LONG SUCCESS INTERNATIONAL (HOLDINGS) LIMITED
百齡國際(控股)有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 8017)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2013

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

This announcement, for which the directors (the "Directors") of Long Success International (Holdings) Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this annual report is accurate and complete in all material respects and not misleading or deceptive; (2) there are no other matters the omission of which would make any statement in this announcement misleading or deceptive; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

*   *For identification purpose only*

The Board of Directors (the "Board") of the Company is pleased to announce the audited consolidated financial results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2013, together with the comparative audited figures for the year ended 31 March 2012, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2013

	Note	2013 HK$'000	2012 HK$'000
Revenue	5	**190,048**	241,220
Cost of sales		**(213,192)**	(217,721)
Gross (loss)/profit		**(23,144)**	23,499
Other income and net gains		**16,783**	34,722
Selling expenses		**(762)**	(882)
Administrative expenses		**(39,318)**	(66,706)
Operating loss		**(46,441)**	(9,367)
Finance costs		**(10,696)**	(23,924)
Impairment loss on amounts due from De-consolidated Subsidiaries	6	**(265,649)**	–
Impairment loss on goodwill		**(24,559)**	(20,556)
Impairment loss on property, plant and equipment		**(91,926)**	(1,031)
Impairment loss on prepaid lease payments		**(1,074)**	–
Impairment loss on deposit for acquisition for property, plant and equipment	6	**(60,939)**	–
Impairment loss on deposits to suppliers	6	**(33,035)**	–
Net loss on de-consolidation of subsidiaries		**(10,223)**	–
Loss before taxation	6	**(544,542)**	(54,878)
Income tax	7	**4,595**	3,043
Loss for the year		**(539,947)**	(51,835)
Other comprehensive (loss)/income			
Exchange differences on translating operations outside Hong Kong			
— Reclassification adjustments upon de-consolidation of subsidiaries		**(9,449)**	–
— Exchange difference arising during the year		**832**	18,688
		(8,617)	18,688
Total comprehensive loss for the year		**(548,564)**	(33,147)

	Note	2013 HK$'000	2012 HK$'000
Loss for the year			
Attributable to:			
Owners of the Company		**(426,444)**	(42,774)
Non-controlling interests		**(113,503)**	(9,061)
		(539,947)	(51,835)
Total comprehensive loss for the year			
Attributable to:			
Owners of the Company		**(434,812)**	(32,332)
Non-controlling interests		**(113,752)**	(815)
		(548,564)	(33,147)
Loss per share attributable to owners of the Company	*8*		
— Basic (HK cents per share)		**(198.30)**	(31.78)
— Diluted (HK cents per share)		**(198.30)**	(31.78)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2013

	Note	2013 HK$'000	2012 HK$'000
Non-current assets			
Property, plant and equipment		**96,480**	228,182
Prepaid lease payments		**17,702**	19,169
Goodwill		**90**	116,725
Intangible assets		**–**	234,171
Available-for-sale financial asset		**180**	180
Derivative financial asset		**–**	19,630
Deposits for acquisition of property, plant and equipment		**12,209**	73,148
Loans receivable		**–**	247
Total non-current assets		**126,661**	691,452
Current assets			
Loans receivable		**–**	5,233
Inventories		**47,646**	40,314
Trade receivables	10	**16,902**	9,190
Prepayments, deposits and other receivables		**2,597**	115,409
Pledged bank deposits		**156,051**	101,727
Cash and cash equivalents		**14,739**	7,938
Total current assets		**237,935**	279,811
Current liabilities			
Trade payables	11	**17,066**	12,165
Other payables	11	**41,403**	82,454
Bank acceptance notes payable		**231,227**	156,698
Current portion of interest-bearing loans		**97,150**	83,680
Convertible bonds		**29,923**	–
Derivative financial liabilities		**759**	–
Bond payable		**–**	95,459
Current tax payable		**–**	899
Total current liabilities		**417,528**	431,355
Net current liabilities		**(179,593)**	(151,544)
Total assets less current liabilities		**(52,932)**	539,908
Non-current liability			
Deferred tax liabilities		**4,064**	47,890
Total non-current liabilities		**4,064**	47,890
NET (LIABILITIES)/ASSETS		**(56,996)**	492,018
CAPITAL AND RESERVES			
Share capital		**6,857**	1,572
Share premium and reserves		**(11,917)**	366,787
Equity attributable to owners of the Company		**(5,060)**	368,359
Non-controlling interests		**(51,936)**	123,659
TOTAL EQUITY		**(56,996)**	492,018

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2013

	Attributable to owners of the Company											
	Share capital *HK$'000*	Share premium *HK$'000*	Contributed surplus *HK$'000*	Exchange reserve *HK$'000*	Share option reserve *HK$'000*	Warrants reserve *HK$'000*	Convertible bonds equity reserve *HK$'000*	Accumulated losses *HK$'000*	Statutory reserve *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total equity *HK$'000*
At 1 April 2011	104,958	383,200	–	12,267	18,563	1,500	3,347	(147,422)	792	377,205	124,474	501,679
Loss for the year	–	–	–	–	–	–	–	(42,774)	–	(42,774)	(9,061)	(51,835)
Exchange difference arising during the year	–	–	–	10,442	–	–	–	–	–	10,442	8,246	18,688
Total comprehensive loss for the year	–	–	–	10,442	–	–	–	(42,774)	–	(32,332)	(815)	(33,147)
Placing of new shares	20,800	–	–	–	–	–	–	–	–	20,800	–	20,800
Share issuance expenses	–	(881)	–	–	–	–	–	–	–	(881)	–	(881)
Extinguishment of convertible bonds	–	–	–	–	–	–	(3,347)	3,347	–	–	–	–
Equity-settled share-based payments	–	–	–	–	3,567	–	–	–	–	3,567	–	3,567
Capital reduction	(124,186)	–	124,186	–	–	–	–	–	–	–	–	–
Transfer	–	–	(124,186)	–	–	–	–	124,186	–	–	–	–
Transfer to statutory reserve	–	–	–	–	–	–	–	(250)	250	–	–	–
At 31 March 2012	1,572	382,319 (#)	– (#)	22,709 (#)	22,130 (#)	1,500 (#)	– (#)	(62,913) (#)	1,042 (#)	368,359	123,659	492,018

	Attributable to owners of the Company											
	Share capital *HK$'000*	Share premium *HK$'000*	Contributed surplus *HK$'000*	Exchange reserve *HK$'000*	Share option reserve *HK$'000*	Warrants reserve *HK$'000*	Convertible bonds equity reserve *HK$'000*	Accumulated losses *HK$'000*	Statutory reserve *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total equity *HK$'000*
At 1 April 2012	1,572	382,319	–	22,709	22,130	1,500	–	(62,913)	1,042	368,359	123,659	492,018
Loss for the year	–	–	–	–	–	–	–	(426,444)	–	(426,444)	(113,503)	(539.947)
Reclassification adjustments upon de-consolidation of subsidiaries	–	–	–	(9,449)	–	–	–	–	–	(9,449)	–	(9,449)
Exchange difference arising during the year	–	–	–	1,081	–	–	–	–	–	1,081	(249)	832
Total comprehensive loss for the year	–	–	–	(8,368)	–	–	–	(426,444)	–	(434,812)	(113,752)	(548,564)
Issuance of convertible bonds, net of issuance expenses	–	–	–	–	–	–	40,375	–	–	40,375	–	40,375
Deferred tax liability on recognition of equity components of convertible bonds	–	–	–	–	–	–	(6,662)	–	–	(6,662)	–	(6,662)
Placing of new shares	410	7,006	–	–	–	–	–	–	–	7,416	–	7,416
Share issuance expenses	–	(146)	–	–	–	–	–	–	–	(146)	–	(146)
De-consolidation of subsidiaries	–	–	–	–	–	–	–	–	–	–	(61,843)	(61,843)
Conversion of convertible bonds	4,875	28,683	–	–	–	–	(13,148)	–	–	20,410	–	20,410
Lapse of shares option and warrants	–	–	–	–	(6,122)	(1,500)	–	7,622	–	–	–	–
At 31 March 2013	6,857	417,862 (#)	– (#)	14,341 (#)	16,008 (#)	– (#)	20,565 (#)	(481,735) (#)	1,042 (#)	(5,060)	(51,936)	(56,996)

(#) As at 31 March 2013, the aggregate amount of share premium and reserves was deficit of HK$11,917,000 (2012: surplus of HK$366,787,000).

Notes

1. GENERAL INFORMATION

Long Success International (Holdings) Limited ("the Company") is an exempted company incorporated in Bermuda with limited liability and its shares are listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of its registered office is Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda. The address of its principal place of business was 26/F, EIB Centre, 40-44 Bonham Strand, Sheung Wan, Hong Kong and was relocated to Unit 6, 9/F., Tower A, Hunghom Commercial Centre, 39 Ma Tau Wai Road, Hunghom, Kowloon, Hong Kong with effect from 25 January 2013.

The Company is an investment holding company. During the year, its subsidiaries are principally engaged in (i) manufacturing and sales of paper products and (ii) money-lending business.

2. BASIS OF PREPARATION

Except for the matters regarding the de-consolidation of subsidiaries as mentioned below, these 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 GEM of the Stock Exchange.

These financial statements are presented in Hong Kong dollars ("HK$"), rounded to the nearest thousand except for loss per share data. Hong Kong dollar is the Company's functional and the Group's presentation currency.

The measurement basis used in the preparation of the financial statements is the historical cost basis except the derivative financial instruments which are stated at their fair value.

The preparation of financial statements in conformity with HKFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses.

Going concern

The Group incurred loss for the year ended 31 March 2013 of approximately HK$539,947,000 and, as of that date, the Group and the Company's current liabilities exceeded its current assets by approximately HK$179,593,000 and HK$37,913,000 respectively, while net liabilities of the Group and the Company amounted to approximately HK$56,996,000 and HK$1,360,000 respectively. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's and the Company's ability to continue as a going concern.

The directors of the Company have been taking active steps to improve the liquidity position of the Group. These steps included (1) two of the existing shareholders of the Company have confirmed their intention and ability to provide continuing financial support to the Group so as to enable it to meet its liabilities as and when they fall due and to carry on its business for the foreseeable future; (2) the directors of the Company are considering various alternatives to strengthen the capital base of the Company through various fund raising exercises, including but not limit to, private placement, open offer or rights issue of new shares of the Company; and (3) the directors of the Company continue to take action to tighten cost controls over various operating expenses, with an aim to attaining profitable and positive cash flow operations.

In light of the measures and arrangements as described above and with reference to a cash flow forecast in relation to the current business and financing plans of the Group, the directors have concluded that the Group will have sufficient working capital to meet its financial obligation as and when they fall due. Accordingly, the directors are of the opinion that it is appropriate to prepare these consolidated financial statements on a going concern basis. Should the going concern assumption be inappropriate, adjustments may have to be made to reflect the situation that assets may need to be realised other than at the amounts at which they are currently recorded in the consolidated statement of financial position. In addition, the Group may have to provide for further liabilities that might arise, and to reclassify non-current assets and liabilities as current assets and liabilities.

De-consolidation of subsidiaries

The current directors of the Company, who were appointed during the period from January 2013 to April 2013, had been unable to obtain complete set of books and records together with the supporting documents of the Group's PRC subsidiaries, Dongguan Jiu He Bioplastics Company Limited (東莞九禾生物塑料有限公司) and Zhongshan Jiu He Bioplastics Company Limited (中山九禾生物塑料有限公司) (the "PRC Subsidiaries") due to the resignations of the key management staff in early 2013 and the unwillingness of the holders of non-controlling interests who are managing the PRC Subsidiaries (the "non-controlling shareholders") to co-operate in the preparation and completion of the books and accounts. The PRC Subsidiaries and their respective holding companies (the "Holding Companies") namely Fast Rise Development Limited, Ever Stable Holdings Limited and World Champion Investments Limited (together referred to as the "De-consolidated Subsidiaries") form the Group's biodegradable products operating segment.

In the absence of complete set of books and records and the non-cooperation of the non-controlling shareholders, the PRC Subsidiaries have been deconsolidated from the consolidated financial statements of the Group as from 1 April 2012. Since the Holding Companies are merely holding the interests of the PRC Subsidiaries as their principal operations, the directors of the Company consider that the Holding Companies should also be de-consolidated as it would be meaningless and to a certain extent confusing to consolidate only the Holding Companies that would only show a partial picture of the assets and liabilities of the entire biodegradable products operating segment. As a result, the Holding Companies were also de-consolidated from the consolidated financial statements as from 1 April 2012. The de-consolidation of the Holding Companies is not in accordance with the Hong Kong Accounting Standard 27 (Revised) "*Consolidated and Separate Financial Statements*".

The de-consolidation of the De-consolidated Subsidiaries had resulted in a net loss on de-consolidation of subsidiaries of approximately HK$10,223,000 and impairment loss on amounts due from De-consolidated Subsidiaries of approximately HK$265,649,000. The directors, to the best of their knowledge and belief, are of the view that the carrying values of the amounts due from De-consolidated Subsidiaries are not recoverable and, accordingly, impairment loss of HK$265,649,000 has been recognised in the profit or loss.

As mentioned in the Company's announcement dated 13 June 2013, the Company has commenced legal proceedings on 13 June 2013 against Mr. Leung Wa (梁華), the vendor in the Company's acquisition of 100% equity interest in Ever Stable Holdings Limited, which owned 60% equity interest in Dongguan Jiu He Bioplastics Company Limited (東莞九禾生物塑料有限公司) for breach of the acquisition agreement and the supplemental agreements.

3. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS

(a) Application of new and revised Hong Kong Financial Reporting Standards ("HKFRSs")

In the current year, the Group has applied the following new and revised HKFRSs issued by the HKICPA.

Amendments to HKFRS 7	Financial Instruments: Disclosures — Transfers of Financial Assets; and
Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets

The application of the amendments to HKFRSs in the current year has had no material effect on the Group's financial performance and the Group's and the Company's positions for the current and prior accounting periods and/or on the disclosures set out in these financial statements.

(b) Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 March 2013

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 March 2013 and which have not been adopted in these financial statements.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle[1]
Amendments to HKFRS 7	Disclosures — Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[2]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[1]
HKFRS 11	Joint Arrangements[1]
HKFRS 12	Disclosure of Interests in Other Entities[1]
HKFRS 13	Fair Value Measurement[1]
HKAS 19 (as revised in 2011)	Employee Benefits[1]
HKAS 27 (as revised in 2011)	Separate Financial Statements[1]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[1]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[4]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[2]
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets[2]
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine[1]
HK(IFRIC)-Int 21	Levies[2]

1 Effective for annual periods beginning on or after 1 January 2013.
2 Effective for annual periods beginning on or after 1 January 2014.
3 Effective for annual periods beginning on or after 1 January 2015.
4 Effective for annual periods beginning on or after 1 July 2012.

The Group is in the process of making an assessment of what the impact of these new and revised HKFRSs is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

4. SEGMENT INFORMATION

The Group manages its business by divisions, which are organised by a mixture of business lines (products and services), in a manner consistent with the way in which information is reported internally to the Board of Directors of the Company, being the chief operating decision maker, for their decisions about resources allocation to the Group's business components and review of these components' performance.

The Group has the following operating segments:

(i) Paper products — manufacturing, processing and sales of package and paper products;

(ii) Biodegradable products — manufacturing, processing and sales of biodegradable products (subsidiaries under this operating segment had been de-consolidated in the current year); and

(iii) Money-lending business.

There were no sales or other transactions between the operating segments.

The segments are managed separately as each business offers different products and services. The accounting policies of the operating segments are the same as those described in the basis of preparation of the financial statements and significant accounting policies.

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

	2013	2012
	HK$'000	*HK$'000*
Package and paper products	**183,853**	238,937
Biodegradable products	**–**	953
Interest and handling fee income from money-lending operation	**329**	1,330
Others	**5,866**	–
	190,048	241,220

(a) Segment results, assets and liabilities

Revenue and expenses are allocated to the reportable segments with reference to the revenue generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

Segment assets include all non-current and current assets with the exception of available-for-sale financial assets and other corporate assets. Segment liabilities include all current and non-current liabilities with the exception of convertible bonds, derivative financial liabilities, bond payable, current tax payable, deferred tax liabilities and other corporate liabilities.

The measurement used for reporting segment profit is "adjusted operating profit/(loss)". To arrive at "adjusted operating profit/(loss)", the Group's profit/(loss) are further adjusted for items not specifically attributed to individual segments, such as directors' remuneration, impairment loss on amounts due from De-consolidated Subsidiaries, impairment loss on goodwill, net loss on de-consolidation of subsidiaries, other income and net gains, finance costs and other corporate expenses. Taxation charge is not allocated to reporting segments.

Information regarding the Group's reportable segments as provided to the Group's directors for the purposes of resources allocation and assessment of segment performance for the years ended 31 March 2013 and 2012 is set out below.

Year ended 31 March 2013

	Paper products *HK$'000*	Biodegradable products *HK$'000*	Money-lending *HK$'000*	Total *HK$'000*
Segment revenue				
Sales to external customers	**183,853**	**–**	**329**	**184,182**
Segment results	**(232,706)**	**–**	**(5,440)**	**(238,146)**
Segment assets	**360,883**	**–**	**346**	**361,229**
Segment liabilities	**376,609**	**–**	**130**	**376,739**
Other information				
Interest income	**3,264**	**–**	**–**	**3,264**
Interest expense	**6,715**	**–**	**27**	**6,742**
Depreciation and amortisation	**22,818**	**–**	**917**	**23,735**
Capital expenditure	**16,279**	**–**	**313**	**16,592**
Impairment loss on prepaid lease payments	**1,074**	**–**	**–**	**1,074**
Impairment loss on property, plant and equipment	**91,926**	**–**	**–**	**91,926**
Impairment loss on goodwill	**24,559**	**–**	**–**	**24,559**
Impairment loss on loan receivable	**–**	**–**	**4,141**	**4,141**
Impairment loss on other receivables	**1,456**	**–**	**–**	**1,456**
Impairment loss on trade receivables	**753**	**–**	**–**	**753**
Write down of inventories	**13,251**	**–**	**–**	**13,251**
Impairment loss on deposit for acquisition for property, plant and equipment	**60,939**	**–**	**–**	**60,939**
Impairment loss on deposits to suppliers	**33,035**	**–**	**–**	**33,035**

Year ended 31 March 2012

	Paper products *HK$'000*	Biodegradable products *HK$'000*	Money-lending *HK$'000*	Total *HK$'000*
Segment revenue				
Sales to external customers	238,937	953	1,330	241,220
Segment results	8,000	(26,323)	(1,897)	(20,220)
Segment assets	519,129	440,904	6,139	966,172
Segment liabilities	274,855	50,776	249	325,880
Other information				
Interest income	1,574	–	–	1,574
Interest expense	8,966	–	28	8,994
Depreciation and amortisation	19,458	20,551	2	40,011
Capital expenditure	58,267	15,131	–	73,398
Impairment loss on property, plant and equipment	–	–	1,031	1,031
Impairment loss on goodwill	20,556	–	–	20,556

(b) Reconciliation of reportable segment revenue, loss, assets and liabilities

	2013	2012
	HK$'000	*HK$'000*
Revenue		
Total reportable segment revenue	**184,182**	241,220
Unallocated revenue	**5,866**	–
Consolidated revenue	**190,048**	241,220
Loss		
Total reportable segment loss derived from the Group's external customers	**(238,146)**	(20,220)
Impairment loss on amounts due from De-consolidated Subsidiaries	**(265,649)**	–
Impairment loss on goodwill	**(24,559)**	(20,556)
Net loss on de-consolidation of subsidiaries	**(10,223)**	–
Other income and net gains	**16,783**	34,722
Finance costs	**(10,696)**	(23,924)
Unallocated corporate expenses	**(12,052)**	(24,900)
Consolidated loss before taxation	**(544,542)**	(54,878)
Assets		
Total reportable segment assets	**361,229**	966,172
Available-for-sale financial assets	**180**	180
Unallocated corporate assets	**3,187**	4,911
Consolidated total assets	**364,596**	971,263
Liabilities		
Total reportable segment liabilities	**376,739**	325,880
Convertible bonds	**29,923**	–
Derivative financial liabilities	**759**	–
Bond payable	**–**	95,459
Current tax payable	**–**	899
Deferred tax liabilities	**4,064**	47,890
Unallocated corporate liabilities	**10,107**	9,117
Consolidated total liabilities	**421,592**	479,245

(c) Geographical information

The following is an analysis of the geographical location of (i) the Group's revenue from external customers and (ii) the Group's non-current assets as specified below. The geographical location of customers refers to the location at which the services were provided or the goods delivered. The Group's non-current assets include property, plant and equipment, prepaid lease payments, goodwill, intangible assets and deposit for acquisition for property, plant and equipment. The geographical location of property, plant and equipment, prepaid lease payments, deposit for acquisition for property, plant and equipment is based on the physical location of the asset under consideration. In the case of goodwill and intangible assets, it is based on the location of the operation to which these intangibles are allocated.

The following table presents an analysis of the Group's revenue from external customers according to the geographical locations where those customers are located:

	2013	2012
	HK$'000	*HK$'000*
PRC	**183,853**	239,890
Hong Kong (place of domicile)	**6,195**	1,330
	190,048	241,220

The following table presents an analysis of the Group's non-current assets (other than financial instruments) according to the geographical areas where those assets are located:

	2013	2012
	HK$'000	*HK$'000*
PRC	**124,742**	670,864
Hong Kong	**1,739**	531
	126,481	671,395

(d) Information about major customers

During the year ended 31 March 2012, one customer accounted for approximately HK$28,210,000 of the Group's revenue, which was attributed to the paper products segment. Save as aforesaid, no other external customers accounted for 10% or more of the Group's revenue for the years ended 31 March 2013 or 2012.

5. REVENUE

The principal activities of the Group are manufacturing and sales of paper products and money-lending business.

Revenue represents the sales value of goods supplied to customers and interest income from money-lending operation, net of value-added tax and/or business tax and after deducting discounts and returns. An analysis of the Group's revenue is as follows:

	2013	2012
	HK$'000	*HK$'000*
Sales of paper products	**183,853**	238,937
Sales of biodegradable products	**–**	953
Sales of other products	**5,866**	–
Interest and handling fee income from money-lending operation	**329**	1,330
	190,048	241,220

6. LOSS BEFORE TAXATION

Loss before taxation is stated after charging/(crediting) the following:

	2013	2012
	HK$'000	*HK$'000*
Auditor's remuneration		
— Provision for the year	**1,369**	1,421
— (Over)-provision for previous year	**–**	(69)
Costs of inventories sold	**213,192**	217,721
Amortisation of prepaid lease payments	**507**	551
Amortisation of intangible assets	**–**	19,062
Depreciation of property, plant and equipment	**23,237**	20,509
Fair value change on derivative financial asset	**–**	(19,630)
Fair value change on derivative financial liabilities	**(9,856)**	(7,400)
Loss on redemption of convertible note	**–**	7,785
Impairment loss on amounts due from De-consolidated Subsidiaries	**265,649**	–
Impairment loss on goodwill	**24,559**	20,556
Impairment loss on prepaid lease payments	**1,074**	–
Impairment loss on property, plant and equipment	**91,926**	1,031
Impairment loss on trade receivables	**753**	–
Impairment loss on other receivables	**1,478**	–
Impairment loss on loan receivables	**4,141**	–
Impairment loss on deposit for acquisition of property, plant and equipment	**60,939**	–
Impairment loss on deposits to suppliers	**33,035**	–
Net loss on de-consolidation of subsidiaries	**10,223**	–
Exchange loss	**–**	1,539
Minimum lease payments under operating leases in respect of leased premises	**946**	3,833
Staff costs including directors' emoluments		
— Contributions to defined contribution retirement plan	**3,218**	1,488
— Equity-settled share-based payment expenses	**–**	2,888
— Salaries, wages and other benefits	**18,376**	19,720
	21,594	24,096

7. INCOME TAX IN THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(a) Taxation in the consolidated statement of comprehensive income represents:

	2013	2012
	HK$'000	*HK$'000*
Current tax — provision for current year:		
— Hong Kong	**–**	–
— PRC	**–**	816
Current tax — (over)/under-provision in previous year:		
— Hong Kong	**–**	10
— PRC	**108**	62
— Macau	**(833)**	–
Deferred tax		
— Credited to consolidated statement of comprehensive income during the year	**(3,870)**	(3,931)
	(4,595)	(3,043)

No provision for PRC Enterprise Income Tax for 2013 has been made as the Group did not generate any assessable profits arising in the PRC. In 2012, subsidiaries located in the PRC are subject to the PRC Enterprise Income Tax at a rate of 25% on their assessable profits. No provision for Hong Kong Profits Tax for 2012 and 2013 has been made as the Group did not generate any assessable profits arising in Hong Kong in 2012 and 2013. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

(b) Reconciliation between tax credit and accounting loss at applicable tax rates:

A reconciliation of the theoretical tax credit calculated using the statutory tax rate to the actual tax credit is as follows:

	2013	2012
	HK$'000	*HK$'000*
Loss before taxation	**(544,542)**	(54,878)
Notional tax on loss before taxation, calculated at the rates applicable to losses in the jurisdictions concerned	**(111,935)**	(12,082)
Tax effect of income not subject to tax	**(2,086)**	–
Tax effect of expenses not deductible for tax	**76,642**	7,989
(Over)/under-provision in previous years	**(724)**	72
Tax effect of tax losses not recognised	**7,768**	978
Tax effect of other deductible temporary difference not recognised	**25,740**	–
Tax credit for the year	**(4,595)**	(3,043)

8. LOSS PER SHARE

The calculation of the basic and diluted loss per share is based on:

	2013	2012
	HK$'000	*HK$'000*
Loss attributable to owners of the Company	**(426,444)**	(42,774)

	2013	2012
	'000	*'000*
Weighted average number of ordinary shares in issue	**215,048**	134,607

The basic and diluted loss per share are the same for the years ended 31 March 2013 and 2012 respectively, as the share options, warrants and convertible note/bonds outstanding during the years are anti-dilutive.

9. DIVIDENDS

No dividend has been paid, declared or recommended for payment by the directors of the Company during the year or since the end of the reporting period (2012: Nil).

10. TRADE RECEIVABLES

	Group	
	2013	2012
	HK$'000	*HK$'000*
Accounts receivable	**16,397**	6,719
Bank acceptance notes receivable	**1,262**	2,471
Less: Allowance for impairment	**(757)**	–
	16,902	9,190

All of the trade receivables are expected to be recovered within one year.

(a) Age analysis

The ageing analysis of trade receivables (net of allowance for doubtful debts) as of the end of the reporting period is as follows:

	Group	
	2013	2012
	HK$'000	*HK$'000*
Within three months	**15,856**	8,687
Over three months but within six months	**394**	273
Over six months but within one year	**652**	73
Over one year but within two years	**–**	157
	16,902	9,190

Trade debtors are generally due within one to three months from the date of billing.

(b) Impairment of trade receivables

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly.

The movement in the allowance for impairment of doubtful debts during the year, including both specific and collective loss components, is as follows:

	Group	
	2013	2012
	HK$'000	*HK$'000*
At beginning of year	**–**	–
Impairment loss recognised	**753**	–
Exchange realignment	**4**	–
At end of year	**757**	–

(c) Trade receivables that are not impaired

The ageing analysis of the receivables that are past due but not impaired, along with receivables that are neither past due nor impaired, is as follows:

	Group	
	2013	2012
	HK$'000	*HK$'000*
Past due but not impaired:		
— Less than three months past due	**743**	344
— Over three months but within six months past due	**13**	191
— Over six months past due	**–**	73
— Over 1 year past due	**–**	157
	756	765
Neither past due nor impaired	**16,146**	8,425
	16,902	9,190

Included in the Group's trade receivables as at 31 March 2013 are debtors relate to a number of independent customers that have a good track record with the Group, of which, an aggregate carrying amount of HK$756,000 (2012: HK$765,000) are past due but not impaired at the end of the reporting period, as the directors have assessed these amounts to be recoverable based on the debtors' settlement records. The Group does not hold any collateral over these balances.

11. TRADE PAYABLES AND OTHER PAYABLES

	Group 2013 HK$'000	2012 HK$'000
Trade payables	**17,066**	12,165
Other payables		
— Accruals	**20,836**	20,725
— Other payables	**12,495**	7,549
— Deposits received	**5,038**	1,271
— Payable for acquisition of property, plant and equipment	**2,508**	3,857
— Amount due to non-controlling interests	**–**	47,876
— Amount due to a director	**526**	1,176
	41,403	82,454

Notes:

(i) All of the trade and other payables (including amounts due to related parties) are expected to be settled within one year or are repayable on demand.

(ii) Amounts due to non-controlling interests and a director are unsecured, non-interest-bearing and repayable on demand.

The ageing analysis of trade payables as at the end of the reporting period, based on the invoice date is as follows:

	Group 2013 HK$'000	2012 HK$'000
Within three months	**7,798**	4,796
Over three months but within six months	**3,048**	5,777
Over six months but within one year	**3,671**	1,041
Over one year but within two years	**2,282**	551
Over two years but within three years	**267**	–
	17,066	12,165

12. EVENTS AFTER THE REPORTING PERIOD

(i) As mentioned in the Company's clarification announcements dated 22 April 2013 and 30 April 2013 respectively, the Company has received a writ of summons under HCA 648/2013 (the "Proceedings") issued on 19 April 2013 wherein an individual as plaintiff (the "Plaintiff") claims against the Company as defendant for an alleged dishonoured cheque (the "Cheque") dated 9 April 2013 in the sum of HK$80,000,000 together with interest and costs. The Cheque being the subject matter of the Proceedings apparently bears the signature of Mr. Wong Kam Leong, the ex-chairman of the Company alone, was issued without obtaining the authorisation or approval from the board of directors. The Company has lodged a report to the Police Department of Hong Kong for possible theft of the Cheque and/or conspiracy to defraud.

Up to the date of approval of these consolidation financial statements, the Proceedings are still in progress and the directors of the Company, based on legal advice, consider that there are no merits in the Plaintiff's claim and will contest the Proceedings vigorously. However, it is not possible to estimate the outcome of the Proceedings at this current stage. As a result, the amount of the obligation, if any, cannot be measured with sufficient reliability.

(ii) As mentioned in the Company's clarification announcement dated 6 May 2013, the Company became aware of a complaint having been made to the Stock Exchange (the "Complaint") in respect of the failure of repayment of a loan of RMB20,000,000 (the "Loan") made by an individual lender to Mr. Wong Kam Leong ("Mr. Wong"), the ex-chairman of the Company, which was purportedly guaranteed by, amongst others, two subsidiaries of the Company namely Zhongshan Jiu He and Jining Gangning. As further mentioned in the Company's clarification announcement dated 3 June 2013, two letters (the "Two Letters") issued by a law firm in Guangdong Province to Mr. Wong and Gangning respectively demanding a proposal for repayment of the Loan, and a copy purported acknowledgement issued by Zhongshan Jiu He for the letter addressed to Mr. Wong were provided to the Stock Exchange.

The Company had conducted initial investigation and noted that a guarantee agreement (the "Guarantee Agreement") was purportedly entered into by Zhongshan Jiu He and Jining Gangning as guarantors to guarantee the repayment of the Loan. The Guarantee Agreement was purportedly signed by Mr. Wong on behalf of Zhongshan Jiu He whereas Mr. Wu Bingxiang ("Mr. B. Wu") had purportedly signed on behalf of Jining Gangning with the official stamps of Zhongshan Jiu He and Jining Gangning applied on the Guarantee Agreement. At this stage, the Company is unable to locate any written records of approval having been given by the Company or Zhongshan Jiu He and Jining Gangning authorising Mr. Wong and Mr. B Wu to execute the Guarantee Agreement.

Apart from the Complaint made and the Two Letters provided to the Stock Exchange, the Company is not aware of any legal action taken by the lender against Mr. Wong or Zhongshan Jiu He and Jining Gangning in respect of the Loan or the Guarantee Agreement. If the Guarantee Agreement was held to be valid and enforceable, there could be adverse impacts on Zhongshan Jiu He and Jining Gangning.

(iii) As mentioned in the Company's announcement dated 13 June 2013, a writ of summons endorsed with a full statement of claim was issued by the High Court of The Hong Kong Special Administrative Region on application of Fast Rise Development Limited, a wholly-owned subsidiary of the Company, as the 1st Plaintiff and the Company as the 2nd Plaintiff on 13 June 2013 claiming against Mr. Leung Wa (梁華) as Defendant, the vendor in the Company's acquisition of 100% equity interest in Ever Stable, which in turn owns 60% equity interest in Dongguan Jiu He Bioplastics Company Limited (東莞九禾生物塑料有限公司) ("Dongguan Jiu He"), for breach of the acquisition agreement and the subsequent supplemental agreements (the "Agreements").

The 1st Plaintiff claimed against the Defendant for (1) the sum of USD5,749,048 being the shortfall of capital injection for which the Defendant is responsible under the Agreements, (2) the sum of HK$36,000,000 being the guaranteed profit for which the Defendant is responsible under the Agreements, (3) interest, (4) costs and, (5) further or other relief.

The 2nd Plaintiff claimed against the Defendant for (1) the sum of USD1,027,512 being the advances made on behalf of the Defendant to (partially) perform his obligation under the Agreements for injection of capital into Zhongshan Jiu He, (2) interest, (3) costs, (4) further or other relief.

The Company obtained legal advice and considered that the Plaintiffs would have a good prospect of success in obtaining judgment against the Defendant and to obtain the aforesaid relief. The board of directors of the Company considered that the pursuit of the above claims is in the best interest of the Company and its shareholders.

(iv) As mentioned in the Company's announcement dated 26 June 2013, the Board of directors is considering to discontinue the business operations of the two non-wholly owned subsidiaries of the Company under the biodegradeable products operating segment, Zhongshan Jiu He Bioplastics Company Limited and Dongguan Jiu He Bioplastics Company Limited (the "Two Subsidiaries"), in view of (i) severe liquidity problem throughout the year ended 31 March 2013 due to the shortfall of capital injection; (ii) the resignation of key management staff of the Two Subsidiaries in early 2013. As such the Group was unable to obtain the complete sets of books and records of the Two Subsidiaries for the year ended 31 March 2013; and (iii) unwillingness to co-operate by the non-controlling shareholders of the Two Subsidiaries in the continuation of the business operations.

REVIEW OF FINANCIAL INFORMATION

The figures in respect of this announcement of the Group's result for the year ended 31 March 2013 have been agreed by the Group's auditor, Crowe Horwath (HK) CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Crowe Horwath (HK) CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Crowe Horwath (HK) CPA Limited on this announcement.

AUDIT OPINION

The auditor of the Group will issue disclaimer audit opinion on the consolidated financial statements of the Group for the year under audit. An extract of the auditor's report is set out in the section headed "**EXTRACTION OF INDEPENDENT AUDITOR'S REPORT**" below.

EXTRACTION OF INDEPENDENT AUDITOR'S REPORT

Basis for disclaimer of opinion

1. *De-consolidation of subsidiaries*

   As disclosed in note 2(b) to the consolidated financial statements, the current directors of the Company, who were appointed during the period from January 2013 to April 2013, had been unable to obtain complete set of books and records together with the supporting documents of the Group's PRC subsidiaries, Dongguan Jiu He Bioplastics Company Limited (東莞九禾生物塑料有限公司) and Zhongshan Jiu He Bioplastics Company Limited (中山九禾生物塑料有限公司) (the "PRC Subsidiaries") due to the resignations of the key management staff in early 2013 and the unwillingness of the holders of non-controlling interests who are managing the PRC Subsidiaries (the "non-controlling shareholders") to co-operate in the preparation and completion of the books and accounts. The PRC Subsidiaries and their respective holding companies (the "Holding Companies") namely Fast Rise Development Limited, Ever Stable Holdings Limited and World Champion Investments Limited (together referred to as the "De-consolidated Subsidiaries") form the Group's biodegradable products operating segment.

   In the absence of complete set of books and records and the non-cooperation of the non-controlling shareholders, the PRC Subsidiaries have been de-consolidated from the consolidated financial statements of the Group as from 1 April 2012. Since the Holding Companies are merely holding the interests of the PRC Subsidiaries as their principal operations, the directors of the Company consider that the Holding Companies should also be de-consolidated as it would be meaningless and to a certain extent confusing to consolidate only the Holding Companies that would only show a partial picture of the assets and liabilities of the entire biodegradable products operating segment. As a result, the Holding Companies were also de-consolidated from the consolidated financial statements as from 1 April 2012. The de-consolidation of the Holding Companies is not in accordance with the Hong Kong Accounting Standard 27 (Revised) "*Consolidated and Separate Financial Statements*".

The de-consolidation of the De-consolidated Subsidiaries had resulted in a net loss on de-consolidation of subsidiaries of approximately HK$10,223,000 and impairment loss on amounts due from De-consolidated Subsidiaries of approximately HK$265,649,000. The directors, to the best of their knowledge and belief, are of the view that the carrying values of the amounts due from De-consolidated Subsidiaries are not recoverable and, accordingly, impairment loss of HK$265,649,000 has been recognised in the profit or loss.

We have not been provided with sufficient information and explanations on the de-consolidation of the PRC Subsidiaries and there were no alternative audit procedures that we could perform to satisfy ourselves as to whether it was appropriate to de-consolidate the assets and liabilities and cease to record results of operations of the PRC Subsidiaries from the consolidated financial statements. In addition, because of the unavailability of complete sets of books and records and the lack of information on net assets of the PRC Subsidiaries, we were unable to obtain sufficient appropriate audit evidences to determine whether the net loss on de-consolidation of Subsidiaries of approximately HK$10,223,000 and impairment loss on amounts due from De-consolidated Subsidiaries of approximately HK$265,649,000, which were charged to the Group's loss for the year ended 31 March 2013, were free from material misstatement.

2. *Alleged financial guarantee agreement*

As mentioned in note 41 to the consolidated financial statements, a complaint was made to the Stock Exchange (the "Complaint") in respect of the failure of repayment of a loan of RMB20,000,000 (the "Loan") made by an individual lender to Mr. Wong Kam Leong ("Mr. Wong"), the ex-chairman of the Company, which was purportedly guaranteed by, amongst others, two subsidiaries of the Company namely Zhongshan Jiu He Bioplastics Company Limited (中山九禾生物塑料有限公司) ("Zhongshan Jiu He") which was de-consolidated during the year and Jining Gangning Paper Company Limited (濟寧港寧紙業有限公司) ("Jining Gangning"). As mentioned in the Company's clarification announcement dated 3 June 2013, two letters (the "Two Letters") issued by a law firm in Guangdong Province to Mr. Wong and Jining Gangning respectively demanding a proposal for repayment of the Loan, and a copy purported acknowledgement issued by Zhongshan Jiu He for the letter addressed to Mr. Wong were provided to the Stock Exchange.

The Company had conducted initial investigation and noted that a guarantee agreement (the "Guarantee Agreement") was purportedly entered into by Zhongshan Jiu He and Jining Gangning (together referred to as the "Two Subsidiaries") as guarantors to guarantee the repayment of the Loan. The Guarantee Agreement was purportedly signed by Mr. Wong on behalf of Zhongshan Jiu He whereas Mr. Wu Bingxiang ("Mr. B. Wu") purportedly signed on behalf of Jining Gangning. At this stage, the Company cannot locate any written records of approval having been given by the Company or such Two Subsidiaries for Mr. Wong and Mr. B. Wu to execute the Guarantee Agreement. The official stamps of Zhongshan Jiu He and Jining Gangning were apparently applied on the Guarantee Agreement.

Apart from the Complaint made and the Two Letters provided to the Stock Exchange, the Company is not aware of any legal action being taken by the lender against Mr. Wong, Mr. B. Wu or such Two Subsidiaries in respect of the Loan or the Guarantee Agreement. If the Guarantee Agreement was held to be valid and enforceable, there could be adverse impact on the Two Subsidiaries. The Group is unable to obtain the financial information of the other guarantors and therefore unable to make a reliable estimate of the potential obligation.

We were unable to obtain sufficient appropriate audit evidence as to whether the Group should recognise any provision for loss in respect of the Guarantee Agreement and, if the Guarantee Agreement was held to be valid and enforceable, as to the amount of provision for loss under the Guarantee Agreement for the year ended 31 March 2013.

3. *Appropriateness of using going concern basis in preparing the consolidated financial statements*

The Group incurred loss of approximately HK$539,947,000 for the year ended 31 March 2013 and as of that date, the Group and the Company's current liabilities exceeded its current assets by approximately HK$179,593,000 and HK$37,913,000 respectively, while net liabilities of the Group and the Company amounted to HK$56,996,000 and HK$1,360,000 respectively. These conditions, along with other matters as set forth in note 2(b) to the consolidated financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Group's and the Company's ability to continue as a going concern.

The consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the successful outcome of the measures as stated in note 2(b) to the consolidated financial statements. Should the going concern assumption be inappropriate, adjustment may have to be made to reflect the situation that assets may need to be realised other than at the amounts at which they are currently recorded in the consolidated statement of financial position. In addition, the Group may have to provide for further liabilities that might arise, and to reclassify non-current assets and liabilities as current assets and liabilities.

Any adjustments that might have been found to be necessary in respect of the above matters would have a significant effect on the Group's loss and cash flows for the year ended 31 March 2013, the state of the Group's and the Company's affairs as at 31 March 2013 and the related disclosures thereof in the consolidated financial statements.

Disclaimer of opinion

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraphs, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Emphasis of matter in relation to the pending litigation

We draw attention to note 41 to the consolidated financial statements, which states that during the year, a litigation was brought against a subsidiary namely, Jining Gangning by an individual (the "Plaintiff") in relation to a dispute over the consideration for the sale of land and buildings to Jining Gangning. The Plaintiff, vendor of the subject land and buildings, claimed for an amount of approximately RMB21,000,000 and a counter claim was made by Jining Gangning at approximately RMB9,370,000. The litigation is still in progress and the directors of the Company consider that it is not possible to estimate the outcome of the litigation at this stage. In addition, the directors of the Company also consider that any amount of obligation in relation to this litigation cannot be measured with sufficient reliability. No provision has been made in these consolidated financial statements as at 31 March 2013. Our opinion is not qualified in respect of this matter.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Paper Manufacturing Business

The Group acquired 51% equity interest in Jining Gangning Paper Co, Ltd. ("Jining Gangning") in Shandong Province in the People's Republic of China ("PRC") in July 2009. As at 31 March 2013, Jining Gangning owns three paper production lines.

The production line no. 1 produced Grade A premium packaging paper products. The production line no. 2 produced qualified formwork paper, construction formwork paper, industrial paper and balance paper for engineered wood floor.

The production line no. 3 started its production in year 2012 and this is a tipping paper production line with sophisticated equipment and advanced technology, with which the Group can manufacture high-end and diversified specialty papers such as white tipping paper, yellow tipping paper, food packing paper, white kraft paper and composite paper.

During the year, the consumption and market for the paper manufacturing industry was weak and low because of China's economic slowdown in various aspects. The decline in sales quantity, continue increase in cost of energy, steam, water and different raw materials, impairment on raw materials and general decrease in selling prices of paper products resulted in significant drop in revenue and gross profit of the paper manufacturing business. As a result, the Group recorded gross loss margin of 12.2% in the paper production business.

In response to the severe unfavorable macro factors and non-profit market conditions of low class paper production business, in which the cost of sales was higher than the selling price of the paper products, the Group adopts the following policies:

(1) moving into manufacturing diverse types of high class paper from manufacturing ordinary paper of a single category. During the year 2013, the Group is in progress to install two high-end manufacturing production lines (i.e. light transfer printing paper production lines and color specialty paper production line).

The expected production capacity of light transfer printing paper production line and color specialty paper production line are 5,000 tons per year and 15,000 tons per year respectively. The estimated gross profit margin of the two high-end production lines is approximately to 20%. The production lines are under installation and new products are expected to be launched in August 2013; and

(2) strengthening enterprise management, reinforcing cost control regarding production, supply and sales and striving to reduce the average level of consumption of energy and raw and accessory materials, so as to enhance enterprise competitiveness and economic benefits;

Although the market conditions of the Paper Manufacturing Business may remain as difficult, given the continuing economy growth in mainland China, the Group remains cautiously optimistic towards the Paper Manufacturing Business in mainland China for the mid-to-long run despite the uncertainties in the recent complicated economic environment.

Biodegradable Materials Manufacturing Business

The biodegradable materials manufacturing business of the Group has not commenced operations as planned and did not have any contribution to the group revenue for the Reporting Period. There was severe problem of the liquidity of the two 60% owned subsidiaries of the Group, the Zhongshan Jiu He Bioplastics Company Limited (中山九禾生物塑料有限公司) ("Zhongshan") and Dongguan Jiu He Bioplastics Company Limited (東莞九禾生物塑料有限公司) ("Dongguan") (collectively the "PRC subsidiaries") due to the shortfall of capital injection as committed by the vendors of shares of the PRC subsidiaries.

The Company has commenced legal proceedings on 13 June 2013 against Mr. Leung Wa (梁華), the vendor in the Company's acquisition of 100% equity interest in Ever Stable Holdings Limited, which owned 60% equity interest in Dongguan for breach of the acquisition agreement and the supplemental agreements.

The current directors of the Company, who were appointed during the period from January 2013 to April 2013, had been unable to obtain complete sets of books and records together with the supporting documents of the PRC subsidiaries due to (i) a number of key management staff of the PRC subsidiaries resigned in early 2013; and (ii) the minority shareholders of the PRC subsidiaries were unwilling to cooperate before as well as after the financial year end on 31 March 2013.

Based on the above, the Board considered that it is the best interest of the Group and the shareholders to discontinue the business operations of the PRC subsidiaries in the biodegradable materials manufacturing business.

SIGNIFICANT EVENTS

The major events during the year are listed below.

(A) Lapse of convertible bonds

Referring to the announcements dated 3 April 2012, 27 April 2012, 18 May 2012, 4 July 2012 and 1 August 2012 and circular of the Company dated 21 May 2012, the Company entered into the subscription agreement ("Subscription Agreement") with the subscriber, pursuant to which, the subscriber has conditionally agreed to subscribe for the convertible bonds ("Convertible Bonds") in the principal amount of HK$100,000,000 due three years from the closing date with the right to convert the Convertible Bonds into a maximum of 485,242,666 conversion shares ("Conversion Shares") at the conversion price of HK$0.30 ("Conversion Price") (subject to adjustments) per Conversion Share. Assuming full conversion of the Convertible Bonds and all the accrued but unpaid interest of the Convertible Bonds are converted at the Conversion Price, a maximum of 485,242,666 Conversion Shares will be issued by the Company, representing (i) approximately 308.68% of the Company's total issued share capital of the Company of 157,197,250 Consolidated Shares as at the date of the Subscription Agreement; and (ii) approximately 75.53% of the Company's total issued share capital as enlarged by the issue of the Conversion Shares of 642,439,916 Shares upon full conversion of the Convertible Bonds. The estimated net proceeds from the issue of the Convertible Bonds (after deduction of all related expenses) of approximately HK$98,000,000 will be used to redeem the convertible notes issued by the Company on 28 December 2010 and the remaining amount will be used as the general working capital of the Group. The shareholders of the Company, at the special general meeting held on 13 June 2012, approved the issue of Convertible Bonds and the transactions contemplated thereunder as set out in the notice of special general meeting dated 21 May 2012.

As requested by the subscriber, more time than expected would be required for it to complete the subscription. Accordingly, on 4 July 2012, the Subscriber and the Company entered into the supplemental agreement (the "Supplemental Agreement"), pursuant to which, the Subscriber and the Company agreed in writing to change the completion date (the "Completion Date") of the Subscription Agreement to 31 July 2012 or such other date as the subscriber and the Company may agree in writing. Finally, the subscriber had failed to settle and discharge the entire amount of the outstanding consideration, the subscription could not be completed and the subscription agreement was lapsed. Details of issue and lapse of Convertible Bonds were set out in the announcements dated 3 April 2012, 27 April 2012, 18 May 2012, 4 July 2012, and 1 August 2012 and circular of the Company dated 21 May 2012.

(B) Settlement of Bond Payable and Winding-up Petition

On 28 December 2010, the Company issued convertible note denominated in RMB to Concept Capital with the principal amount of RMB70,000,000 (equivalent to approximately HK$81,680,280) due five years from the closing date of 10 January 2011 and borne interest at 6% per annum. On 17 November 2011, the Company received the redemption notice from Concept Capital requesting for the redemption of the convertible note with original principal amount of RMB70,000,000 and its accreted portion, together with the accrued but unpaid interest.

On 31 October 2012, a winding-up petition (the "Winding-up Petition") was presented by Concept Capital at the Court of First Instance of the High Court of Hong Kong Special Administrative Region (the "High Court") for the winding up of the Company. The Winding-up Petition was served on the Company on 13 November 2012. The Winding-up Petition concerns a sum of RMB80,489,480.31, being the sum allegedly owed by the Company to Concept Capital. The Winding-up Petition would be heard at the Court of First Instance of the High Court on 9 January 2013.

On 3 December 2012, the Company and Concept Capital entered into the Settlement Agreement of which the parties to the Settlement Agreement agreed that the Company should pay Concept Capital the Settlement sum of HK$93,000,000 on 7 December 2012. Subject to and conditional upon the receipt of full payment of the Settlement Sum, Concept Capital should instruct its solicitors to execute a consent summons with the Company's solicitors to dismiss or withdraw the Winding-up Petition presented against the Company, and the executed consent summons should be filed with the registry of the High Court within 2 business days of the receipt of full payment of the Settlement Sum. On 12 December 2012, the solicitors of Concept Capital executed a consent summons with the Company's solicitors to dismiss or withdraw the Winding-up Petition. The High Court granted leave on 19 December 2012 to have the Winding-up Petition withdrawn. Details of the Winding-up Petition was set out in the announcement of the Company dated 16 November 2012, 4 December 2012 and 27 December 2012.

(C) Placing of convertible bonds under specific mandate

Referring to the announcement dated 28 July 2012, 31 October 2012, 30 November 2012 and 7 December 2012, and the circular dated 4 September 2012, the Company entered into the convertible bonds placing agreement (the "CB Placing Agreement") with the placing agent (the "Placing Agent") pursuant to which the Placing Agent has conditionally agreed to procure, on a best-effort basis, the convertible bonds placees (the "CB Placees") to subscribe for the convertible bonds (the "CB") of up to an aggregate principal amount of HK$100 million. Based on the initial conversion price of HK$0.08 per conversion share (the "CB Conversion Shares"), a maximum number of 1,250,000,000 CB Conversion Shares will be allotted and issued upon exercise of the conversion rights attached to the CB in full, which represent approximately 795.18% of the existing issued share capital of the Company and approximately 88.83% of the issued share capital of the Company as enlarged by the issue of the CB Conversion Shares. The CB Conversion Shares shall be issued under a specific mandate was approved by the Shareholders at the special general meeting on 20 September 2012. The estimated net proceeds from the placing (after deducting related expenses) are estimated to be of approximately HK$96.45 million. The Company intends to use the net proceeds for the Group's general working capital. The issue of CB was completed on 7 December 2012. Details of CB Placing Agreement was set out in the announcement of the Company dated 28 July 2012, 31 October 2012, 30 November 2012 and 7 December 2012, and the circular dated 4 September 2012.

(D) Placing of shares under general mandate

Referring to the announcement dated 28 July 2012, the Company entered into the placing agreement (the "Placing Agreement") with the Placing Agent whereby the Company agreed to place, through the Placing Agent, on a best effort basis, up to a maximum of 31,000,000 placing shares (the "Placing Shares") to not less than six placees at a price of HK$0.12 per Placing Share. The 31,000,000 Placing Shares represented approximately (i) 19.72% of the issued share capital of the Company on 29 July 2012; and (ii) 16.47% of the issued share capital of the Company as enlarged by the issue of 31,000,000 Placing Shares. The aggregate nominal value of the Placing Shares was HK$310,000. The Placing Shares were issued under the general mandate. The 31,000,000 Placing Shares was placed and issued on 13 September 2012. The aggregate gross proceeds and net proceeds from the Placing was approximately HK$3.7 million and HK$3.5 million, respectively. The Company used the net proceeds for the Group's general working capital. Details of the issue of Placing Shares was set out in the announcement of the Company dated 28 July 2012.

Referring to the announcement dated 8 February 2013, the Company entered into the placing agreement (the "Placing Agreement") with the Placing Agent whereby the Company agreed to place, through the Placing Agent, on a best effort basis, up to a maximum of 10,000,000 placing shares (the "Placing Shares") to not less than six placees at a price of HK$0.385 per Placing Share. The 10,000,000 Placing Shares represented approximately (i) 4.2% of the issued share capital of the Company on 8 February 2013; and (ii) 4.0% of the issued share capital of the Company as enlarged by the issue of 10,000,000 Placing Shares. The aggregate nominal value of the Placing Shares was HK$100,000. The Placing Shares were issued under the general mandate. The 31,000,000 Placing Shares was placed and issued on 26 February 2013. The aggregate gross proceeds and net proceeds from the Placing was approximately HK$3.85 million and HK$3.65 million, respectively. The Company used the net proceeds for the Group's general working capital. Details of the issue of Placing Shares was set out in the announcement of the Company dated 8 February 2013.

(E) Confirmation letter in relation to the convertible bonds and profit guarantee issued under the very substantial acquisition

Referring to the announcement dated 28 June 2012, the Company and the vendor of Mega Bright Investment Development Limited ("Mega Bright") entered into the fourth confirmation letter (the "Fourth Confirmation Letter") in relation to the profit guarantee. According to the Jining Gangning Paper Co. Ltd. ("Jining Gangning"), the aggregate net profit after tax for the financial years ended 31 December 2010 and 2011 were affected by the increase in the market price of the raw materials due to the reduction and withdrawal of government subsidies provided to the recycled paper supplier; the reduction and withdrawal of purchase rebate; the increase in the price of electricity and the cost of steam generation (the "Profit Reduction Factors"). These Profit Reduction Factors, together, reduced aggregate net profit after tax by RMB47,850,718, of which, RMB24,403,866 (equivalent to approximately HK$30,146,096) is attributable to the Company (the "Profit Reduction"). The Company and the vendor mutually agreed that the Profit Reduction Factors are force majeure events which are not predictable nor avoidable. Pursuant to acquisition agreement, no party shall be liable for failure or delay performing of the contractual obligations due to the force majeure events. The Company and the vendor have agreed to set off the Profit Guarantee Shortfall Balance of HK$31,602,530 against the Profit Reduction of HK$30,146,096. The remaining balance of HK$1,456,434 shall be payable by the vendor within one month from the date of the Fourth Confirmation Letter. Details of the Fourth Confirmation Letter were set out in the announcement of the Company dated 28 June 2012. The Company has formed an investigation committee to engage the professional advisors to investigate the issue in relation to the Fourth Confirmation Letter.

FINANCIAL REVIEW

During the year under review, the Group's revenue was approximately HK$190.05 million, a decrease of 21.21% as compared to last year (2012: HK$241.22 million). The decrease in revenue was substantially contributed by the paper manufacturing business, which recorded a revenue of HK$183.85 million for the year under review, a decrease of 23.05% as compared to last year as a result of decrease in selling prices and sales quantity of paper products.

As compared to the same period of 2012, the gross margin has been eroded completely from a gross profit margin of 9.74% for the year ended 31 March 2012 to gross loss margin of 12.18% for the year ended 31 March 2013. The gross loss margin was mainly attributable from (i) the impairment on slow moving raw materials; (ii) the continue increase in cost of energy and raw materials; (iii) and the general decrease in selling prices of paper products.

For the year under review, the Group recorded a net loss attributable to owners of the Company of HK$426.44 million as against a net loss of HK$42.77 million in 2012. The net loss was mainly due to the impairment loss on amounts due from deconsolidated subsidiaries, impairment loss on property, plant and equipment, impairment loss on deposit for acquisition for property, plant and equipment and impairment loss on deposits to suppliers.

Selling and distribution costs and administrative expenses for the year ended 31 March 2013 decreased to approximately HK$40.10 million (2012: HK$67.59 million) which was mainly due to the deconsolidation of biodegradable segment. The finance costs mainly represent the interest on bank borrowings and interest charged on convertible note. The decrease in finance costs from HK$23.92 million to HK$10.70 million for the year ended 31 March 2013 was mainly attributable to the settlement of convertible note. Impairment loss on property, plant and equipment of amounting to HK$91.93 million represents the impairment on the assets of the paper manufacturing business as a result of operating loss. Impairment loss on deposits to suppliers of amounting to HK$33.04 million represents a one-off impairment of certain long outstanding prepayment to suppliers. Impairment loss on deposit for acquisition for property, plant and equipment of amounting to HK$60.94 million represents the impairment on the deposits that the date for the fulfillment of the remaining payment obligation under the sales and purchase agreement has expired.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

As at 31 March 2013, the Group's cash and bank balances, which were principally Renminbi and Hong Kong dollar denominated, amounted to approximately HK$170.79 million (2012: HK$109.67 million). The Group was not exposed to any substantial risk in fluctuations in foreign exchange rates. In general, the Group mainly receives its Renminbi income in Renminbi and uses them to settle the costs of sale and operating expenses in the PRC. The Group has not entered into any financial instruments for hedging purpose.

As at 31 March 2013, the Group had secured bank loans of approximately HK$28.47 million (2012: HK$25.94 million), unsecured bank and other loans of approximately HK$68.68 million (2012: HK$50.56 million) and secured entrustment loan of approximately HK$nil (2012: HK$7.18 million). Except for the secured import loan of approximately HK$2.48 million, all borrowings were denominated in Renminbi. The bank loans of approximately HK$51.98 million had fixed interest rates.

As at 31 March 2013, the debt ratio, calculated as total liabilities over total assets of the Group was approximately 1.16 (2012: approximately 0.49).

During the year under review, the Group financed its operations primarily with internally generated cash flow, finances from banks as well as the funds raised successfully from the subscription of shares in the amount of approximately HK$7.27 million after expenses and the funds raised from issue of convertible bonds of amounting to HK$97.37 million. The net proceeds from the subscription of shares and convertible bonds were mainly applied for the repayment of the bond payable and general working capital of the Group.

The Group adopted a conservative financial management and treasury policies and will continue to apply such policies in the coming year. The Group will consider the funding requirements of paper manufacturing business. In view of the Group's current liquidity position, the Directors will consider raising funds to meet its operational and investment needs when it is necessary in the foreseeable future.

CHARGE OF GROUP'S ASSETS

As at 31 March 2013, the Group's land use rights and buildings with net carrying values of approximately HK$18.18 million and HK$25.51 million respectively were pledged to secure bank loans of approximately HK$25.99 million. In addition, the Group had restricted bank deposits of approximately HK$154.38 million and HK$1.67 million respectively held to secure bank acceptance note payables of approximately HK$231.23 million and the Group's import loan of HK$2.48 million.

As at 31 March 2012, the Group's land use rights and buildings with net carrying values of approximately HK$19.73 million and HK$28.14 million respectively were pledged to secure bank loans of approximately HK$25.94 million. In addition, the Group had restricted bank deposits of approximately HK$101.73 million to secure bank acceptance note payables of approximately HK$156.70 million.

FOREIGN CURRENCY EXPOSURE

The Group continues to adopt a conservative treasury policy with almost all deposits in Hong Kong dollars and Renminbi, keeping minimum exposure to foreign exchange risks. As the sales, purchase, expenditures, assets and liabilities are mainly denominated in Hong Kong dollars and Renminbi, the Group has not adopted any hedging policy or entered into any derivative products which are considered not necessary for the Group's treasury management activities.

CONTINGENT LIABILITIES

Alleged financial guarantee agreement

As mentioned in the Company's clarification announcement dated 6 May 2013, a loan of RMB20,000,000 (the "Loan") was made by an individual lender to Mr. Wong Kam Leong ("Mr. Wong"), the ex-chairman of the Company, which was purportedly guaranteed by, amongst others, two subsidiaries of the Company namely Zhongshan Jiu He and Jining Gangning.

The Company had conducted an initial investigation and noted that a guarantee agreement (the "Guarantee Agreement") was purportedly signed by Zhongshan Jiu He and Jining Gangning as guarantors to guarantee the repayment of the Loan. The Guarantee Agreement was purportedly signed by Mr. Wong on behalf of Jiu He whereas Mr. Wu Bingxiang ("Mr. B. Wu") had purportedly signed on behalf of Jining Gangning with the official stamps of Jiu He and Jining Gangning applied on the Guarantee Agreement. At this stage, the Company is unable to locate any written records of approval having been given by the Company or Jiu He and Jining Gangning authorising Mr. Wong and Mr. B Wu to execute the Guarantee Agreement. If the Guarantee Agreement was held to be valid and enforceable, there could be adverse impacts on Jiu He and Jining Gangning. The Group is unable to obtain the financial information of the other guarantors and therefore unable to make a reliable estimate of the potential obligation. No provision for loss has been made in the consolidated financial statements.

Pending litigation

During the year, a litigation was brought against Jining Gangning by an individual (the "Plaintiff") in relation to a dispute over the consideration for the sale of land and buildings to Jining Gangning. The plaintiff was the vendor of the subject land and buildings and claimed for an amount for approximately RMB21,000,000 and a counter claim was made by Jining Gangning at approximately RMB9,370,000. The litigation is still in progress and the directors of the Company consider that it is not possible to estimate the outcome of the litigation at this stage. In addition, the directors of the Company also consider that any amount of obligation in relation to this litigation cannot be measured with sufficient reliability. No provision has been made in these consolidated financial statements as at 31 March 2013.

Financial guarantee issued

Jining Ganging has entered into cross guarantee agreements in respect of banking facilities granted to Jining Gangning, a customer and certain third parties. Under the cross guarantee arrangement, Jining Ganging had issued guarantees to the extent of approximate HK$50,366,000 (2012: HK$Nil) as at the end of the reporting period. Under such guarantee agreements, Jining Ganging and the counter parties are jointly and severally liable for all borrowings that each of them obtained from the banks for a period of one to two year.

As at the end of the reporting period, the directors of the Company do not consider it probable that a claim will be made against the Jining Ganging under any of the guarantees as the default risk is low. The maximum liability of Jining Ganging at the end of the reporting period is the outstanding amounts of the bank borrowings of the counter-parties under the cross guarantees of approximately HK$25,616,000 (2012: HK$Nil).

The Group has not recognised any deferred income in respect of the cross guarantees as in the opinion of the directors, the fair values of the financial guarantee agreements at initial recognition are insignificant and their transaction prices were HK$Nil.

EMPLOYEES

As at 31 March 2013, the Group had approximately 99 (2012: 185) employees in Hong Kong and the PRC. The total remuneration to employees, including the executive Directors for the year under review, amounted to approximately HK$21.59 million (2012: HK$24.10 million). Employees in Hong Kong are entitled to provident fund contributions and medical insurance. For employees in the PRC, the Group is required to contribute to state- sponsored retirement plans at certain prescribed rates based on their basic salaries. In addition, the Group provides comprehensive on-the-job training to its employees and sponsors employees who participate in job-related training courses to ensure that their qualifications always meet the changing market standards. The remuneration policy and packages are regularly reviewed by the Board. Apart from provident fund scheme, medical insurance and discretionary bonuses, share options are also awarded to employees according to the assessment of individual performance.

FUTURE PLAN OF CAPITAL INVESTMENTS

In addition to the continued improvement of the operating performance of the existing businesses, the Group will seek new business collaborations and investment opportunities for diversification.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 March 2013, the following Directors and chief executive of the Company had or were deemed to have interests in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Cap.571 of the Laws of Hong Kong (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the minimum standards of dealings by the Directors as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules:

Long positions in Shares

Name	Type of interest	Number of ordinary shares of the Company	Number of underlying shares of the Company	Total	Percentage of Shareholding
Directors					
Wong Kam Leong	Corporate Interest	30,206,250 *(Note 1)*		30,956,250	4.51%
	Personal Interest		750,000 *(Note 2)*		
Mr. Lu Shiyou *(Note 5)*	Personal Interest	–	212,500,000	212,500,000	30.99%
Hu Dongguang *(Note 6)*	Personal Interest	–	750,000 *(Note 2)*	750,000	0.11%
Tse Ching Leung *(Note 7)*	Personal Interest	–	85,000 *(Note 3)*	85,000	0.01%

Notes:

1. Out of the 30,206,250 shares in the Company, 12,706,250 shares are beneficially owned by and registered in the name of Wide Fine International Limited ("Wide Fine"), a company incorporated in Hong Kong with limited liability and is wholly-owned by Mr. Wong Kam Leong, an executive Director and 17,500,000 shares are beneficially owned by and registered in the name of View Good International Limited ("View Good"), a company incorporated in Hong Kong with limited liability and is wholly-owned by Ms. Tam Sio Wan, the wife of Mr. Wong Kam Leong.

2. As at 31 March 2013, 750,000 share options conferring rights to subscribe for 750,000 shares.

3. As at 31 March 2013, 85,000 share options conferring rights to subscribe for 85,000 shares.

4. Resigned on 17 April 2013.

5. Appointed on 15 January 2013.

6. Resigned on 28 February 2013.

7. Resigned on 15 January 2013

Save as disclosed above, at no time during the year under review was the Company or any of its subsidiaries a party to any arrangement to enable any of the Directors or members of its management to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate.

Save as disclosed above, as at 31 March 2013, none of the Directors of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of 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 or short positions which they were taken or deemed 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 Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDER'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

The register of substantial shareholders maintained under section 336 of the SFO shows that as at 31 March 2013, the Company had been notified of the following substantial shareholder's interests, being 5% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the Directors and chief executive.

Name	Number of ordinary shares held	Number of underlying shares held	Total	Percentage of shareholding
Lin Chengzhang	75,000,000	225,000,000	300,000,000	43.75%
Lin Jiantuan	–	225,000,000	100,000,000	32.81%
Ding Zhiyong	–	100,000,000	100,000,000	14.58%
Vong Kuoc Meng	–	100,000,000	100,000,000	14.58%

Save as disclosed above, no other person had registered an interest or short position in the shares and underlying shares of the Company that was required to be reported pursuant to section 336 of the SFO as at 31 March 2013.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31 March 2013, the Directors were not aware of any business or interest of each Director, management shareholder (as defined in the GEM Listing Rules) and the respective associates of each that competes or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group.

CORPORATE GOVERNANCE

The Company is committed to statutory and regulatory corporate governance standards and adheres to the principles of corporate governance emphasizing transparency, independence, accountability, responsibility and fairness.

Through out the year ended 31 March 2013, the Company has complied with all the code provisions set out in the Corporate Governance Code and Corporate Governance Report ("CG Code") as set out in Appendix 15 of the GEM Listing Rules, save and except for the following deviations including considered reasons:

Code provision A.6.7

Code provision A.6.7 of the CG Code stipulates that the independent non-executive Directors and other non-executive Directors should attend general meetings and develop a balanced understanding of the views of shareholders.

Deviation

Mr. Tse Ching Leung ("Mr. Tse"), Mr. Wang Qingyi ("Mr. Wang"), Mr. Ng Kwok Chu, Winfield and Mr. Ng Chau Tung Robert, the independent non-executive Directors of the Company at the time, were unable to attend the special general meeting (the "SGM") of the Company dated 13 June 2012 as they had other important business engagement.

Mr. Tse and Mr. Wang, the independent non-executive Directors, were unable to attend the SGM held on 20 September 2012 as they had other important business engagement.

Mr. Tse, the independent non-executive Directors, was unable to attend the Annual general meeting ("AGM") held on 27 September 2012 as he had other important business engagement.

Code provision E.1.2

Code provision E.1.2 of the CG Code stipulates that the chairman of the board should attend the AGM.

Deviation

The chairman of the Board, Mr. Wong Kam Leong was unable to attend the AGM in 2012 as he had other important business engagement. Alternatively, Mr. Hu Dongguang chaired the AGM in 2012 in accordance with the Bye-laws.

AUDIT COMMITTEE

The Audit Committee currently comprises three independent non-executive Directors, namely Mr. Tam Yuk Sang, Sammy as chairman, Mr. Ho Lok Cheong and Dr. Ng Chi Yeung, Simon with written terms of reference in compliance with the GEM Listing Rules. The Audit Committee has reviewed the audited financial statements of the Group for the year ended 31 March 2013. The Audit Committee has discussed the internal control system of the Company and its subsidiaries with the management of the Company and the independent auditors of the

Group and has made suggestions on areas where the internal control systems were considered inadequate. Furthermore the Audit Committee has engaged the independent auditors of the Group in March 2013 to review the effectiveness of internal control system of the principal operating paper products segment, Jining Gangning Paper Co, Limited, and the review is still in progress.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year.

DIRECTORS SECURITIES TRANSACTIONS

The Company has adopted the required standards of dealings regarding securities transactions by Directors as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specified enquiry with the Directors, all the Directors confirmed that they have complied with the require standard such code of conduct and required standard of dealings and its code of conduct regarding Directors' securities transactions throughout the financial year ended 31 March 2013.

On behalf of the Board
Mr. Kaneko Hiroshi
Chairman

Hong Kong, 30 June 2013

As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Kaneko Hiroshi, Mr. Siu Chi Keung and Mr. Lu Shiyou; and three independent non-executive Directors, namely Mr. Ho Lok Cheong, Mr. Tam Yuk Sang, Sammy and Dr. Ng Chi Yeung, Simon.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading. This announcement will remain at www.hkgem.com on the "Latest Company Announcements" page of the GEM website for at least 7 days from the date of its posting and on the Company website at www.long-success.com.