



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)



2014/15

**INTERIM
REPORT**

*For identification purposes only

CORPORATE INFORMATION

Executive Directors

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

Non-executive Directors

Ms. Yao Zhengwei
Mr. Wang Zhenghua

Independent Non-executive directors

Ms. Zhang Ruisi
(Appointed on 1 September 2014)
Mr. Tse Kwong Chan
Ms. Zhou Jue
Mr. Ong King Keung
(Resigned on 1 September 2014)

Company Secretary

Mr. Leung Chi Wing, Billy

Audit Committee

Ms. Zhang Ruisi (*Chairman*)
Mr. Tse Kwong Chan
Ms. Zhou Jue

Remuneration Committee

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

Nomination Committee

Ms. Zhang Ruisi (*Chairman*)
Mr. Tse Kwong Chan
Ms. Chan Ching Ho, Kitty

Auditor

CCTH CPA Limited
Certified Public Accountants
Unit 5-6, 7/F, Greenfield Tower
Concordia Plaza
1 Science Museum Road
Tsim Sha Tsui
Kowloon, Hong Kong

Legal Advisor

Li, Wong, Lam & W.I. Cheung
22/F, Infinitus Plaza
199 Des Voeux Road Central
Hong Kong

Registered Office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head Office and Principal Place of Business

Room 2211, 22/F, Lippo Centre
Tower Two, 89 Queensway
Hong Kong

Principal Bankers

DBS Bank (Hong Kong) Limited
Industrial and Commercial Bank of
China Limited
Wing Lung Bank Ltd.

Principal Share Registrar and Transfer Office

MUFG Fund Services (Bermuda) Limited
26 Burnaby Street
Hamilton HM 11
Bermuda

Hong Kong Branch Share Registrar and Transfer Office

Tricor Tengis Limited
Level 22, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

Website

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

Stock Code

986



The board (the “Board”) of directors (the “Directors”) of China Environmental Energy Investment Limited (the “Company”) presents the interim report and the unaudited condensed consolidated financial statements of the Company and its subsidiaries (together the “Group”) for the six months ended 30 September 2014.

PRINCIPAL ACTIVITIES

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

RESULTS

The Group’s loss for the six months ended 30 September 2014 and the state of affairs of the Company and the Group as at that date are set out in the financial statements on pages 16 to 46.



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 Nam Hing (B.V.I.) Limited and its subsidiaries (altogether the “Disposed Group”), mainly engaged in trading and manufacturing of printed circuit boards and trading of industrial laminates (the “Disposal”). The Disposal was completed on 10 April 2013. The principal activities of the 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 People’s Republic of China (the “PRC”); and (iii) international protectionism, for example, countervailing and anti-dumping, against the development of recycling paper business in the PRC.



MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

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.



MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

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.



MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Acquisition (Continued)

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 report, 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.



MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

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 April 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.



MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

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.



MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

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.



MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Litigation (Continued)

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

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

Employment, Training and Remuneration Policy

During the period under review, the Group continued to strengthen staff quality through staff development and training programmes. The Group had approximately 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.

MODEL CODE FOR SECURITIES TRANSACTION BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") as its own code of conduct regarding directors' dealings in the securities of the Company. 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.

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

The Company has established written guidelines for the relevant employees of the Company (the "Relevant Employees") in respect of their dealings in the securities of the Company (the "Written Guidelines") on terms no less exacting than the required standard set out in the Model Code. For this purpose, "Relevant Employee" includes any employee of the Company or a director or an employee of a subsidiary or holding company of the Company who, because of such office or employment, is likely to possess inside information in relation to the Company or its securities. No incident of non-compliance of the Written Guidelines by the employees was noted by the Company during the six months ended 30 September 2014.

DIRECTORS' INTERESTS IN CONTRACTS

None of the Directors nor their respective close associates had a material beneficial interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the period.



DIRECTORS' INTERESTS IN A COMPETING BUSINESS

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

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 September 2014, none of the Directors or chief executive of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was deemed or taken to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

During the period ended 30 September 2014, no rights to acquire benefits by means of the acquisition of shares or debentures of the Company was granted to any Director of the Company or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Company's Directors, or their close associates, to acquire such benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.



SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 September 2014, the following party had interests of 5% or more of the issued shares of the Company according to the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long position in issued ordinary shares of the Company

Name of substantial shareholder	Capacity	Number of ordinary shares interested	Percentage ⁺ of the Company's issued share capital
Guan Tie Liang	Joint interests [#]	278,850,000 [△]	5.78%

[#] The joint interests of Guan Tie Liang represent interests jointly held with the following parties: 歐陽弟 for 2,600,000 shares, 孫玉 for 390,000 shares, 曾華仙 for 1,300,000 shares, 王雪灣 for 1,300,000 shares, 堯中文 for 260,000 shares, 李清選 for 1,300,000 shares, 羅敏靈 for 15,600,000 shares, 王鵬 for 1,040,000 shares, 陳菊芳 for 3,900,000 shares, 黃仁學 for 3,900,000 shares, 王瑜 for 650,000 shares, 邱文斌 for 2,600,000 shares, 趙春蘭 for 1,300,000 shares, 蔡長蓉 for 130,000 shares, 楊惠茹 for 3,250,000 shares, 楊軍 for 650,000 shares and 王定慶 for 15,600,000 shares.

[△] The number of shares has been adjusted due to the Company's subdivision of shares on 5 February 2014.

⁺ The percentage represents the number of ordinary shares involved divided by the number of the Company's issued shares as at 30 September 2014. As at 30 September 2014, the number of issued shares of the Company was 4,819,048,900 shares of HK\$0.0005 each.

Save as disclosed above, as at 30 September 2014, no person had registered an interest or a short position in the shares or underlying shares of the Company as recorded in the register of interests required to be kept pursuant to Section 336 of the SFO.



CORPORATE GOVERNANCE

The Board is of the view that the Company has met the code provisions set out in the Corporate Governance Code 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.



CORPORATE COMMUNICATIONS

In accordance with the Listing Rules, the Company has ascertained shareholders' wishes regarding their preferences on the language (i.e. English and/or Chinese) and means of receipt (i.e. in printed form or via the Company's website) of the Company's corporate communications[#]. Shareholders who have chosen/are deemed to have chosen to receive the corporate communications via the Company's website, and who for any reason have difficulty in receiving or gaining access to the Company's corporate communications will promptly upon request be sent the corporate communications in printed form free of charge. Shareholders have the right at any time to change their choice of language and means of receipt of the Company's corporate communications.

Shareholders may request for printed copy of the Company's corporate communications or change their choice of language and means of receipt of the Company's corporate communications by sending reasonable prior notice in writing to the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong. Shareholders may also send such a notice by email to chinaenenergy-ecom@hk.tricorglobal.com.

Shareholders who have chosen to receive the corporate communications in either English or Chinese version will receive both English and Chinese versions of this interim report since both languages are bound together into one booklet.

[#] The Company's corporate communications refer to any document issued or to be issued by the Company for the information or action of holders of any of its securities, including but not limited to: (a) annual report; (b) interim report; (c) notice of meeting; (d) listing document; (e) circular; and (f) form of proxy.

ON BEHALF OF THE BOARD

Chen Tong

Chairman

Hong Kong

27 November 2014



CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Six months ended 30 September 2014

	Notes	Six months ended	
		2014	2013
		HK\$'000	HK\$'000
Continuing Operations			
Turnover	4	15,046	42,308
Cost of sales		(14,147)	(38,794)
Gross profit		899	3,514
Investment and other income	5	1,074	3,791
Other gains and losses	6	(84)	(233,926)
Selling and distribution costs		(921)	(831)
Administrative and other expenses		(13,457)	(7,022)
Finance costs	7	(19,687)	(17,376)
Loss before taxation	8	(32,176)	(251,850)
Taxation	9	-	(509)
Loss for the period from continuing operations		(32,176)	(252,359)
Discontinued Operations			
Profit for the period from discontinued operations		-	838
Loss for the period		(32,176)	(251,521)
Other comprehensive expenses			
Exchange difference arising on translation of foreign operations		(1,707)	(2,897)
Total comprehensive expenses for the period		(33,883)	(254,418)



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

Six months ended 30 September 2014

	Six months ended	
	30 September	
	2014	2013
	HK\$'000	HK\$'000
(Loss)/Profit for the period from continuing operations attributable to:		
Owners of the Company	(31,877)	(253,160)
Non-controlling interests	(299)	801
	<u>(32,176)</u>	<u>(252,359)</u>
 (Loss)/Profit for the period from continuing and discontinuing operations attributable to:		
Owners of the Company	(31,877)	(252,322)
Non-controlling interests	(299)	801
	<u>(32,176)</u>	<u>(251,521)</u>
 Total comprehensive (expenses)/income attributable to:		
Owners of the Company	(33,584)	(255,219)
Non-controlling interests	(299)	801
	<u>(33,883)</u>	<u>(254,418)</u>
		(Restated)
 Loss Per Share		
From continuing and discontinued operations		
Basic	<u>HK\$(0.12)</u>	<u>HK\$(7.03)</u>
Diluted	<u>N/A</u>	<u>N/A</u>
 From continuing operations		
Basic	<u>HK\$(0.12)</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

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



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 30 September 2014

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



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2014

	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000 (Note)	Exchange reserve HK\$'000	Capital redemption reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non Controlling Interests HK\$'000	Total HK\$'000
At 1 April 2013	554	493,391	2,031	32,534	464	(372,055)	156,919	5,059	161,978
Loss for the period	-	-	-	-	-	(252,322)	(252,322)	801	(251,521)
Other comprehensive expense for the period	-	-	-	(2,897)	-	-	(2,897)	-	(2,897)
Total comprehensive expenses for the period	-	-	-	(2,897)	-	(252,322)	(255,219)	801	(254,418)
Issue of shares upon conversion of convertible notes	462	70,796	-	-	-	-	71,258	-	71,258
Placement of shares	32	14,432	-	-	-	-	14,464	-	14,464
Share issue expenses	-	(60)	-	-	-	-	(60)	-	(60)
At 30 Sept 2013 and 1 Oct 2013	1,048	578,559	2,031	29,637	464	(624,377)	(12,638)	5,860	(6,778)
Loss for the period	-	-	-	-	-	(1,162,285)	(1,162,285)	(9,107)	(1,171,392)
Other comprehensive income	-	-	-	-	-	-	-	-	-
Exchange difference arising on translation of foreign operations	-	-	-	(26,334)	-	-	(26,334)	123	(26,211)
Total comprehensive income/(expenses) for the period	-	-	-	(26,334)	-	-	(26,334)	123	(26,211)
Issue of shares upon conversion of convertible notes	1,158	1,263,850	-	-	-	-	1,265,008	-	1,265,008
Issue of shares upon placing of shares	114	91,703	-	-	-	-	91,817	-	91,817
Share issue expenses	-	(2,131)	-	-	-	-	(2,131)	-	(2,131)
At 31 March 2014 and 1 April 2014	2,320	1,931,981	2,031	3,303	464	(1,786,662)	153,437	(3,124)	150,313
Loss for the period	-	-	-	-	-	(31,877)	(31,877)	(299)	(32,176)
Other comprehensive expense for the period	-	-	-	(1,707)	-	-	(1,707)	-	(1,707)
Total comprehensive expenses for the period	-	-	-	(1,707)	-	(31,877)	(33,584)	(299)	(33,883)
Issue of shares upon placing of shares	90	19,170	-	-	-	-	19,260	-	19,260
Share issue expenses	-	(1,273)	-	-	-	-	(1,273)	-	(1,273)
At 30 September 2014	2,410	1,949,878	2,031	1,596	464	(1,818,539)	137,840	(3,423)	134,417

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



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2014

	Six Months ended	
	30 September	
	2014	2013
	HK\$'000	HK\$'000
Net cash used in operating activities	(28,284)	(973)
Net cash generated from/(used in) investing activities	6,797	(8,364)
Net cash (used in)/generated from financing activities	13,829	3,737
Net (decrease)/increase in cash and cash equivalents	(7,658)	(5,600)
Cash and cash equivalents at beginning of the period	10,603	10,731
Effect of foreign exchange rate changes	1,125	(821)
Cash and cash equivalents at end of the period	4,070	4,310



NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2014

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.



NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2014

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

Notwithstanding the aforesaid conditions, the condensed consolidated financial statements have been prepared on a going concern basis on the assumption that the Group will be able to operate as a going concern for the foreseeable future. In the opinion of the Directors, the Group can meet its financial obligations as and when they fall due in the next year from the date of approval of these condensed consolidated financial statements, after taking into consideration of the entering into the placing agreement and underwriting agreement with Win Fung Securities Limited (the "Placing Agent") both on 12 November 2014 and a supplemental placing agreement with the Placing Agent on 27 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\$0.66 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\$31.49 million and net proceeds from underwritten shares are estimated to be not less than approximately HK\$369.88 million and not more than approximately HK\$444.48 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.



NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2014

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.



NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2014

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

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

¹ Effective for annual period beginning on or after 1 July 2014

² Effective for annual period beginning on or after 1 January 2016

³ Effective for annual period beginning on or after 1 July 2016

⁴ Effective for annual period beginning on or after 1 January 2017

⁵ 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.



NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2014

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	2013	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	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
	15,046	42,308	-	1,850	15,046	44,158

(b) Business segments

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

Continuing Operations

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

Discontinued Operations

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

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



NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2014

4. Segment Information (Continued)

(b) Business segments (Continued)

Segment revenue and results

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

For the six months ended 30 September 2014

	Continuing Operations		Discontinued Operations		Sub-total HK\$'000	Total HK\$'000
	Wastes recycling HK\$'000	Sub-total HK\$'000	Trading of Laminates HK\$'000	Manufacture and trading of PCBs 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						<u>(32,176)</u>
Taxation						<u>0</u>
Loss for the period						<u><u>(32,176)</u></u>



NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2014

4. Segment Information (Continued)

(b) Business segments (Continued)

Segment revenue and results (Continued)

For the six months ended 30 September 2013

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



NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2014

4. Segment Information (Continued)

(b) Business segments (Continued)

Segment assets and liabilities

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

	30 September 2014 HK\$'000	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>497,939</u>	<u>351,863</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>363,522</u>	<u>201,550</u>



NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2014

4. Segment Information (Continued)

(b) Business segments (Continued)

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

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

(c) Geographical information

The Group's operations are mainly located in Hong Kong, 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



NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2014

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



NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2014

7. Finance Costs

	Continuing Operations		Discontinued Operations		Total	
	2014	2013	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
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
	19,687	17,376	-	-	19,687	17,376

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
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<u>Staff costs (including Directors' emoluments)</u>						
Directors' fee, staff salaries and allowances	3,088	3,267	-	176	3,088	3,443
Retirement benefits contributions	95	164	-	2	95	166
	3,183	3,431	-	178	3,183	3,609
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)



NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2014

9. Taxation

	Continuing Operations		Discontinued Operations		Total	
	2014	2013	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong Profits Tax	-	-	-	-	-	-
PRC income tax	-	509	-	-	-	509
	<u>-</u>	<u>509</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>509</u>
Tax charge for the period	-	509	-	-	-	509
	<u>-</u>	<u>509</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>509</u>

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%.



NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2014

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 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



NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2014

10. Discontinued Operations (Continued)

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



NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2014

13. Trade and Bills Receivables

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

Bill receivables are aged within 3 months from the invoice date.

The Group has a policy of allowing credit period ranging from 3 to 6 months to its trade customers. In addition, for certain customers with long-established relationships and good past repayment history, a longer credit period may be granted. The Group does not hold any collateral over the balances.

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

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



NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2014

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:

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

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.



NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2014

15. Share Capital

	Number of shares '000	Nominal amount HK\$'000
Authorized:		
Ordinary shares of HK\$0.01 each at 1 April 2013	100,000,000	1,000,000
Subdivision of shares (Note a)	300,000,000	0
Ordinary shares of HK\$0.0025 each at 30 September 2013	400,000,000	1,000,000
Subdivision of shares (Note b)	1,600,000,000	0
Ordinary shares of HK\$0.0005 each at 30 September 2014	2,000,000,000	1,000,000
Issued and fully paid:		
Ordinary shares of HK\$0.01 each at 1 April 2013	55,395	554
Issue of shares on conversion of convertible notes (Note c)	936	9
Subdivision of shares (Note a)	168,992	0
Issue of shares on conversion of convertible notes (Note d)	1,409	4
Issue of shares on conversion of convertible notes (Note e)	179,697	449
Issue of shares on subscription of shares (Note f)	12,800	32
Ordinary shares of HK\$0.0025 each at 30 September 2013	419,229	1,048
Issue of shares on conversion of convertible notes (Note d)	705	2
Issue of shares on conversion of convertible notes (Note e)	462,196	1,156
Issue of shares on placement of shares (Note g)	45,680	114
Share subdivision (Note b)	3,711,239	-
Ordinary shares of HK\$0.0005 each at 31 March 2014	4,639,049	2,320
Issue of shares on placement of shares (Note h)	180,000	90
Ordinary shares of HK\$0.0005 each at 30 September 2014	4,819,049	2,410



NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2014

15. Share Capital (Continued)

Note:

- (a) On 28 June 2013, the Company proposed to implement a share subdivision scheme on the basis that every issued and unissued share of HK\$0.01 each in the share capital of the Company were subdivided into four subdivided shares of HK\$0.0025 each. The share subdivision was effected on 18 July 2013.
- (b) On 15 January 2014, the Company proposed to implement a share subdivision scheme on the basis that every issued and unissued share of HK\$0.0025 each in the share capital of the Company were subdivided into five subdivided shares of HK\$0.0005 each. The share subdivision was effected on 5 February 2014.
- (c) Portion of the 290m Notes (refer to 2014 annual report, Note 33(a)) were converted into new shares of the Company during the current year at the conversion price of HK\$11.35 per share, as follows:

Date of conversion	Principal amount of the 290m Notes converted HK\$'000	Number of ordinary shares issued '000
13 June 2013	10,626	936

- (d) Portion of the 290m Notes (refer to 2014 annual report, Note 33(a)) were converted into new shares of the Company during the year ended 31 March 2014 at the conversion price of HK\$2.838 per share, as follows:

Date of conversion	Principal amount of the 290m Notes converted HK\$'000	Number of ordinary shares issued '000
27 September 2013	4,000	1,409
7 November 2013	2,000	705



NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2014

15. Share Capital (Continued)

Note: (Continued)

- (e) The 95m Notes (refer to 2014 annual report, Note 33(b)) were converted into new shares of the Company during the year ended 31 March 2014 at the conversion price of HK\$0.148 per share, as follows:

Date of conversion	Principal amount	Number of
	of the 95m Notes converted	ordinary shares issued
	HK\$ '000	'000
18 July 2013	8,835	59,697
5 August 2013	5,920	40,000
30 August 2013	11,840	80,000
	<u>26,595</u>	<u>179,697</u>
18 October 2013	8,880	60,000
5 November 2013	11,840	80,000
4 December 2013	12,685	85,709
24 December 2013	21,000	141,892
3 January 2014	14,000	94,595
	<u>68,405</u>	<u>462,196</u>

- (f) On 22 August 2013, the Company entered into a subscription agreement with a subscriber, under which 12,800,000 new ordinary shares of the Company were issued at a price of HK\$1.13 per share, giving rise to a gross proceed of HK\$14,464,000 (before expenses).
- (g) On 18 November 2013, the Company entered into a placement agreement with a financial institution, under which 45,680,000 new ordinary shares of the Company were issued at a price of HK\$2.01 per share, giving rise to a gross proceed at HK\$91,817,000 (before expense).
- (h) 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 net proceeds was HK\$18,730,000.

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



NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2014

16. Share Option Scheme

On 30 August 2011, the Company issued a new share options scheme (the “New Scheme”) to override the then share option scheme dated on 23 August 2002 (the “Old Scheme”) for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations.

A summary of the New Scheme of the Company is as follows:

Purpose	To provide incentives and rewards to eligible participants for their contributions to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group and any entity in which the Group holds an equity interest (the “Invested Entity”).
Eligible participants	<ul style="list-style-type: none"> (i) any employee (whether full-time or part-time), executive directors, non-executive directors and independent non-executive directors of the Company or any of its subsidiaries or Invested Entity; (ii) any supplier of goods or services to any member of the Group or any Invested Entity; any customer of the Group or any Invested Entity; any person or entity that provides research, development or other technological support to the Group or any Invested Entity; and (iii) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity.
Total number of ordinary shares available for issue under the New Scheme and the percentage of the issued share capital that it represents as at the date of the approval of these consolidated financial statements	12,588,360 ordinary shares of HK\$0.0005 each and approximately 0.26% of the issued share capital.



NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2014

16. Share Option Scheme (Continued)

Maximum entitlement of Each eligible participant

Where any grant or further grant of options to an eligible participant would result in the total number of shares issued and to be issued upon exercise of all the options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12 month period up to and including the date of such grant or further grant representing in aggregate over 1% of the total number of shares in issue, such grant or further grant must be separately approved by the shareholders in a general meeting.

Where any grant or further grant of options to a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates, would result in the shares issued and to be issued upon exercise of all options already granted and to be granted (including exercised, cancelled and outstanding options) to such person in the 12-month period up to and including the date of such grant:

- (a) representing in aggregate over 0.1% of the relevant class of shares in issue; and
- (b) having an aggregate value, based on the closing price of the shares at the date of each grant, in excess of HK\$5,000,000,

such grant or further grant of options must be approved by the shareholders in a general meeting.

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

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



NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2014

16. Share Option Scheme (Continued)

Minimum period for which an option must be held before it can be exercised

There is no minimum period for which an option granted must be held before it can be exercised except otherwise imposed by the directors.

Amount payable on acceptance of the option and the period within which such payment must be made

The offer of a grant of share options may be accepted within 28 days from the date of offer with a consideration of HK\$1.00 being payable by the grantee.

Exercise price

Determined by the directors but shall not be less than the highest of (i) the closing price of the ordinary shares as stated in the Stock Exchange's daily quotations sheets on the date of offer of the grant of options, which must be a trading day; (ii) the average closing price of the ordinary shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of offer of the grant of options; and (iii) the nominal value of shares.

The remaining life of the New Scheme

The New Scheme remains in force until 30 July 2021.

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



NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2014

17. Employee Retirement Benefits

Defined contribution retirement plan

The Group has participated in defined contribution retirement schemes established under Mandatory Provident Fund Ordinance (“MPF schemes”) for its employees in Hong Kong. The assets of the MPF Schemes are held separately from those of the Group in funds under the control of independent trustees. Under the rules of the MPF Schemes, each of the employer and its employees are generally required to make contributions to the schemes at 5% of the employee’s relevant monthly income, up to a maximum of HK\$1,500 per month.

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

No forfeited contributions were recognised during the six months ended 30 September 2014 (six months ended 30 September 2013: Nil) and there were no material forfeitures available to reduce the Group’s future contributions at 30 September 2014 and 31 March 2014.



NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2014

18. Commitments

(a) Capital commitments

Except for contract for acquisition of yacht, the Group had no material capital commitments as at 30 September 2014 and 31 March 2014.

(b) Operating lease commitments

The Group as lessee

The Group rented certain office premises and warehouses under operating lease arrangements, with the leases negotiated for a term within one to three years.

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

	30 September 2014 HK\$'000	31 March 2014 HK\$'000
Within one year	637	943



NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2014

19. Related Party Transactions

In addition to the transactions detailed elsewhere in these consolidated financial statements, the Group had the following material transactions with related parties during the year:

- (a) The company disposed of 100% equity interests in and shareholders' loans made to the Disposal Group to Nature Ample Limited, which is wholly owned by Mr. Lau Ching Yim, a former director of the Company, for a cash consideration of HK\$2,000,000.
- (b) Compensation of key management personnel, which are principally the directors of the Company, of the Group:

	Six months ended	
	30 September	
	2014	2013
	HK\$'000	HK\$'000
Short-term employee benefits	1,230	1,380
Post-employment benefits	12	12
	<hr/>	<hr/>
Total compensation paid to key management personnel	1,242	1,392
	<hr/>	<hr/>

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

