, the Company entered into a placing agreement with the placing agent, Tanrich Securities Company Limited, pursuant to which the placing agent has conditionally agreed to procure placements, on a best effort basis, of up to 180,000,000 new shares in the Company at the price of HK\$0.107 per share. The placing was completed on 3 June 2014 and the Company issued 180,000,000 new shares for net proceeds of HK\$18,730,000. The net proceeds of HK\$12 million was used for repayment of interest expenses due by the Company and the balance of HK\$6.73 million was used for working capital of the Group.

On 19 June 2014, the Company entered into a loan agreement with an independent third party, under which a loan facility of HK\$200,000,000 was granted to the Company. The loan is unsecured, carries interest at 20% per annum and is repayable on the business day falling on twelve months from the date of the first drawdown of any amount of the loan.

On 20 August 2014, the Company proposed the consolidation of every twenty (20) issued and unissued ordinary shares of par value of HK\$0.0005 each in the existing share capital of the Company into one (1) ordinary share of par value of HK\$0.01 each in the share capital of the Company (“Share Consolidation”). The Share Consolidation became effective on 3 October 2014.

## **FOREIGN EXCHANGE EXPOSURE**

The Group mainly operates in Hong Kong and Mainland China, with revenues and expenditures denominated in Renminbi. During the year, 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 2014 and 31 March 2014.

## **CAPITAL COMMITMENTS**

Except for the contracted for acquisition of a yacht of HK\$4,000,000, the Group had no material capital commitments as at 30 September 2014 and 31 March 2014.

## **PLEDGE OF ASSETS**

As at 30 September 2014 and 31 March 2014, the 80% equity interest in a subsidiary, Ideal Market Holdings Limited, held by the Company was pledged to secure a loan of HK\$68,000,000 granted to the Group.

## **LITIGATION**

The Company announced 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.

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 31 employees as at 30 September 2014 (31 March 2014: 35). 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 2014.

## **AUDIT COMMITTEE**

The Audit Committee of the Company comprises three members, being the three independent non-executive Directors of the Company. The Audit Committee has reviewed the Company's unaudited condensed consolidated financial statements for the period ended 30 September 2014 and discussed financial and internal control, and financial reporting matters of the Company.

## **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 2014, 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. 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 development and planning, as well as to execute business strategies of the Group.

### **Code provision A.4.1**

This code provision stipulates that non-executive directors of a listed issuer should be appointed for a specific term, subject to re-election. Ms. Zhang Ruisi is engaged for a term of one year, which is 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 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.

## **MODEL CODE FOR SECURITIES TRANSACTION BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules (the “Model Code”) for securities transaction by the Directors. Having made specific enquiry, all Directors confirmed that they have complied with the required standard set out in the Model Code during the six months ended 30 September 2014.

## **DIRECTORS OF THE COMPANY**

As at the date of this announcement, the Board comprises four executive Directors, namely Ms. Chen Tong (Chairman), Ms. Chan Ching Ho, Kitty, Mr. Xiang Liang and Ms. Li Lin; two non-executive Directors, namely Ms. Yao Zhengwei and Mr. Wang Zhenghua; and three independent non-executive Directors, namely Ms. Zhang Ruisi, Mr. Tse Kwong Chan and Ms. Zhou Jue.

On behalf of the Board

**Chen Tong**

*Chairman*

Hong Kong

27 November 2014