China Environmental Energy Investment Limited

中國環保能源投資有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 986)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTH ENDED 30 SEPTEMBER 2013

The Board of Directors (the "Board") of China Environmental Energy Investment Limited (the "Company") hereby presents the unaudited condensed consolidated interim results of the Company and its subsidiaries (together the "Group") for the six months ended 30 September 2013 together with the comparative figures for the corresponding previous period as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Six months ended 30 September 2013

		Six months ended 30 September	
	Notes	**2013** *HK$'000*	2012 *HK$'000* (restated)
Continuing Operations			
Turnover	*4*	**42,308**	67,154
Cost of sales		**(38,794)**	(54,832)
Gross profit		**3,514**	12,322
Other income and gains	*5*	**3,791**	3,361
(Loss)/Gain on change in fair value of financial liabilities designated at fair value through profit or loss		**(217,845)**	922
Selling and distribution costs		**(831)**	(7,777)
Administrative and other expenses		**(7,022)**	(14,860)
Impairment loss recognised on available-for-sale investment		**(16,081)**	–
Finance costs	*6*	**(17,376)**	(10,645)
Loss before taxation	*7*	**(251,850)**	(16,677)
Taxation	*8*	**(509)**	(299)
Loss for the period from continuing operations		**(252,359)**	(16,976)

* *For identification purposes only*

	Notes	Six months ended 30 September 2013 HK$'000	2012 HK$'000 (restated)
Discontinued Operations			
Profit for the period from discontinued operations		**838**	3,020
Loss for the period		**(251,521)**	(13,956)
Loss for the period		**(251,521)**	(13,956)
Other comprehensive expenses			
Exchange difference arising on translation of foreign operations		**(2,897)**	(740)
Total comprehensive expenses for the period		**(254,418)**	(14,696)
(Loss)/Profit for the period from continuing operations attributable to:			
Owners of the Company		**(253,160)**	(17,216)
Non-controlling interests		**801**	240
		(252,359)	(16,976)
(Loss)/Profit for the period from continuing and discontinuing operations attributable to:			
Owners of the Company		**(252,322)**	(14,196)
Non-controlling interests		**801**	240
		(251,521)	(13,956)
Total comprehensive (expenses)/income attributable to:			
Owners of the Company		**(255,219)**	(14,936)
Non-controlling interests		**801**	240
		(254,418)	(14,696)
			(restated)
LOSS PER SHARE			
From continuing and discontinued operations			
Basic		**HK$(1.41)**	HK$(0.14)
Diluted		**N/A**	N/A
From continuing operations			
Basic		**HK$(1.41)**	HK$(0.17)
Diluted		**N/A**	N/A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2013

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

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

NOTES:

1. GENERAL INFORMATION

The Company was incorporated in Bermuda as an exempted company with limited liability under the Companies Act of Bermuda. The Company's shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The unaudited condensed consolidated interim financial information for the six months ended 30 September 2013 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 2013, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

In preparing the condensed consolidated financial statements, the directors of the Company (the "Directors") have considered the future liquidity of the Group. As at 30 September 2013, the Group and the Company had net current liabilities of approximately HK$420,623,000 and HK$359,738,740 respectively, which included promissory notes payable of HK$54,200,000 and bank and other borrowings of HK$93,800,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business.

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

In light of the measures and arrangements implemented to date, the Directors are of the view that the Group has sufficient cash resources to satisfy its working capital and other financial obligations for the next twelve months from the date of approval of these condensed consolidated financial statements after having taken into account of the Group's projected cash flows, current financial resources and capital expenditure requirements with respect to the production facilities and development of its businesses. Accordingly, the Directors are of the view that it is appropriate to prepare these condensed consolidated financial statements on a going concern basis.

Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to restate the values of assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities respectively. The effects of these potential adjustments have not been reflected in these condensed consolidated financial statements.

3. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

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

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants.

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

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

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

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

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

[1] *Effective for annual periods beginning on or after 1 January 2014*

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

The Directors anticipate that the application of the new and revised standards, amendments or interpretations will have no material impact on the Group's consolidated financial statements except for those which may be relevant as disclosed below.

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

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

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

HKFRS 9 is effective for annual period beginning on or after 1 January 2015, with earlier application permitted. The Directors anticipate that HKFRS 9 will be adopted in the Group's consolidated financial statements for the financial year ending 31 March 2016. Based on the Group's and the Company's financial assets and financial liabilities at 31 March 2013, the Directors anticipate that the application of the new standard will affect the classification and measurement of the Group's and the Company's available-for-sale investment and may affect the classification and measurement of other financial assets and financial liabilities. Up to the date of approval of the consolidated financial statements, the Directors are still in the process of assessing the potential financial impact.

4. SEGMENT INFORMATION

(a) Revenue from major products

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

	Continuing Operations		Discontinued Operations		Total	
	2013	2012	**2013**	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Sales of laminates	**–**	–	**–**	156	**–**	156
Sales of printed circuit boards	**–**	–	**1,850**	22,919	**1,850**	22,919
Sales of recycled materials	**42,308**	67,154	**–**	–	**42,308**	67,154
	42,308	67,154	**1,850**	23,075	**44,158**	90,229

(b) Business segments

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

Continuing Operations

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

Discontinued Operations

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

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

Segment revenue and results

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

For the six months ended 30 September 2013

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

For the six months ended 30 September 2012

	Continuing Operations		Discontinued Operations			
	Wastes recycling	Sub-total	Trading of laminates	Manufacture and trading of PCBs	Sub-total	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:						
Sales to external customers	67,154	67,154	156	22,919	23,075	90,229
Intersegment sales	–	–	–	19,138	19,138	19,138
Elimination	–	–	–	(19,138)	(19,138)	(19,138)
Revenue from external customers	67,154	67,154	156	22,919	23,075	90,229
Segment results	1,904	1,904	(358)	1,305	947	2,851
Interest income						392
Gain on change in fair value of financial liabilities designated at fair value through profit or loss						922
Increase in fair value of investment property						2,180
Other unallocated income						56
Other unallocated expense						(9,241)
Finance costs						(10,817)
Loss before taxation						(13,657)
Taxatin						(299)
Loss for the period						(13,956)

Segment assets and liabilities

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

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

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

- all assets are allocated to reportable segments other than certain pledged bank deposits, cash deposits held by securities broker and bank balances and cash, goodwill, intangible assets, investment property, available-for-sale investment, financial assets at fair value through profit or loss, certain other receivables, prepayments and deposits paid, and assets used jointly by reportable segments.

- all liabilities are allocated to reportable segments other than bank and other borrowings, certain other payables and accruals, tax payable, promissory notes payable, financial liabilities designated at fair value through profit or loss, unconvertible bonds and liabilities for which reportable segments are jointly liable.

(c) Geographical information

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

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

Six months ended 30 September 2013 and 2012 respectively

	Hong Kong		PRC		Europe		Others		Consolidated	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:										
Sales to external customers	**1,850**	4,236	**42,308**	67,154	**–**	4,697	**–**	14,142	**44,158**	90,229

5. OTHER INCOME AND GAINS

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

6. FINANCE COSTS

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

7. LOSS BEFORE TAXATION

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

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

8. TAXATION

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

Hong Kong Profits Tax

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

9. DISCONTINUED OPERATIONS

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

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

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

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

10. INTERIM DIVIDEND

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

11. LOSS PER SHARE

(a) Basic loss per share

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

(b) Diluted loss per share

Diluted earnings/loss per share is not presented because the Group sustained a loss for both of the two periods presented and the impact of conversion of convertible notes and exercise of share options, if any, is regarded as anti-dilutive.

12. TRADE AND BILLS RECEIVABLES

	30 September 2013	31 March 2013
	HK$'000	*HK$'000*
Trade and bills receivables	**17,463**	8,015
Less: allowance for impairment loss	**(5,800)**	(5,800)
	11,663	2,215

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

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

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

	30 September 2013 *HK$'000*	31 March 2013 *HK$'000*
Within 3 months	**11,465**	2,017
4 to 6 months	**–**	–
Over 6 months	**198**	198
	11,663	2,215

13. TRADE AND BILLS PAYABLES

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

	30 September 2013 *HK$'000*	31 March 2013 *HK$'000*
Within 3 months	**2,549**	3,320
4 to 6 months	**623**	783
Over 6 months	**–**	10
	3,172	4,113

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

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

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 Disposed Group, being the Company's subsidiaries mainly engaged in trading and manufacturing of printed circuit boards and trading of industrial laminates (the "Disposal"). The Disposal was completed on 10 April 2013. The principal activities of the Company become recycling of waste paper, scrap metal and consumable wastes subsequent to the completion of the Disposal.

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

Electric car battery business

The Company acquired 9.9% of the issued share capital of Swift Profit International Limited ("Swift Profit") on 29 December 2010. Swift Profit has been granted an exclusive licence to apply the patent and the related technology for manufacturing electric car batteries. Due to the slowdown of the China economy and the increasing concern of consumers on the safety of electric cars, the market of electric cars in China shrank in demand. Therefore, the production expansion plan of Swift Profit has been deferred. The carrying value of the business was reduced by HK$16,081,000 from HK$82,081,000 as at 31 March 2013 to HK$66,000,000 as at 30 September 2013 by reference to a business valuation as prepared by an independent professional valuer.

Printed circuit boards and industrial laminates business

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

Outlook

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

LIQUIDITY AND FINANCIAL RESOURCES

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

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

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

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

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

CAPITAL STRUCTURE

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

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

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

FOREIGN EXCHANGE EXPOSURE

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

CONTINGENT LIABILITIES

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

CAPITAL COMMITMENTS

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

PLEDGE OF ASSETS

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

LITIGATION

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

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

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

EMPLOYMENT, TRAINING AND REMUNERATION POLICY

During the period under review, the Group continued to strengthen staff quality through staff development and training programmes. The Group had approximately 60 employees as at 30 September 2013 (2012: 230). Remunerations are commensurate with the nature of the job, experience and market conditions.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

AUDIT COMMITTEE

The Audit Committee of the Company comprises four members, being the four independent non-executive directors of the Company. The Audit Committee has reviewed the Company's unaudited condensed consolidated financial statements for the period ended 30 September 2013 and discussed financial and internal control, and financial reporting matters of the Company.

CORPORATE GOVERNANCE

The Board is of the view that the Company has met the code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules during the six months ended 30 September 2013, except for the following deviations:

Code provision A.2.1

This code provision stipulates that the roles of chairman and chief executive of a listed issuer should be separate and should not be performed by the same individual. Currently, Ms. Chen Tong ("Ms. Chen") holds the offices of Chairman and Chief Executive Officer of the Company, which constitutes a deviation from the above-mentioned code provision of the CG Code. Ms. Chen has extensive experience in management and over 30 years' business experience. The Board believes that it is in the interests of the Group to have an executive Chairman with in-depth management experiences to guide discussion among Board members on the Group 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. Mr. Liang Jian Hua, Mr. Ong King Keung and Ms. Kwok Wing Kiu are engaged for a term of one year, which are automatically renewable for successive terms of one year upon the expiry of the then current term; whereas the other non-executive directors of the Company, namely Ms. Yao Zhengwei, Mr. Wang Zhenghua, Mr. Tse Kwong Chan and Ms. Zhou Jue, are not appointed for a specific term. However, all of the Company's non-executive directors are subject to retirement by rotation and re-election by shareholders at the annual general meeting pursuant to the Company's Bye-laws. Accordingly, the Board considers that the Company meets the objective of the code provision A.4.1.

Code provision A.6.7

This code provision requires that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of views of shareholders. Due to other business engagements, (i) all the non-executive directors and independent non-executive directors of the Company had not attended the Company's special general meeting (the "SGM") held on 17 July 2013; (ii) all the non-executive directors and the independent non-executive directors of the Company except for Mr. Tse Kwong Chan had not attended the Company's annual general meeting held on 2 September 2013 (the "2013 AGM").

Code provision E.1.2

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

MODEL CODE FOR SECURITIES TRANSACTION BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules (the "Model Code") for securities transaction by Directors. Having made specific enquiry, all Directors confirmed that they have complied with the required standard set out in the Model Code during the six months ended 30 September 2013.

DIRECTORS OF THE COMPANY

As at the date of this announcement, the Board comprises four executive directors, namely Ms. Chen Tong (Chariman), Ms. Chan Ching Ho, Kitty, Mr. Xiang Liang and Ms. Li Lin; three non-executive directors, namely Ms. Yao Zhengwei, Mr. Wang Zhenghua and Mr. Liang Jian Hua; and four independent non-executive directors, namely Mr. Ong King Keung, Mr. Tse Kwong Chan, Ms. Zhou Jue and Ms. Kwok Wing Kiu.

On behalf of the Board
Chen Tong
Chairman

Hong Kong
28 November 2013