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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 MONTHS ENDED 30 SEPTEMBER 2011

The Board of Directors (the "Board") of China Environmental Energy Investment Limited (the "Company") announces the audited consolidated interim results of the Company and its subsidiaries (together the "Group") for the six months ended 30 September 2011 together with the comparative figures for the corresponding previous period as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Six months ended 30 September 2011

	Notes	**Six months ended 30 September 2011** *HK$'000*	2010 *HK$'000* (restated)
Continuing Operations			
Turnover	*4*	**25,557**	31,902
Cost of sales		**(20,705)**	(23,789)
Gross profit		**4,852**	8,113
Other income and gains	*5*	**1,318**	2,495
Selling and distribution expenses		**(953)**	(1,130)
Administrative and other expenses		**(19,542)**	(13,541)
Impairment loss on available for sale investment	*12*	**(21,616)**	–
Finance costs	*6*	**(465)**	(962)
Loss before taxation	*7*	**(36,406)**	(5,025)
Taxation	*8*	**–**	–

* *For identification purposes only*

	Notes	Six months ended 30 September 2011 HK$'000	2010 HK$'000 (restated)
Loss for the period from continuing operations		**(36,406)**	(5,025)
Discontinued Operations			
Loss for the period from discontinued operations	*9*	**–**	(1,700)
Loss for the period		**(36,406)**	(6,725)
Loss for the period attributable to owners of the Company:–			
Loss from continuing operations		**(36,406)**	(5,025)
Loss from discontinued operations		**–**	(1,700)
Loss for the period attributable to owners of the Company		**(36,406)**	(6,725)
Other comprehensive (expenses)/income			
Exchange differences arising on translation of foreign operations		**(620)**	4,551
Total comprehensive expenses for the period attributable to owners of the Company		**(37,026)**	(2,174)
Dividend	*10*	**–**	–
LOSS PER SHARE	*11*		
From continuing and discontinued operations			
Basic		**HK(18.16) cents**	HK(22.63) cents
Diluted		**N/A**	N/A
From continuing operations			
Basic		**HK(18.16) cents**	HK(16.91) cents
Diluted		**N/A**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**30 September 2011** ***HK$'000***	31 March 2011 *HK$'000*
Non-current Assets			
Property, plant and equipment		**17,440**	18,898
Investment property		**9,540**	9,380
Prepaid lease payments		**1,054**	1,052
Available for sale investment	*12*	**151,272**	172,888
		179,306	202,218
Current Assets			
Inventories		**6,826**	6,449
Trade and bills receivables	*13*	**6,219**	4,503
Other receivables, prepayments and deposits paid		**280,499**	158,124
Financial assets at fair value through profit or loss		**15**	62
Pledged bank deposits		**2,030**	2,029
Bank balances and cash		**17,990**	1,237
		313,579	172,404
Current Liabilities			
Trade and bills payables	*14*	**7,801**	8,807
Other payables and accruals		**12,750**	28,699
Bank and other borrowings		**30,234**	46,980
Tax payable		**4,163**	4,097
Convertible notes		**–**	8,849
		54,948	97,432

	Notes	30 September 2011 HK$'000	31 March 2011 HK$'000
Net Current Assets		**258,631**	74,972
		437,937	277,190
Capital and Reserves			
Share capital		**3,147**	117
Reserves		**434,790**	277,073
		437,937	277,190

NOTES

1. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The consolidated financial statements have been prepared on the historical cost basis, except for investment property and certain financial instruments, which are measured at fair values.

The accounting policies used in these consolidated financial statements are consistent with those followed in the preparation of the Group's financial statements for the year ended 31 March 2011.

2. RESTATEMENT OF COMPARATIVE FIGURES

Certain comparative figures contained in the consolidated interim results of the Group have been restated as a result of the following:

(a) Discontinuance of businesses

On 18 January 2011, the directors of the Company determined to discontinue the Laminate Business and the Copper Foil Business *(see Note 9)*, accordingly the prior period's comparative figures of the consolidated statement of comprehensive income and the related notes have been restated to reflect the discontinued operations.

(b) Adjustments for over/understatements of income and expenses for the comparative period

Certain income and expenses of the Group for the six months ended 30 September 2010 had been overstated or understated. As a result, adjustments have been made to the prior period's figures of these income and expenses items in the consolidated statement of comprehensive income.

The adjustments arising from the aforementioned matters did not give rise to any impacts on the results of the Group for the current period and the financial position of the Group as at 30 September 2011 and 31 March 2011.

The effects of the foregoing on the results of the Group for the comparative six months ended 30 September 2010 are summarised as follows:

Effects on the consolidated statement of comprehensive income

	Six months ended 30 September 2010				
	As previously reported *HK$'000*	Adjustments as a result of discontinuance of businesses *HK$'000*	Adjustments arising from over/ understatements of income and expenses *HK$'000*		As restated *HK$'000*
Continuing Operations					
Turnover	34,725	(2,823)			31,902
Cost of sales	(28,833)	5,044			(23,789)
Gross profit	5,892				8,113
Other income and gains	3,968	(2,833)	1,360	*(i)*	2,495
Selling and distribution expenses	(1,557)	427			(1,130)
Administrative and other expenses	(13,570)	1,782	(2,778)	*(ii)*	(13,541)
			1,025	*(iii)*	
Finance costs	(1,065)	103			(962)
Loss before taxation	(6,332)				(5,025)
Taxation	–				–
Loss for the period from continuing operations	(6,332)				(5,025)
Discontinued Operations					
Loss for the period of discontinued operations	–	(1,700)			(1,700)
Loss for the period	(6,332)				(6,725)

Notes:

(i) Understatement of increase in fair value of investment property of HK$1,360,000.

(ii) Understatement of impairment loss of HK$2,778,000 recognised on trade and bills receivables.

(iii) Adjustment of share issue expenses of HK$1,025,000, which were previously included in administrative and other expenses, to deduct from the share premium account.

The consolidated statement of financial position of the Group at 30 September 2010 has been restated as follows:

Consolidated statement of financial position

	As at 30 September 2010			
	As previously reported *HK$'000*	Adjustments arising from under/ overstatements of the related income and expenses *HK$'000*	Other adjustment *HK$'000* *(Note)*	As restated *HK$'000*
Non-current Assets				
Property, plant and equipment	69,775			69,775
Investment property	6,960	1,360		8,320
Prepaid lease payments	15,155			15,155
	91,890			93,250
Current Assets				
Inventories	10,801			10,801
Trade and bills receivables	10,935	(2,778)		8,157
Other receivables, prepayments and deposits paid	75,708			75,708
Tax recoverable	234			234
Pledged bank deposits	2,025			2,025
Bank balances and cash	633			633
	100,336			97,558
Current Liabilities				
Trade and bills payables	15,810			15,810
Other payables and accruals	12,486			12,486
Bank and other borrowings	75,847		16,625	92,472
Tax payable	249			249
	104,392			121,017
Net Current Liabilities	(4,056)			(23,459)
Non-current Liability				
Bank and other borrowings	16,625		(16,625)	–
	71,209			69,791
Capital and Reserves				
Share capital	60,322			60,322
Reserves	10,887	(1,418)		9,469
	71,209			69,791

Note: Other adjustment arose from the adoption of Hong Kong Interpretation 5 "Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause" issued by the HKICPA.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

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

In the current period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations issued by the HKICPA.

HKFRSs (Amendment)	Improvements to HKFRSs issued in 2010
HKFRS 24 (as revised in 2009)	Related Party Disclosures
HK (IFRIC) – Interpretation ("INT") 14	Prepayments of Minimum Funding Requirement
HK (IFRIC) – INT 19	Extinguishing Financial Liabilities with Equity Instruments

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

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[1]
HKFRS 9	Financial Instruments[4]
HKFRS 10	Consolidated Financial Statements[4]
HKFRS 11	Joint Arrangements[4]
HKFRS 12	Disclosure of Interests in Other Entities[4]
HKFRS 13	Fair Value Measurement[4]
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[3]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[2]
HKAS 19 (as revised in 2011)	Employee Benefits[4]
HKFRS 27 (2011)	Separate Financial Statements[4]
HKFRS 28 (2011)	Investments In Associates and Joint Ventures[4]

[1] *Effective for annual periods beginning on or after 1 July 2011*
[2] *Effective for annual periods beginning on or after 1 January 2012*
[3] *Effective for annual periods beginning on or after 1 July 2012*
[4] *Effective for annual periods beginning on or after 1 January 2013*

HKFRS 9 "Financial Instruments" (issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 "Financial Instruments" (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

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

In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liabilities that is attributable to changes in the credit risk of those liabilities is presented in other comprehensive income, unless the presentation of the effects of changes in the liabilities credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liabilities credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liabilities designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for accounting periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that HKFRS 9 will be adopted in the Group's consolidated financial statements for the financial year ending 31 March 2014. Based on the Group's financial assets and financial liabilities at 30 September 2011, the directors anticipate that the application of the new standard will affect the classification and measurement of the Group's available for sale investment and may affect the classification and measurement of other financial assets. At the date of this announcement, the directors are in the process of assessing the potential financial impact.

The amendments to HKFRS 7 "Disclosures – Transfers of Financial Assets" increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the assets. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period. The directors do not anticipate that these amendments to HKFRS 7 will have a significant effect on the Group's disclosures regarding transfers of assets previously effected.

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

4. SEGMENT INFORMATION

Business segments

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

Continuing 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.

Discontinued Operations

Manufacture of laminates: manufacture of industrial laminates; and

Manufacture and trading of copper foils: manufacture and trading of copper foils mainly for use in the manufacture of industrial laminates and PCBs.

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 2011

	Continuing Operations			Discontinued Operations			
	Trading of laminates	**Manufacture and trading of PCBs**	**Sub-total**	**Manufacture of laminates**	**Manufacture and trading of copper foils**	**Subtotal**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Segment revenue:							
Sales to external customers	**83**	**25,474**	**25,557**	**–**	**–**	**–**	**25,557**
Intersegment sales	**–**	**21,297**	**21,297**	**–**	**–**	**–**	**21,297**
Elimination	**–**	**(21,297)**	**(21,297)**	**–**	**–**	**–**	**(21,297)**
Revenue from external customers	**83**	**25,474**	**25,557**	**–**	**–**	**–**	**25,557**
Segment results	**9**	**4,843**	**4,852**	**–**	**–**	**–**	**4,852**
Bank interest income			**43**			**–**	**43**
Fair value changes in financial assets at fair value through profit or loss			**8**			**–**	**8**
Gain on redemption of convertible notes			**570**			**–**	**570**
Increase in fair value of investment property			**160**			**–**	**160**
Other unallocated income			**537**			**–**	**537**
Impairment loss recognised on available for sale investment			**(21,616)**			**–**	**(21,616)**
Unallocated expenses			**(20,495)**			**–**	**(20,495)**
Finance costs			**(465)**			**–**	**(465)**
Loss before taxation			**(36,406)**			**–**	**(36,406)**

For the six months ended 30 September 2010 (restated)

	Continuing Operations			Discontinued Operations			
	Trading of laminates	Manufacture and trading of PCBs	Sub-total	Manufacture of laminates	Manufacture and trading of copper foils	Sub-total	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:							
Sales to external customers	3,154	28,748	31,902	541	2,282	2,823	34,725
Intersegment sales	10,853	–	10,853	–	1,429	1,429	12,282
Elimination	(10,853)	–	(10,853)	–	(1,429)	(1,429)	(12,282)
Revenue from external customers	3,154	28,748	31,902	541	2,282	2,823	34,725
Segment results	1,433	6,680	8,113	120	(2,341)	(2,221)	5,892
Bank interest income			2			–	2
Fair value changes in financial assets at fair value through profit or loss			–			–	–
Gain on redemption of convertible notes			–			–	–
Increase in fair value of investment property			1,360			–	1,360
Other unallocated income			1,133			2,833	3,966
Impairment loss recognised on available for sale investment			–			–	–
Unallocated expenses			(14,671)			(2,209)	(16,880)
Finance costs			(962)			(103)	(1,065)
Loss before taxation			(5,025)			(1,700)	(6,725)

Geographical information

The Group's operations were mainly located in Hong Kong, People's Republic of China ("PRC"), Thailand, Europe and North America 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	
	2011	2010
	HK$'000	*HK$'000*
Segment revenue		
Hong Kong	**4,965**	13,367
PRC	**780**	4,714
Thailand	**–**	2,282
Other Asian countries	**2,885**	2,268
Europe	**11,744**	9,660
North America	**3,050**	870
Others	**2,133**	1,564
Total sales to external customers	**25,557**	34,725

5. OTHER INCOME AND GAINS

	Continuing Operations Six months ended 30 September		**Discontinued Operations Six months ended 30 September**		**Total Six months ended 30 September**	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	*HK$'000* (restated)	***HK$'000***	*HK$'000* (restated)	***HK$'000***	*HK$'000* (restated)
Sale of scrap materials	**68**	311	**–**	–	**68**	311
Bank interest income	**43**	2	**–**	–	**43**	2
Rental income	**123**	66	**–**	–	**123**	66
Foreign exchange gains, net	**300**	602	**–**	2,819	**300**	3,421
Fair value change in financial assets at fair value through profit or loss	**8**	–	**–**	–	**8**	–
Gain on redemption of convertible notes	**570**	–	**–**	–	**570**	–
Increase in fair value of investment property	**160**	1,360	**–**	**–**	**160**	1,360
Others	**46**	154	**–**	14	**46**	168
	1,318	2,495	**–**	2,833	**1,318**	5,328

6. FINANCE COSTS

	Continuing Operations Six months ended 30 September		Discontinued Operations Six months ended 30 September		Total Six months ended 30 September	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Interest expenses on:						
Bank and other borrowings wholly repayable within five years	**332**	800	**–**	103	**332**	903
Factoring arrangements	**49**	162	**–**	–	**49**	162
Imputed interest on convertible notes	**84**	–	**–**	–	**84**	–
	465	962	**–**	103	**465**	1,065

7. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

	Continuing Operations		Discontinued Operations		Total	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	*HK$'000* (restated)	***HK$'000***	*HK$'000* (restated)	***HK$'000***	*HK$'000* (restated)
Staff costs (including directors' emoluments)						
– Salaries and allowances and directors' fees	**7,361**	6,513	**–**	2,026	**7,361**	8,539
– Retirement benefits contributions	**61**	63	**–**	10	**61**	73
	7,422	6,576	**–**	2,036	**7,422**	8,612
Auditors' remuneration	**895**	11	**–**	66	**895**	77
Amortisation of prepaid lease payments	**16**	105	**–**	4	**16**	109
Cost of inventories recognised as an expense	**20,705**	23,789	**–**	5,045	**20,705**	28,834
Depreciation of property, plant and equipment	**1,746**	921	**–**	350	**1,746**	1,271
Direct operating expenses (including repairs and maintenance) of investment property	**11**	18	**–**	–	**11**	18
Impairment loss recognised in respect of trade receivables	**366**	2,599	**–**	–	**366**	2,599
Operating lease rentals in respect of rented premises	**314**	180	**–**	–	**314**	180

8. TAXATION

No provision for Hong Kong profits tax and overseas income taxes has been made in the consolidated financial statements as the Company and its subsidiaries had no assessable profit subject to such taxes for both of the two periods presented.

9. LOSS FOR THE PERIOD FROM DISCONTINUED OPERATIONS

On 18 January 2011, the Group discontinued its business of manufacture of laminates ("Laminate Business") and of manufacture and trading of copper foils ("Copper Foil Business"), the results of which are summerised as follows:–

	Six months ended 30 September	
	2011	2010
	HK$'000	*HK$'000*
Gain from Laminate Business	–	449
Loss from Copper Foil Business	–	(2,149)
	–	(1,700)

The results of the Laminate Business and the Copper Foil Business are analysed below:

		Six months ended 30 September	
		2011	2010
	Notes	***HK$'000***	*HK$'000*
Turnover	*4*	–	2,823
Cost of sales		–	(5,044)
Gross loss		–	(2,221)
Other income and gains	*5*	–	2,833
Selling and distribution expenses		–	(427)
Administrative and other expenses		–	(1,782)
Finance costs	*6*	–	(103)
Loss before taxation	*7*	–	(1,700)
Taxation	*8*	–	–
Loss for the period		–	(1,700)

10. DIVIDEND

The Board does not propose to declare an interim dividend for the six months ended 30 September 2011 (2010: Nil).

11. LOSS PER SHARE

(a) Basic loss per share

From continuing and discontinued operations

The calculation of the basic loss per share is based on the loss for the six months ended 30 September 2011 from continuing and discontinued operations attributable to owners of the Company of approximately HK$36,406,000 (six months ended 30 September 2010: HK$6,725,000) and on the weighted average ordinary shares of 200,420,847 (six months ended 30 September 2010: 29,720,296) shares in issue during the period.

From continuing operations

The calculation of the basic loss per share is based on the loss for the six months ended 30 September 2011 from continuing operations attributable to owners of the Company of approximately HK$36,406,000 (six months ended 30 September 2010: HK$5,025,000) and on the weighted average ordinary shares of 200,420,847 (six months ended 30 September 2010: 29,720,296) shares in issue during the period.

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

(b) Diluted loss per share

Diluted 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 the conversion notes, if any, is regarded as anti-dilutive.

Restatement of comparative figures

Details of the restatement of the loss of the Group for the comparative six months ended 30 September 2010 are disclosed in Note 2. The table below summaries that impact on the basic loss per share:

	Six months ended 30 September 2010	
	(Increase)/ decrease in loss for the period	**(Increase)/ decrease in loss per share**
	HK$'000	***HK cents***
Understatement of increase in fair value of investment property	1,360	4.58
Adjustment of share issue expenses, which were previously included in administrative and other expenses, to deduct from the share premium account	1,025	3.45
Understatement of impairment loss recognised on trade and bills receivables	(2,778)	(9.35)
	(393)	(1.32)

12. AVAILABLE FOR SALE INVESTMENT

	30 September 2011	31 March 2011
	HK$'000	*HK$'000*
Unlisted shares		
At cost	**172,888**	172,888
Impairment loss recognised	**(21,616)**	–
	151,272	172,888

The unlisted shares represent the Group's 9.9% interest in the issued capital of Swift Profit International Limited ("Swift Profit"), a limited liability company incorporated in the British Virgin Islands and principally engaging in investment holding. The principal asset of Swift Profit is the exclusive license in relation to the technology of manufacturing multi-element polymer batteries for electric vehicles.

Having assessed the recoverability of the investment in Swift Profit by reference to the business valuation of Swift Profit as valued by an independent valuer, the directors of the Company consider it appropriate to recognise an impairment loss against the investment amounting to approximately HK$21,616,000 charged to profit or loss for the current period (six months ended 30 September 2010: Nil) as a result of the deterioration of the business undertaken by Swift Profit. The impairment loss has been arrived at based on the present value of the estimated future cash flows of Swift Profit attributable to the Group discounted at the rate of approximately 14% which is determined by reference to the discount rates applicable to those enterprises engaging in business similar to that undertaken by Swift Profit.

13. TRADE AND BILLS RECEIVABLES

	30 September 2011	31 March 2011
	HK$'000	*HK$'000*
Trade and bills receivables	**10,484**	8,429
Less: allowance for impairment loss	**(4,265)**	(3,926)
	6,219	4,503

Bill receivables are aged within 90 days from the invoice date.

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

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

	30 September 2011	31 March 2011
	HK$'000	*HK$'000*
Within 3 months	**5,936**	3,170
4 to 6 months	**283**	478
Over 6 months	**–**	855
	6,219	4,503

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 2011	31 March 2011
	HK$'000	*HK$'000*
Within 3 months	**4,747**	5,281
4 to 6 months	**922**	1,459
Over 6 months	**2,132**	2,067
	7,801	8,807

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

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is an extract from the independent auditor's report with modified opinion on the consolidated financial statements of the Group for the six months ended 30 September 2011.

Basis of Qualified Opinion

We were appointed to conduct the audit of the Group's consolidated financial statements for the current period in September 2011, accordingly, we were not able to observe the counting of the physical inventories of the Group at 30 September 2010 or satisfy ourselves concerning those inventory quantities by alternative means. Since the carrying amount of the inventories at 30 September 2010 affects the determination of the Group's cost of sales for the comparative six months ended 30 September 2010, we were unable to determine whether adjustments might be required to the cost of sales from continuing operations and the loss from discontinued operations and, accordingly, the loss of the Group for the comparative period presented in the consolidated statement of comprehensive income and the related explanatory notes.

Further, the consolidated financial statements for the year ended 31 March 2010 were audited by the predecessor auditor. The auditor's report issued by the predecessor auditor contained a disclaimer opinion regarding, inter alia, the inability to determine whether the income, expenses, assets and liabilities and related disclosures relating to the Company's significant subsidiary incorporated and operating in Thailand included in the consolidated financial statements for that year have been accurately recorded and properly accounted for in that consolidated financial statements. The Group discontinued the business undertaken by the subsidiary on 18 January 2011 and disposed of the subsidiary on that date. Since the carrying amounts of the opening assets, liabilities and accumulated losses at 1 April 2010 of the subsidiary affect the determination of the Group's loss from discontinued operations for the comparative six months ended 30 September 2010, we were unable to determine whether adjustments might be required for the Group's loss from discontinued operations and, accordingly, the loss of the Group for that comparative period presented in the consolidated statement of comprehensive income and the related explanatory notes.

Our opinion on the current period's consolidated financial statements is modified because of the possible effects of the matters referred to above (in this "Basis of Qualified Opinion" section) on the comparability of the current period's figures and the corresponding comparative figures contained in the consolidated statement of comprehensive income and the related notes.

Qualified Opinion

In our opinion, except for the possible effects on the corresponding comparative figures of the matters described in the Basis for Qualified Opinion section, the consolidated financial statements give a true and fair view of the state of the affairs of the Group as at 30 September 2011 and of the Group's loss and cash flows for the six months then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS

The consolidated turnover of the Group for the six months ended 30 September 2011 was HK$25,557,000, representing a 19.89% decrease from HK$31,902,000 of the corresponding period of the previous year. The loss of the Group increased from HK$6,725,000 for the six months ended 30 September 2010 to HK$36,406,000 for the six months ended 30 September 2011.

The loss was attributable to the impairment loss of HK$21,616,000 on investment in the electric car battery business and the increased cost incurred in connection with the acquisition of waste paper recycling business, financial consultancy fee and other legal and professional fees.

Trading and manufacturing of printed circuit boards ("PCBs")

For the six months ended 30 September 2011, the PCB division recorded a turnover of HK$25,474,000 (2010: HK$28,748,000), which accounted for approximately 99.68% of the Group's total turnover and represented a decrease of 11.39% as compared with the corresponding period of the previous year.

The PCB business has recorded an unfavourable performance during the past few years due to the decrease in market demand and the increase in raw material costs as a result of the global economic downturn. During the year 2011, the directors of the Company have placed more focus on the PCB business and implemented a more conservative approach in the procurement of resources to reduce the operating costs. The directors of the Company may consider disposing of the PCB business in the event that no improvement is seen in the coming future.

Trading and manufacturing of industrial laminates and copper foil

The Group has disposed of its manufacturing and main part of trading of industrial laminate business and its manufacturing and trading of copper foil business on 18 January 2011 and maintained small part of trading of industrial laminate business within the Group. Therefore during the period under review, the industrial laminate business reduced to a turnover of HK$83,000 (2010: HK$3,154,000).

Investment in the electric car battery business

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

Due to the downturn in global investment market conditions, sales orders tumbled more than expected. The carrying value of the business was reduced by HK$21,616,000 by reference to a business valuation as valued by a professional valuer.

Acquisition of waste paper recycling business

On 19 November 2010, the Company entered into a framework agreement with four parties in relation to a possible acquisition of 80% of the issued share capital of Ideal Market Holdings Limited. Ideal Market Holdings Limited indirectly holds Suzhou Baina Renewable Resources Co., Ltd which is principally engaged in the recycling business of waste paper, scrap metal and consumable waste. As announced on 9 May 2011, the Company entered into a Sale and Purchase Agreement, pursuant to which the Company, as the purchaser, conditionally agreed to acquire the sale shares and the sale loans at the consideration of HK$850 million. The sale shares represent 80% of the issued share capital of Ideal Market Holdings Limited. The acquisition was completed on 4 November 2011 and the Board anticipated that the recycling business will bring a main source of income to the Group in the future.

Outlook

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

The acquisition of the waste paper recycling business will bring a main source of income to the Group. We believe that the financial performance of the Group will be improved and the Group will be able to ride out the challenges ahead.

LIQUIDITY AND FINANCIAL RESOURCES

In April 2011, the Company had implemented a rights issue of the new shares of the Company at the subscription price of HK$0.068 per rights share on the basis of twenty six (26) rights shares for every one (1) share held. The rights issue became unconditional on 18 April 2011 and 3,030,531,634 new shares of HK$0.001 each were issued by the Company pursuant to the terms of the rights issue, giving rise to gross proceeds of approximately HK$206.08 million (before expenses).

On 27 May 2011, the Company had implemented a share consolidation scheme on the basis that every ten (10) issued and unissued shares of HK$0.001 each in the share capital of the Company were consolidated into one (1) consolidated share of HK$0.01 each in the issued share capital of the Company. The share consolidation was effected on 30 June 2011.

As at 30 September 2011, the Group's total cash and bank balances and pledged bank deposits amounted to HK$20,020,000 (31 March 2011: HK$3,266,000). Total bank loans and other borrowings and convertible notes decreased from HK$55,829,000 as at 31 March 2011 to HK$30,234,000 as at 30 September 2011. The Group's gearing ratio, being the net debt divided by total shareholders' equity plus net debt, also decreased to 0.07 as at 30 September 2011 as compared to 0.25 as at 31 March 2011. Net debt included bank and other borrowings, trade and bills payables, other payables and accruals, tax payable and convertible notes less cash and bank balances and pledged bank deposits. As at 30 September 2011, the Group had a current ratio of 5.71 (31 March 2011: 1.77) and net current assets of HK$258,631,000 (31 March 2011: HK$74,972,000).

On 7 October 2011, the Company entered into an agreement with a placing agent under which the placing agent has conditionally agreed for the procurement, on a best effort, of placement of the convertible notes with an aggregate principal amount of HK$110 million to be issued by the Company for the estimated net proceeds of approximately HK$106 million. The placement of the convertible notes was approved by the shareholders of the Company on 29 November 2011.

The Group's borrowings and cash and bank balances are primarily denominated in Hong Kong dollars and Renminbi. Given the continuous revaluation of Renminbi, the Group is expected to experience pressure on its operating costs.

PLEDGE OF ASSETS

As at 30 September 2011, the Group's assets pledged as security for banking facilities amounted to HK$11,585,000 (31 March 2011: HK$14,434,000).

EMPLOYMENT, TRAINING AND REMUNERATION POLICY

During the period under review, the Group continued to strengthen staff quality through staff development and training programmes. The Group had approximately 231 employees as at 30 September 2011 (2010: 425). 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 2011.

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 consolidated financial statements for the six months ended 30 September 2011 and discussed auditing, financial and internal control, and financial reporting matters of the Company.

CORPORATE GOVERNANCE

The Board is of the view that the Company has complied with the code provisions as set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited during the six months ended 30 September 2011, except for the following deviations:

Code provision A.2.1

This code provision stipulates that the roles of chairman and chief executive officer of a listed issuer should be separate and should not be performed by the same individual. Currently, Ms. Chen Tong ("Ms. Chen") holds the offices of Chairman and Chief Executive Officer of the Company, which constitutes a deviation from the above-mentioned code provision of the CG Code. Ms. Chen has extensive experience in management and over 30 years' business experience. The Board believes that it is in the best 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. Although the non-executive directors and the independent non-executive directors of the Company have not been appointed for a specific term, they are subject to retirement by rotation and re-election at the Company's annual general meeting in accordance with the Company's Bye-laws (the "Bye-laws"). Accordingly, the Board considers that the Company meets the objective of the said code provision A.4.1.

Code provision A.4.2

In accordance with the Bye-laws, all the directors are subject to retirement by rotation at least once every three years and any new director appointed to fill a casual vacancy or as an addition to the Board shall submit himself/herself for re-election by shareholders at the first general meeting after appointment. In addition, code provision A.4.2 of the CG Code also stipulates that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment and that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

Pursuant to the aforesaid provision of the Bye-laws and the CG Code, Ms. Deng Hong Mei, Mr. Lau Chung Yim, Mr. Xiang Liang and Mr. Tse Kwong Chan retired by rotation and were re-elected by rotation at the annual general meeting of the Company held on 30 August 2011 (the "2011 AGM"). Besides, Mr. Wang Zhenghua and Mr. Chan Ying Kay, who were appointed by the Board as directors of the Company during the six months ended 30 September 2011, also retired and were re-elected at the 2011 AGM. Such arrangement on shareholders' election of Mr. Wang Zhenghua and Mr. Chan Ying Kay, at the 2011 AGM instead of the first general meeting of the Company after their appointment held on 29 June 2011 deviates from the code provision A.4.2 of the CG Code and the provision of the Bye-laws. This arrangement was made as the Board considered that grouping directors for re-election in the same general meeting as far as possible provided a clearer and simpler picture to the Company's shareholders.

Code provision E.1.2

Code provision E.1.2 of the CG Code stipulates that the chairman of the independent board committee (if any) should be available to answer questions at any general meeting to approve a connected transaction or any other transaction that is subject to independent shareholders' approval. At the Company's special general meeting held on 27 April 2011 (details of the transaction were set out in the Company's circular dated 23 February 2011), the independent board committee members were not present. To cope with the deviation of this code provision, the chairman of the meeting has read at the meeting the recommendation of independent board committee on the transaction for shareholders' consideration, and the Company Secretary was arranged to answer questions from the independent shareholders at the meeting.

REVIEW OF INTERIM RESULTS

The consolidated results for the six months ended 30 September 2011 have been audited by the Company's auditors, CCTH CPA Limited, and reviewed by the Audit Committee. The Board is of the opinion that the interim results have been prepared in accordance with the applicable accounting standards and requirements and that adequate disclosures have been made.

DIRECTORS OF THE COMPANY

As at the date of this announcement, the Board comprises five executive directors, namely Ms. Chen Tong, Ms. Chan Ching Ho, Kitty, Ms. Deng Hong Mei, Mr. Xiang Liang and Mr. Lau Chung Yim; two non-executive directors, namely Ms. Yao Zhengwei and Mr. Wang Zhenghua; and three independent non-executive directors, namely Mr. Chan Ying Kay, Mr. Tse Kwong Chan and Ms. Zhou Jue.

On behalf of the Board
Chen Tong
Chairman

Hong Kong
30 November 2011