LONG SUCCESS
百齡國際

LONG SUCCESS INTERNATIONAL (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)
(Stock Code : 8017)

Annual Report

2015

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.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this annual report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this annual report.

This annual report, 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 annual report misleading or deceptive; and (3) all opinions expressed in this annual report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

CONTENTS

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Kaneko Hiroshi *(Chairman)*
Mr. Siu Chi Keung
Mr. Hui Ngai Hon, Edward

Independent Non-Executive Directors

Mr. Yau Paul
Mr. Wong Ka Shing
Ms. Leung Shuk Lan

COMPANY SECRETARY

Mr. Wong Wai Leung

COMPLIANCE OFFICER

Mr. Kaneko Hiroshi

AUTHORISED REPRESENTATIVES

Mr. Kaneko Hiroshi
Mr. Siu Chi Keung

AUDIT COMMITTEE

Mr. Wong Ka Shing *(Chairman)*
Mr. Yau Paul
Ms. Leung Shuk Lan

NOMINATION COMMITTEE

Mr. Yau Paul *(Chairman)*
Mr. Wong Ka Shing
Ms. Leung Shuk Lan

REMUNERATION COMMITTEE

Mr. Yau Paul *(Chairman)*
Mr. Wong Ka Shing
Ms. Leung Shuk Lan

REGISTERED OFFICE

Canon's Court, 22 Victoria Street
Hamilton HM 12
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Factory Portion B of Unit 13, 9/F
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Kwai Chung, New Territories
Hong Kong

BERMUDA PRINCIPAL REGISTRAR

Reid Management Limited
Argyle House, 41A Cedar Avenue
Hamilton HM 12, Bermuda

HONG KONG BRANCH SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre
183 Queen's Road East, Wan Chai
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AUDITORS

Crowe Horwath (HK) CPA Limited
9/F, Leighton Centre
77 Leighton Road
Causeway Bay
Hong Kong

BERMUDA LEGAL ADVISOR

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2206–19., Jardine House
1 Connaught Place
Central, Hong Kong

PRINCIPAL BANKERS

Wing Lung Bank
Chong Hing Bank Limited

STOCK CODE

8017

WEBSITE

http://www.long-success.com

FINANCIAL HIGHLIGHTS

The following is a summary of the consolidated results and the consolidated assets and liabilities of the Group for the last five financial years.

CONSOLIDATED RESULTS

	For the year ended 31 March				
	2015	2014	2013	2012	2011
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**34,617**	25,697	190,048	241,220	288,970
Loss attributable to owners of the Company	**(22,899)**	(37,031)	(426,444)	(42,774)	(26,870)

CONSOLIDATED ASSETS AND LIABILITIES

	As of 31 March				
	2015	2014	2013	2012	2011
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**9,697**	12,413	364,596	971,263	866,235
Total liabilities	**(39,215)**	(19,032)	(421,592)	(479,245)	(364,556)
Net (liabilities)/assets	**(29,518)**	(6,619)	(56,996)	492,018	501,679

Note:

(i) The results of money-lending business segment which was discontinued in the financial year of 2014 has not been restated or reclassified prior to the financial year of 2013.

CHAIRMAN'S STATEMENT

On behalf of the board of directors (the "Board") of the Company and its subsidiaries (collectively, the "Group"), I hereby present to the shareholders the annual report of the Group for the financial year ended 31 March 2015.

FINANCIAL PERFORMANCE

The Group's total revenue for the year ended 31 March 2015 was approximately HK$34.62 million, representing an increase of 34.71% as compared with that for the year ended 31 March 2014 (2014: HK$25.70 million). All the revenue was came from general trading business. During the year under review, the Group recorded a net loss of HK$22.90 million as against a net loss of HK$37.03 million in 2014. The net loss attributable to the owners of the company was mainly due to a one-off provision for a litigation of HK$10.13 million and the operating loss of the Group for the year.

BUSINESS REVIEW

PAPER MANUFACTURING BUSINESS

As detailed in the Company's announcement dated 27 January 2014 in relation to the non-cooperation of the management and accounting personnel of Jining Gangning Paper Company Limited ("Jining Gangning"), the Company has been unable to obtain the latest financial statements of Jining Gangning and does not foresee a significant progress will occur in the near future at the date of approval of this annual report.

As such, Jining Gangning and their respective holding companies namely Glory Smile Enterprises Limited and Mega Bright Investment Development Limited ("Mega Bright"), which form the Group's paper manufacturing operating segment, was deconsolidated from the Group's consolidated financial results.

In view of the loss making and net liabilities status of the paper manufacturing business, the Directors of the Company are of the view that the deconsolidation or the potential discontinuation of the paper manufacturing business do not have any material adverse impact to the Group.

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 year ended 31 March 2015 (2014: nil). 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 Jiu He") and Dongguan Jiu He Bioplastics Company Limited (東莞九禾生物塑料有限公司) ("Dongguan Jiu He") (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) ("Mr. Leung"), the vendor in the Company's acquisition of 100% equity interest in Ever Stable Holdings Limited ("Ever Stable"), which owned 60% equity interest in Dongguan Jiu He for breach of the acquisition agreement and the supplemental agreements. For details, please refer to "Management Discussion and Analysis" section.

The Directors of the Company 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 non-controlling shareholders of the PRC subsidiaries were unwilling to cooperate before as well as after the financial year ended on 31 March 2013.

As such, the PRC Subsidiaries and their respective holding companies namely Fast Rise Development Limited, Ever Stable Holdings Limited and World Champion Investments Limited, which form the Group's biodegradable materials manufacturing segment, was deconsolidated from the Group's consolidated financial results.

Based on the above, the Board does not intend to continue the business operations of the PRC subsidiaries in the biodegradable materials manufacturing business.

GENERAL TRADING BUSINESS

The general trading business started on the fourth quarter of 2013 and comprised the business of trading of other merchandise goods. For the year ended 31 March 2015, the Group's general trading business represents the wine and alcohol trading business and timber trading business.

— **Wine and alcohol trading business:**

During the start-up stage of the wine and alcohol trading business of the Company, most of the current suppliers and distributors were introduced by the Company's executive director.

For the year ended 31 March 2015, the wine and alcohol trading business reported revenue of approximately HK$19.72 million (2014: HK$25.70 million) and it accounted for approximately 56.96% (2014: 100%) of the Group's revenue for the year ended 31 March 2015.

Despite the Group's efforts in seeking other suppliers and distributors so as to secure and extend the sources of wine and alcohol products and income stream, the Group had not been able to reach any agreements with any other distributors or suppliers and secure any new wine and alcohol trading businesses as at date of this report.

— **Timber trading business:**

For the year ended 31 March 2015, the Group is also participating in timber trading business. It reported revenue of approximately HK$14.90 million and it accounted for approximately 43.04% of the Group's revenue for the year ended 31 March 2015.

On 17 October 2014, Smart Dragon Trading Limited ("Smart Dragon"), the wholly owned subsidiary of the Company, entered into a cooperation agreement (the "Cooperation Agreement") with an independent third party (the "Supplier"), who has the right to fell, extract and harvest merchantable logs (the "Timber Logs") in Rennell Island Site (the "Site") for a period of 5 years ending on 24 July 2019, which sets out the framework upon which Smart Dragon and the Supplier will cooperate in various areas such as harvesting and marketing of the Timber Logs.

Pursuant to the Cooperation Agreement, Smart Dragon will be the exclusive marketing agent for the sale of all the Timber Logs harvested by the Supplier in the Site for a term of two years from the date of the first transaction. However, as at date of this report, the Group is still waiting for its first transaction. The infrastructure at the Site remained under-development due to some unexpected delay. The timing for the first transaction is still uncertain as at date of this report.

CHAIRMAN'S STATEMENT

As details in the Company's announcement dated 24 November 2014, the Company was requested by the Stock Exchange to submit a resumption proposal to demonstrate that it has sufficient level of operations or assets as required by Rule 17.26 of the GEM Listing Rules by 5 May 2015.

Due to the short history and various undesirable factors of the trading business that may be difficult to satisfy the Listing Rules requirement in the short run, the Group has changed its strategy and put all its resources to look for potential acquisition targets that have viable and sustainable track records. As a result, no trading business was recorded in the fourth quarter of 2015.

FUTURE PLANS AND PROSPECTS

As mentioned in the "Business Review" section, it will be difficult for the Group to remain optimistic to it's existing trading business in the short run due to the various undesirable factors. In the coming year, the Group will place its emphasis on the completion of the conditional acquisition of 70% equity interest in Hong Kong Automobile Restoration Group Limited (the "Target Company") , so as to accelerate the transition of the Group to become an auto restoration services (comprising auto repair, maintenance and detailing services) group and create more fruitful value to our shareholders.

The Group adopted a conservative financial management and treasury policies, and will continue to apply such policies in the coming year. In view of the Group's current liquidity position, the Directors will consider raising funds to meet the Group's operational and investment needs in the foreseeable future, if appropriate.

The management of the Company has confidence to obtain benefit and profit after the completion of the conditional acquisition which is in the interest of the shareholders of the Company.

OUR APPRECIATION

On behalf of the Board, I would like to take this opportunity to thank the shareholders for their continuous support and confidence in the Group. I would also like to express our appreciation to the management team and all staff members for their dedication, diligence and loyalty. Please be rest assured that we will do our best to consolidate our foundation and seek new business opportunities to reciprocate your continuous support. We look forward to sharing our progress with you in the coming year.

Kaneko Hiroshi
Chairman

Hong Kong, 26 June 2015

OTHER SIGNIFICANT EVENTS

During the year ended 31 March 2015, the Group was mainly engaged in the general trading business. The following is the major events incurred during the year ended 31 March 2015:

Pending Litigation in Hong Kong

(A) Alleged dishonored cheque

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 ("Plaintiff A") 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 ("Mr. Wong"), the ex-chairman of the Company alone, was issued without obtaining the authorisation or approval from the board of directors of the Company. 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 consolidated financial statements, the Proceedings are still in progress and the directors of the Company, based on legal advice, consider that the Company will prevail and will contest the Proceedings vigorously. As a result, no provision has been made in the consolidated financial statements as at 31 March 2015.

(B) Bankruptcy Petition against Mr. Leung Wa

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 ("Fast Rise"), 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 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, 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.

On 9 August 2013, the High Court of the Hong Kong Special Administrative Region issued a final judgment in favour of Fast Rise and the Company as no notice of intention to defend having been given by Mr. Leung.

The Company has carried out certain background checks against Mr. Leung and is not aware that Mr. Leung has sufficient assets to repay the debt. Attempts have been made to effect personal service of a statutory demand in respect of the debt (the "Statutory Demand") upon Mr. Leung but Mr. Leung could not be located or was not presented at his last known address. Substituted service of the Statutory Demand was then effected by advertising a Notice of the Statutory Demand in Hong Kong Commercial Daily on 21 February 2014, under which the Defendant was given 21 days therefrom to satisfy or to set aside the same. As at 17 March 2014, the Statutory Demand has neither been complied with nor set aside in accordance with the Rules of the High Court of Hong Kong.

Pursuant to the fact that Mr. Leung failed to satisfy or set aside the Statutory Demand, and upon permission granted by the High Court of Hong Kong, the Company issued a Creditor's Bankruptcy Petition against Mr. Leung on 9 May 2014. The said Petition was scheduled to be heard on 9 July 2014 and was subsequently adjourned by the Court to 30 July 2014. At the adjourned hearing on 30 July 2014, the court granted a bankruptcy order against Mr. Leung. Mr. Leung was adjudged bankrupt by the Court and the Official Receiver was appointed the provisional trustee of the estate of Mr. Leung. The Company, being one of the unsecured creditors of Mr. Leung, is entitled to be informed of the progress by the Official Receiver and to distribution of any realized assets pari passu with all other unsecured creditors. Up to date of approval of these consolidated financial statements, no any distribution was being informed by the Official Receiver.

Pending Litigation in the PRC

(A) Alleged Litigation in Zhongshan

As mentioned in the Company's announcement dated 16 October 2014, 9 December 2014, 11 March 2015 and 15 April 2015, 民事起訴狀 ("Writ of Summons") was received from Zhongshan Intermediate People's Court (中山市中級人民法院) ("Zhongshan Court") in respect of a civil case where Mr. Chen Song Jian (陳崇健) (the"Plaintiff B") claimed against the Company as the first defendant and Mr. Wong Kam Leong ("Mr. Wong") as the second defendant in relation to outstanding loan amount of HK$21,000,000 with accrued interests, legal cost of RMB239,000 and court fees. The loan amount allegedly granted by the Plaintiff B to the Company and purportedly guaranteed by Mr. Wong under a loan agreement (the "Loan Agreement"). The Loan Agreement that was purportedly signed by Mr. Wong on behalf of the Company.

The hearing of the case took place at the Zhongshan Court on 6 April 2015. Both the Plaintiff B and Mr. Wong were absent from the hearing and the court has not yet reached any judgment.

Up to date of approval of these consolidated financial statements, the litigation is still in progress and it is not possible to estimate the outcome of the litigation. The Company's directors consider that any amount of obligation in relation to this litigation cannot be measured with sufficient reliability and based on their investigation and legal opinion from PRC legal advisers, consider that the Company is not indebted to Plaintiff B for the above sum claimed by the Plaintiff B in the Writ of Summons nor any amount under the Loan Agreement. As a result, no provision has been made in the consolidated financial statements for the year ended 31 March 2015.

(B) Alleged Litigation in Jinan

As mentioned in the Company's announcement dated 7 November 2014 and 15 April 2015, the Company received a writ of summons on 6 November 2014 from Jinan Intermediate People's Court (濟南市中級人民法院) ("Jinan Court") in respect of a civil case where a PRC company, namely, Shandong Rongshihua Leasing Company Limited (山東融世華租賃有限公司) (the "Plaintiff C") claimed against (i) Jining Gangning Paper Company Limited (濟寧港寧紙業有限公司) ("Jining Gangning") as the first defendant, which is a 51% owned PRC subsidiary of the Group and had been de-consolidated from the Group's consolidated financial statements as from 1 April 2013; (ii) the Company as the second defendant; (iii) Mega Bright Investment Development Limited ("Mega Bright"), which is an indirectly wholly-owned subsidiary of the Company and the holding company of Jining Gangning, as the third defendant; (iv) Jining Haoyuan Paper Co. Limited (濟寧昊源紙業有限公司), which is the 49% shareholder of Jining Ganning, as the fourth defendant; (v) Shandong Xinyuan Mine Equipment Group Limited (山東星源礦山設備集體有限公司) as the fifth defendant; and (vi) Mr. Li Jian (李健) who is the general manager of Jining Gangning as the sixth defendant for the total amount of RMB15.88 million which include unpaid rental payments of RMB1.97 million, remaining lease commitment of RMB13.78 million, and other costs of RMB0.13 million (the "Total Claims") under a machinery leasing agreement (the"Leasing Agreement") allegedly signed between the Plaintiff C as the lessor and Jining Gangning as the lessee on 16 April 2013.

A guarantee agreement (the "Alleged Guarantee Agreement") allegedly signed between the Plaintiff C and the Company and Mega Bright on 16 April 2013, which apparently bears the signature of Mr. Wong, the ex-chairman of the Company who had resigned with effect from 17 April 2013. Pursuant to the Alleged Guarantee Agreement, the Company and Mega Bright together acted as guarantors and were responsible to guarantee 51% of the liability under the Leasing Agreement. According to the Writ, the Plaintiff C claimed against the Company and Mega Bright for 51% of the Total Claims.

The first hearing took place on 8 April 2015 and had not yet reached any judgment. As advised by the Company's PRC legal advisers, the potential maximum exposure and liability of the Company and Mega Bright in this case will be in the region of RMB8.1 million, being 51% of the amount claimed by Plaintiff C. The Company's directors, after seeking legal advices, considered that a provision of RMB8.1 million should be made. As a result, the Company has made a provision of HK$10,125,000 (equivalent to RMB8.1 million) for the case and no further provision has been provided. In addition, the Company's directors consider that any obligation of Mega Bright and Jining Gangning arising from this case or the Leasing Agreement and Alleged Guarantee Agreement should have no financial impact on the Group's consolidated financial statements for the years ended 31 March 2015 as Mega Bright and Jining Gangning were de-consolidated from the Group's consolidated financial statements as from 1 April 2013.

Others

(A) Lapse of placing of shares under general mandate

As mentioned in the Company's announcements dated 2 July 2014, 31 July 2014, 27 August 2014, 25 September 2014, 31 October 2014 and 28 November 2014, the Company entered into the placing agreement, supplemental placing agreement, second supplemental placing agreement, third supplemental placing agreement, fourth supplemental placing agreement and fifth supplemental placing agreement (collectively the "Placing Agreements") with the Placing Agent whereby the Company agreed to place, through the Placing Agent, on a fully underwritten basis, up to a maximum of 67,000,000 placing shares (the "Placing Shares") to not less than six places at a price of HK$0.46 per Placing Share. The 67,000,000 Placing Shares represented approximately (i) 4.56% of the issued share capital of the Company on 31 December 2014; and (ii) 4.36% of the issued share capital of the Company as enlarged by the issue of 67,000,000 Placing Shares. The aggregate nominal value of the Placing Shares was HK$670,000. The Placing Shares were issued under the general mandate. The estimated aggregate gross proceeds and net proceeds from the placing was approximately HK$30.8 million and HK$30.0 million respectively. As mentioned in the Company's announcement dated 27 February 2015, the 67,000,000 Placing shares was terminated on 27 February 2015 as the conditions referred to the Placing Agreement were not fulfilled on or before the long stop date (i.e. 27 February 2015).

(B) Alleged Litigation in Jining

As mentioned in the Company's announcements dated 10 and 27 January 2014, 18 February 2014, 14 March 2014, 15 April 2014, 7 May 2014, 25 August 2014 and 30 September 2014, on 9 January 2014, the Company received a writ of summon (the "Writ") from Jining Intermediate People's Court (濟寧市中級人民法院) (the "Jining Court") in respect of a civil case where the plaintiff (the "Plaintiff D") claimed against the Company as first defendant, the Company's subsidiary, Mega Bright Investment Development Limited ("Mega Bright") as the second defendant, Mr. Wong Kam Leong ("Mr. Wong"), the ex-chairman of the Company, as the third defendant and the Company's subsidiary, Jining Gangning Paper Company Limited (濟寧港寧紙業有限公司) ("Jining Gangning"), as the fourth defendant, in relation to a loan of amount approximately RMB40,883,000 allegedly granted by the Plaintiff D to the Company and joint and severally guaranteed by Mr. Wong, Mega Bright together with a pledge of its shareholding interest in Jining Gangning and Jining Gangning. The loan amount of approximately RMB40,883,000 was allegedly arose from a loan agreement that was purportedly signed by Mr. Wong on behalf of the Company and Mega Bright of a total loan amount of approximately RMB73,037,000 (the "Loan Agreement"). As this stage, the Company cannot locate any written records of authorisation having been given by the Company or Mega Bright for Mr. Wong to execute the Loan Agreement. According to the Writ, the first hearing date of the case is scheduled on 18 February 2014. The hearing was later adjourned to 8 May 2014 and was further adjourned to 26 September 2014.

On 8 April 2014, Jining Gangning attempted to deliver several alleged court documents, in relation to the above lawsuit which were supposed to be delivered to Mega Bright by the Jining Court, to the Company for the attention of the Board. The documents include, among others, (i) an order made by the Jining Court on 23 December 2013 that it has granted the application made by Plaintiff D to freeze RMB10,000,000 in the bank account of Mega Bright or seize an equivalent value of the assets of Mega Bright; (ii) a writ of summons to Mega Bright issued by the Jining Court on 24 February 2014 stating that the new date of the first hearing of the above lawsuit was set on 8 May 2014; and (iii) an order made by the Jining Court on 2 April 2014 that it has granted the application made by Plaintiff D to withdraw the claims made against Mr. Wong in the above lawsuit. The order referred to in (iii) above was also served by the Jining Court to the Company through the Company's PRC legal adviser on 8 April 2014. The Company was advised by its PRC legal adviser that the attempted delivery of the above documents made by Jining Gangning did not constitute a proper service in accordance with the relevant PRC laws.

The Company's directors, based on their investigation and legal opinion from the PRC legal advisers, consider that there is no proof that the Company is indebted to Plaintiff D for the above sum claimed by Plaintiff D in the Writ nor for any amount under the Loan Agreement.

As a result, no provision has been made in the consolidated financial statements for the years ended 31 March 2014. In addition, the Company's directors consider that any obligation of Mega Bright and Jining Gangning arising from this pending litigation or under the Loan Agreement should have no financial impact on the Group's consolidated financial statements for the years ended 31 March 2014 as Mega Bright and Jining Gangning were de-consolidated from the Group's consolidated financial statements as from 1 April 2013.

The hearing of legal proceedings took place at Jining Court on 26 September 2014. Owing to the absence of the Plaintiff D at the hearing, the Plaintiff D's claim in the proceeding was subsequently dismissed. As advised by the Company's PRC legal advisers in this proceeding, each of the Company, Mega Bright, Mr. Wong and Jining Gangning is not required to bear any liability under the proceedings. However, the Company's PRC legal advisers cannot rule out the possibility that the Plaintiff D will take out any legal action again against the Company and other relevant parties on the same case in the future.

(C) Alleged litigations and arbitrations involving the de-consolidated subsidiaries

The Company's directors became aware from the litigation search results conducted by an independent third party search agent that there are certain alleged PRC litigations and arbitrations (collectively the "Legal Proceedings") involved the two de-consolidated subsidiaries named Zhongshan Jiu He Bioplastics Company Limited ("Zhongshan Jiu He") and Jining Gangning.

Save as the Legal Proceedings involved the de-consolidated subsidiaries as disclosed elsewhere in these financial statements, certain details, amounts and development of the Legal Proceedings were not completely in the litigation search results due to the limited information available in public records. As advised by PRC legal adviser, the details and current status of the Legal Proceedings cannot be ascertained as the Group is not involved in the Legal Proceedings and the related subsidiaries have been de-consolidated from the Group due to the reason as mentioned in note 2(b) of these financial statements.

As Zhongshan Jiu He and Jining Gangning were de-consolidated as from 1 April 2012 and 1 April 2013 respectively, the Company's directors considered that any obligation of Zhongshan Jiu He and Jining Gangning arising from the above matters should have no financial impact on the Group's consolidated financial statements for the year ended 31 March 2015.

FINANCIAL REVIEW

During the year under review, the Group revenue from continuing operations was approximately HK$34.62 million, representing an increase of approximately 34.71% as compared to last year (2014: HK$25.70 million). The increase in revenue was primarily attributable to the timber trading business which was set up during the year, which partially set off the decrease in revenue attributable to the trading of wine and alcohol business resulting from the management's gradual strategic repositioning on market strategy away from the trading of wine and alcohol business.

As compared to the same period of 2014, the gross margin has been improved from 3.44% to 7.85%. The overall increase in gross profit margin was mainly attributable to the timber trading business which was set up during the year and recorded higher gross profit margin than the wine and alcohol trading business.

Administrative expenses for the year ended 31 March 2015 increased to approximately HK$15.26 million (2014: HK$13.62 million) which was mainly due to the professional fee incurred for the conditional acquisition.

Finance costs mainly represent the interest on borrowings and interest charged on convertible bonds. The decrease in finance costs from HK$3.69 million to HK$0.23 million was mainly attributable to the full conversion of convertible bonds during the year ended 31 March 2014.

For the year under review, the Group recorded a loss attributable to owners of the Company of approximately HK$22.90 million as against a net loss of HK$37.03 million in 2014. The net loss was mainly due to a one-off provision for the potential maximum exposure in a pending litigation of HK$10.13 million and the operating loss of the Group for the year. The decrease in net loss was mainly due to timber trading business which was set up during the year and recorded higher gross profit margin than the wine and alcohol trading business and the one-off net loss arising from the de-consolidation of the paper manufacturing business segment in last year.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

As at 31 March 2015, the Group's cash and bank balances, which were principally Hong Kong dollar denominated, amounted to approximately HK$1.97 million (2014: HK$3.48 million). The Group was not exposed to any substantial risk in fluctuations in foreign exchange rates. In general, the Group mainly receives its income in Hong Kong dollar and uses them to settle the costs of sale and operating expenses in Hong Kong. The Group has not entered into any financial instruments for hedging purpose.

As at 31 March 2015, the Group had (i) a 5% unsecured one-year short-term loan in a principal amount of HK$11.40 million due to a minority shareholder; and (ii) an unsecured interest-free loan in a principal amount of HK$4.00 million due to an executive Director. As at 31 March 2014, the Group had no any bank loans and borrowing.

As at 31 March 2015, the debt ratio, calculated as total liabilities over total assets of the Group was approximately 4.04 (2014: approximately 1.53).

During the year under review, the Group financed its operations primarily with internally generated cash flow, as well as the borrowing from a minority shareholder. On 22 October 2014, a loan facility of HK$15.00 million was granted to the Company by a minority shareholder of the Company, of which an amount of HK$11.4 million was utilized as at 31 March 2015. The loan was an unsecured, interest-bearing on 5% per annum and repayable within one year. Such loan facility has further expanded to HK$45.00 million on 28 April 2015 in order to finance the proposed acquisition.

The Group adopted a conservative financial management and treasury policies and will continue to apply such policies in the coming year. 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, if appropriate.

CHARGE OF GROUP'S ASSETS

As at 31 March 2015 and 31 March 2014, the Group's does not have assets being pledged to secure the liabilities of the Group.

FOREIGN CURRENCY EXPOSURE

The Group continues to adopt a conservative treasury policy with almost all deposits in Hong Kong dollars, keeping minimum exposure to foreign exchange risks. As the sales, purchase, expenditures, assets and liabilities are mainly denominated in Hong Kong dollar, 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

Details of the contingent liabilities are set out in note 32 to the consolidated financial statements.

EMPLOYEES

As at 31 March 2015, the Group had approximately 13 (2014: 13) employees in Hong Kong. The total remuneration to employees, including the executive Directors for the year under review, amounted to approximately HK$5.03 million (2014: HK$4.27 million). Employees in Hong Kong are entitled to provident fund contributions and medical insurance. 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 FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in the Company's announcement dated 17 June 2015 in relation to the proposed acquisition, the Group did not have other plans for material investments and capital assets as at 31 March 2015.

PROFILE OF DIRECTORS

Profile of the Directors are set out as follows:

EXECUTIVE DIRECTORS

Mr. Kaneko Hiroshi, aged 50, has been appointed as the chairman of the Company on 17 April 2013. Mr. Kaneko holds a Master degree of Engineering from Dalian University of Technology, Doctor of Philosophy programs in Fudan University and doctoral degree of the apex science and technology from University of Tokyo. Mr. Kaneko has extensive research experience in the field of environment, development and economic science. He has been engaged in comprehensive utilization of environmental friendly materials and international trade for number of years. Mr. Kaneko is an executive director and chief executive officer of China Household Holdings Limited (a listed company in Hong Kong).

Mr. Siu Chi Keung, aged 69, has been appointed as an executive director of the Company on 15 January 2013. Mr. Siu has over 30 years of experience in the manufacturing business, in particular, he also possess expertise in running paper and plastic factories in China.

Mr. Hui Ngai Hon, Edward, aged 40, holds a Bachelor's Degree of Art from The University of British Columbia, Canada and a Certificate of Mining Economics issued by the Runge Limited, Australia. Mr. Hui has a wide range of experiences in the industry of stock brokerage, fund broker, asset management, financial projects, land development, mining and resource business. Mr. Hui is currently one of the shareholder and a director of Race Resources Limited and was responsible in numerous inspection, assessment, exploration and exploitation work involving different types of mineral resources (including iron, nickel, tin, copper and gold mines) in different countries including Mongolia, Philippines, the PRC and Indonesia.

INDEPENDENT NON-EXECUTIVE DIRECTORS ("INED")

Mr. Yau, Paul, aged 41, obtained the Postgraduate Certificate in Laws and Bachelor of Laws from The City University of Hong Kong. He has over 15 years of experience in legal field. He is a qualified solicitor of the High Court of the Hong Kong Special Administrative Region and a member of the Law Society of Hong Kong and currently a consultant of Tam, Pun & Yipp, Solicitors.

Mr. Wong Ka Shing, aged 36, holds a Bachelor of Arts (Hon) degree in Accounting and Finance from The Leeds Metropolitan University. Mr. Wong is a member of The Association of Chartered Certified Accountants and a member of The Hong Kong Institute of Certified Public Accountants. Mr. Wong has accumulated over 12 years of auditing, taxation and financial management related experience from accounting firms and listed group. Mr. Wong is an independent non-executive director of Jete Power Holdings Limited (listed on the GEM of the Stock Exchange) since April 2015.

Ms. Leung Shuk Lan, aged 57, is one of the founding members of Professional Insurance Brokers Association in 1998 and the Chairman of Professional Insurance Brokers Association from 2008–2011.

Ms. Leung is currently the Chief Executive of K U M Insurance Brokers Ltd and Charter Management Company. Ms. Leung has accumulated over 30 years of experience in the Hong Kong Insurance Industry. Ms. Leung is an independent non-executive director of Jete Power Holdings Limited (listed on the GEM of the Stock Exchange) since April 2015.

The Directors present their report together with the audited accounts for the year ended 31 March 2015.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The activities of the subsidiaries are set out in note 16 to the consolidated financial statements. An analysis of the Group's performance for the year by business and geographical segments is set out in note 14 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated statement of profit or loss and other comprehensive income on pages 34 to 35. The Directors do not recommend the payment of a dividend for the year ended 31 March 2015 (2014: Nil).

RESERVES

Movements in the reserves of the Group and of the Company during the year are set out in note 27 to the consolidated financial statements and in the consolidated statement of changes in equity on page 38 respectively.

Details of distributable reserves of the Company as at 31 March 2015 are set out in note 27(iii) to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in note 15 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital are set out in note 26 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Bye-Laws although there is no restriction against such rights under the Laws of Bermuda.

FINANCIAL INFORMATION SUMMARY

A summary of the consolidated results and of the consolidated assets and liabilities of the Group for the last five financial years is set out on page 4.

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.

CONNECTED TRANSACTIONS

Details of the connected transactions entered into by the Company are set out in note 33 to the consolidated financial statements.

Details about other related party transactions undertaken in the normal course of business but not constituting a discloseable connected transaction as defined under the GEM Listing Rules are set out in note 33 to the consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, there is a sufficiency of public float of the Company's securities as required under the GEM Listing Rules.

DIRECTORS

The Directors during the year and up to the date of this report were:

Executive Directors
Mr. Kaneko Hiroshi
Mr. Siu Chi Keung
Mr. Hui Ngai Hon, Edward

Independent Non-executive Directors
Mr. Yau Paul
Mr. Wong Ka Shing
Ms. Leung Shuk Lan

In accordance with the Bye-Laws of the Company, Mr. Kaneko Hiroshi and Mr. Siu Chi Keung, shall retire from office at the forthcoming AGM and, being eligible, offer themselves for re-election at the AGM.

DIRECTORS' SERVICE CONTRACTS

None of the Directors (including those who are proposed for re-election at the forthcoming annual general meeting) has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in this report, no contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

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 2015, 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 and underlying shares of the Company:

Name	Type of interest	Number of ordinary shares of the Company	Number of underlying shares of the Company	Total	Percentage of Shareholding
Directors					
Mr. Kaneko Hiroshi	Personal Interest	80,000,000	–	80,000,000	5.45%

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 2015, 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.

OPTION SCHEMES

A share option scheme (the "Old Scheme") was approved and adopted by the shareholders of the Company at an annual general meeting held on 21 August 2006. Under the Old Scheme, the Board was authorised to grant options to the participants of the Group including any employee, director, adviser, consultant, licensor, distributor, supplier, agents, customer, joint venture partner, strategic partner and service provider to or of any member of the Group whom the Board considers in its sole discretion to subscribe for the shares of the Company. The Old Scheme expired on 17 August 2010 as the term thereof is ten (10) years from the date on which dealings in the shares of the Company first commenced on GEM.

A new share option scheme (the "Existing Scheme") was approved and adopted by the shareholders of the Company at the annual general meeting of the Company held on 23 August 2010 (the "AGM"), details of which are set out in the circular of the Company dated 21 July 2010.

Details of the outstanding and movements of the share options under the Old Scheme and the Existing Scheme (collectively "the Scheme") during the year are as follows:

Grantee	As at 1 April 2014	Granted during the year	Cancelled/ lapsed during the year	Exercised during the year	As at 31 March 2015	Date of grant (dd/mm/yy)	Exercisable period (dd/mm/yy)	Exercise price HK$
Other employees and consultants								
In aggregate	1,250,000	–	–	–	1,250,000	09/05/08	09/05/08 to 08/05/18	3.84
In aggregate	675,000	–	–	–	675,000	17/09/08	17/09/08 to 16/09/18	4.048
In aggregate	400,000	–	–	–	400,000	01/09/09	01/09/09 to 31/08/19	3.20
In aggregate	750,000	–	–	–	750,000	15/11/10	15/11/10 to 14/11/20	3.32
In aggregate	1,000,000	–	–	–	1,000,000	10/01/11	10/01/11 to 09/01/21	3.50
In aggregate	400,000	–	–	–	400,000	12/07/11	12/07/11 to 11/07/21	3.00
Total	4,475,000	–	–	–	4,475,000			

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

As at 31 March 2015, the Company has not been notified that any shareholders, other than a director or chief executive of the Company, had any interests or short positions in the shares, underlying shares and debentures of the Company as recorded in the register required to be kept under section 336 of the SFO.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers and purchases from the five largest suppliers accounted for approximately 100.00% and 100.00% of the total sales and purchases for the year, respectively.

The Group's largest customer and supplier accounted for approximately 56.97% and 47.65% of the total sales and purchases for the year, respectively.

None of the Directors, their associates or the Shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) has a beneficial interest in these major customers or suppliers.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31 March 2015, 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

A report on the principle corporate governance practices adopted by the Company is set out on pages 20 to 27 of this report.

AUDIT COMMITTEE

The Audit Committee currently comprises three independent non-executive Directors, namely Mr. Wong Ka Shing as chairman, Mr. Yau Paul and Ms. Leung Shuk Lan 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 2015. The Audit Committee has discussed the internal control system of the Company and its subsidiaries with the management of the Company. The Audit committee has made suggestions on areas where the internal control systems were considered inadequate. The board has appointed an independent consultancy firm to review and assess the internal control system and procedures on certain specific area of the Group.

BOARD PRACTICES AND PROCEDURES

Save as disclosed above, throughout the year ended 31 March 2015, the Company has complied with Rules 5.34 to 5.45 of the GEM Listing Rules concerning board practices and procedures.

AUDITORS

The accounts for the year ended 31 March 2015 have been audited by Crowe Horwath (HK) CPA Limited who will retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Kaneko Hiroshi
Chairman

Hong Kong, 26 June 2015

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

CODE ON CORPORATE GOVERNANCE PRACTICES

Throughout the year ended 31 March 2015, 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 D.1.4

Code provision D.1.4 of the CG Code provides that the Company should have formal letters of appointment for directors setting out the key terms and conditions of their appointment.

Deviation

Mr. Kaneko Hiroshi ("Mr. Kaneko"), an executive Director, has not entered into any service contract with the Company. Mr. Kaneko is subject to retirement by rotation and re-election at the Company's annual general meeting in accordance with the bye-laws of the Company.

DIRECTORS SECURITIES TRANSACTIONS

Throughout the financial year ended 31 March 2015, 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 2015.

BOARD OF DIRECTORS

Composition of the board of directors (The "Board")

The Board currently comprised six Directors, including three executive Directors and three independent non-executive Directors.

Executive Directors
Mr. Kaneko Hiroshi *(Chairman)*
Mr. Siu Chi Keung
Mr. Hui Ngai Hon, Edward

Independent non-executive Directors
Mr. Yau Paul
Mr. Wong Ka Shing
Ms. Leung Shuk Lan

Under the Bye-Laws of the Company, Mr Kaneko Hiroshi and Mr. Siu Chi Keung, shall retire from office at the forthcoming AGM and, being eligible, offer themselves for re-election at the AGM.

Detail of backgrounds and qualifications of the Chairman of the Company and the other Directors are set out in page 14 of this Annual Report. The Board comprises a balanced composition of executive Directors and independent non-executive Directors who possesses a wide spectrum of relevant skills and experience.

The Board supervises the management of the business and affairs of the Group. It has established self-regulatory and monitoring mechanisms to ensure effective corporate governance. The Board oversees the Group's overall strategic plans, approves major funding and investment proposals and reviews the financial performance of the Group.

The Board delegates the day-to-day management, administration and operation of the Company to the management. The delegated functions are reviewed by the Board periodically to ensure they remain appropriate to the needs of the Company. The Board gives clear directions to the management as to the matters that must be approved by the Board before decisions are made on behalf of the Company.

The Company will provide a comprehensive, formal and tailored induction to each newly appointed director on his first appointment in order to enable he has appropriate understanding of the business and operations of the Company and that he is fully aware of his responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

The Board members are updated and apprised of any laws and regulations applicable to the Company and its directors as well as any amendments thereto.

Board meetings

The Board meets regularly and additional meetings are convened when deemed necessary by the Board. Nineteen Board meetings were held during the year under review. Board members are provided with complete, adequate and timely information to allow the Directors to fulfil their duties properly. Details of the attendances of the Board meetings are set out below:

Name of Directors	Attendance/ Number of meetings
Executive Directors	
Mr. Kaneko Hiroshi (appointed on 17 April 2013)	18/19
Mr. Siu Chi Keung (appointed on 15 January 2013)	18/19
Mr. Hui Ngai Hon, Edward (appointed on 17 September 2013)	19/19
Independent Non-executive Directors	
Mr. Yau Paul (appointed on 17 September 2013)	19/19
Mr. Wong Ka Shing (appointed on 18 October 2013)	19/19
Ms. Leung Shuk Lan (appointed on 18 October 2013)	17/19

Chairman and Chief Executive Officer

The role of the Chairman of the Company should be separated from that of the chief executive officer. Such division of responsibilities allows a balance of power between the Board and the management of the Group, and ensures their independence and accountability.

The Chairman is responsible for providing leadership to the Board of Directors and ensuring that the Board of Directors works effectively. Currently, the Company has no chief executive officer and the Board is responsible to play the role of chief executive officer in overseeing the management and development of the Group's business with the assistance of the executive management of each division. The Company is endeavoring to identify suitable candidate to fill the vacancy as soon as possible.

Independent Non-executive Directors

The three independent non-executive Directors are persons of high calibre, with academic and professional qualifications, and extensive experience in the fields of accounting, legal and corporate finance. With their extensive experience, they provide strong support towards the effective discharge of the duties and responsibilities of the Board. Each independent non-executive Director gives an annual confirmation of his independence to the Company, and the Company considers them to be independent under Rule 5.09 of the GEM Listing Rules.

Each of the Independent Non-Executive Directors has entered into a letter of appointment with the Company for a term of three year, subject to retirement by rotation and re-election at the general meetings of the Company in accordance with the bye-laws of the Company and is subject to termination by inter alia either party giving not less than three months' written notice.

NOMINATION COMMITTEE

The Board is responsible for the selection and approval of candidates for appointment and the Company has established a nomination committee (the "Nomination Committee") since 9 May 2006 which currently consists of three independent non-executive Directors, namely Mr. Yau Paul, Mr. Wong Ka Shing and Ms. Leung Shuk Lan. Mr. Yau Paul currently presides as chairman of the Nomination Committee. The primary role and function of the Nomination Committee is to make recommendations to the Board on potential candidates to fill vacancies or additional appointment on the Board and senior management. In selecting the suitable candidates, the Board will take into account the qualifications, ability, working experience, leadership and professional ethics of the candidates.

During the year, a total of 1 Nomination Committee meetings were held. Details of the attendance of the Nomination Committee meetings are as follows:

Name of Nomination Committee members	Attendance/ Number of meetings
Independent Non-executive Directors	
Mr. Yau Paul	1/1
Mr. Wong Ka Shing	1/1
Ms. Leung Shuk Lan	1/1

REMUNERATION COMMITTEE

The Company has established the Remuneration Committee since 9 May 2006 which currently consists of three independent non-executive Directors, namely Mr. Yau Paul, Mr. Wong Ka Shing and Ms. Leung Shuk Lan. The Chairman of the Remuneration Committee is Mr. Yau Paul.

The principle responsibilities of the Remuneration Committee are to make recommendation to the Board on the Company's policy and structure for remuneration of the Directors and senior management of the Company, to determine specific remuneration packages for all executive Directors and senior management of the Company, and to make recommendations to the Board of the remuneration of non-executive Directors. Such remuneration policy is determined based on the expertise, capability, performance and responsibility of the Directors and senior management. The Remuneration Committee also takes into consideration factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors and senior management, employment conditions elsewhere in the Group and desirability of performance-based remuneration. In addition to salaries, the Company also provides staff benefits such as medical insurance and contributions to staff's mandatory provident scheme.

During the year, a total of 1 Remuneration Committee meetings were held. Details of the attendance of the Remuneration Committee meetings are as follows:

Name of Remuneration Committee members	Attendance/ Number of meetings
Independent Non-executive Directors	
Mr. Yau Paul	1/1
Mr. Wong Ka Shing	1/1
Ms. Leung Shuk Lan	1/1

AUDIT COMMITTEE

The Audit Committee currently consists of three independent non-executive Directors, namely, Mr. Yau Paul, Mr. Wong Ka Shing and Ms. Leung Shuk Lan. The Chairman of the Audit Committee is Mr. Wong Ka Shing.

The Company established an Audit Committee with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules and Code Provision C.3.3 of the Code. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group and provide an important link between the Board and the Company's auditors on those matters within the scope of the Group's audit. It also reviews the effectiveness of the external and internal audit and conducts risk evaluation. The Audit Committee is provided with sufficient resources to discharge its responsibilities and is supported by the Finance Department of the Company. The Audit Committee is accountable to the Board.

During the year, the Audit Committee held 4 meetings to review and supervise the financial reporting process and has reviewed the quarterly, interim and annual results of the Group. The Audit Committee was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements except for the deconsolidation as mentioned in note 2(b) to the consolidated financial statement and that adequate disclosures have been made. The Audit Committee also carried out and discharged its other duties as set out in the Code.

Details of the attendance of the Audit Committee meetings are as follows:

Name of Audit Committee members	Attendance/ Number of meetings
Independent Non-executive Directors	
Mr. Yau Paul	4/4
Mr. Wong Ka Shing	4/4
Ms. Leung Shuk Lan	3/4

The audited consolidated results of the Group for the year ended 31 March 2015 have been reviewed by the Audit Committee.

There is no disagreement between the Audit Committee and the Board regarding the selection, appointment, resignation or dismissal of the external auditors.

AUDITORS' REMUNERATION

The amount of fees charged by the auditors generally depends on the scope and volume of the auditors' work. For the year ended 31 March 2015, the remuneration of the Group's auditor for the statutory audit services and non-audit services is approximately HK$1,400,000 and HK$40,000 respectively.

COMPANY SECRETARY

During the year ended 31 March 2015, the Company Secretary has duly complied with the relevant professional training requirement under Rule 5.15 of the GEM Listing Rules.

SHAREHOLDERS' RIGHTS

The Board may whenever it thinks fit call extraordinary general meetings. Any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition.

The requisition must be duly signed by the requisitionist and must be deposited at the Company's principal place of business in Hong Kong at Factory Portion B of Unit 13, 9/F, Vanta Industrial Centre, Nos. 21–33 Tai Lin Pai Road, Kwai Chung, New Territories, Hong Kong.

If within twenty-one days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

INVESTOR RELATIONS

The Board and senior management maintain a continuing dialogue with the Company's shareholders and investors through various channels including the Company's annual general meeting. The Chairman, other members of the Board and external auditors attend the annual general meeting. The Directors will answer questions raised by the shareholders on the performance of the Group. Our corporate website which contains corporate information, quarterly and annual reports, announcements and circulars issued by the Group as well as the recent developments of the Group enables the Company's shareholders to have a timely and updated information of the Group.

The 2014 annual general meeting was held on 22 August 2014. The attendance record of the Directors at the general meetings is set out below:

Name of Directors	Attendance/ Number of meetings
Executive Directors	
Mr. Kaneko Hiroshi	1/1
Mr. Siu Chi Keung	1/1
Mr. Hui Ngai Hon, Edward	1/1
Independent Non-executive Directors	
Mr. Yau Paul	1/1
Mr. Wong Ka Shing	1/1
Ms. Leung Shuk Lan	1/1

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Board acknowledges its responsibility to prepare the Company's financial statements for each financial year and to ensure that the financial statements are prepared in accordance with statutory requirements and applicable accounting standards. The Board also ensures the timely publication of the financial statements.

GOING CONCERN

The Group incurred loss for the year ended 31 March 2015 of approximately HK$22.90 million and as of that date, the Group's and the Company's current liabilities exceeded its current assets by HK$30.16 million and HK$31.54 million respectively, while net liabilities of the Group and the Company amounted to HK$29.52 million and HK$31.24 million 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) the Company had, after the reporting period, entered into an acquisition agreement with independent third parties (the "Vendors"), pursuant to which, among other things, the Group conditionally agreed to acquire, and the Vendors conditionally agreed to sell, 70% equity interest of a target Company (the "Conditional Acquisition"). The directors of the Company believed that the completion of the Conditional Acquisition will enable the Group to acquire new business operations which will generate a positive operating cash flow to the Group; (2) the Company had, after the reporting period, proposed to carry out a conditional open offer to raise funding of approximately HK$105 million before expenses in order to finance the Conditional Acquisition and to fund the working capital of the Group. Details of the open offer and the Conditional Acquisition were disclosed in the Company's announcement dated 17 June 2015; (3) one of the existing directors of the Company has confirmed his 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; (4) one of the existing shareholders of the Company had, after the reporting period, further increased its unsecured loan facility to the Company from HK$15 million to HK$45 million; and (5) the directors of the Company continue to take action to tighten cost controls over various operating expenses.

The directors are of the opinion that, taking into account the above-mentioned measures, the Group will have sufficient working capital to meet its financial obligation as and when they fall due in the next twelve months from 31 March 2015. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

Our ability to successfully implement the above-mentioned measures is subject to various factors, including but not limited to our future operating performance, market conditions and other factors, many of which are beyond our control and cannot be predicted with certainty. In the future, if sufficient funds are unavailable to meet our needs or refinancing cannot be obtained on commercially acceptable terms, if at all, then we may not be able to repay our borrowings, particularly our short-term borrowings, upon maturity. These conditions indicate the existence of material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Should the Group be unable to operate as a going concern, adjustment would have to be made to reduce the carrying values of the Group's assets to their recoverable amounts, to provide for financial liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The consolidated financial statements do not include any of these adjustments.

CORPORATE GOVERNANCE FUNCTIONS

The Board as a whole is responsible for performing the corporate governance duties including:

(a) to develop and review the Company's policies and practices on corporate governance;

(b) to review and monitor the training and continuous professional development of directors and senior management;

(c) to review and monitor the Company's policies and practices in compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and

(e) to review the Company's compliance with the code and disclosure in the Corporate Governance Report.

INTERNAL CONTROL AND RISK MANAGEMENT

The Group's internal control system is designed to facilitate the effectiveness and efficiency of operations, safeguard assets against unauthorised use and disposition, ensure the maintenance of proper accounting records and the truth and fairness of the financial statements, and ensure compliance with relevant legislation and regulations. It provides reasonable, but not absolute, assurance against material misstatement or loss rather than the elimination of risks associated with its business activities.

The internal control system is reviewed on an ongoing basis by the Audit Committee and the Board in order to make it practical and effective in providing reasonable assurance in relation to protection of material assets and identification of business risks. During the year, the Board has appointed an independent consultancy firm to review and assess the internal control system and procedures on certain specific of the Group and the Audit Committee has discussed the internal control system of the Company and its subsidiaries with the management of the Company.

Crowe Horwath™

國富浩華 (香港) 會計師事務所有限公司
Crowe Horwath (HK) CPA Limited
Member Crowe Horwath International

9/F, Leighton Centre,
77 Leighton Road,
Causeway Bay, Hong Kong

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF LONG SUCCESS INTERNATIONAL (HOLDINGS) LIMITED
(Incorporated in Bermuda with limited liability)

We were engaged to audit the consolidated financial statements of Long Success International (Holdings) Limited ("the Company") and its subsidiaries (together "the Group") set out on pages 34 to 104, which comprise the consolidated and company statements of financial position as at 31 March 2015, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Except for the inability to obtain sufficient appropriate audit evidence as explained below, we conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement. Because of the matters described in the Basis for Disclaimer of Opinion paragraphs, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

BASIS FOR DISCLAIMER OF OPINION

1. De-consolidation of subsidiaries

(a) De-consolidation of subsidiaries of paper products operating segment during the year ended 31 March 2014

As disclosed in note 2(b) to the consolidated financial statements, the directors of the Company were unable to obtain complete set of books and records together with the supporting documents of the Group's PRC subsidiary, Jining Gangning Paper Company Limited (濟寧港寧紙業有限公司) ("Jining Gangning"), due to the non-cooperation of the management and accounting personnel of Jining Gangning. Jining Gangning and its respective holding companies (the "Paper Products Segment Holding Companies"), namely Glory Smile Enterprises Limited and Mega Bright Investment Development Limited (together referred to as the "De-consolidated Subsidiaries of the Paper Products Segment") formed the Group's paper products operating segment.

The directors of the Company considered that the Group had lost control over Jining Gangning and in the absence of complete set of books and records and the non-cooperation of the management and accounting personnel of Jining Gangning, Jining Gangning had been de-consolidated from the consolidated financial statements of the Group as from 1 April 2013. Since the Paper Products Segment Holding Companies were merely holding the interests of Jining Gangning as their principal activity, the directors of the Company considered that the Paper Products Segment Holding Companies should also be de-consolidated as it would be meaningless and to a certain extent confusing to consolidate only the Paper Products Segment Holding Companies that would include only a part of the assets and liabilities of the entire paper products operating segment. Consequently, the Paper Products Segment Holding Companies were also de-consolidated from the consolidated financial statements of the Group as from 1 April 2013. The de-consolidation of the Paper Products Segment Holding Companies was not in accordance with the Hong Kong Financial Reporting Standard 10 "*Consolidated Financial Statements*".

The de-consolidation of the De-consolidated Subsidiaries of the Paper Products Segment had resulted in a net gain on de-consolidation of subsidiaries of approximately HK$164,183,000 and an impairment loss on the amounts due from the De-consolidated Subsidiaries of the Paper Products Segment of approximately HK$184,883,000 for the year ended 31 March 2014. The directors were of the view that the carrying values of the amounts due from the De-consolidated Subsidiaries of the Paper Products Segment were not recoverable and, accordingly, an impairment loss of HK$184,883,000 had been recognised in profit or loss.

We have not been provided with sufficient information and explanations on the de-consolidation of Jining Gangning 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 of Jining Gangning and cease recording its results of operations from the consolidated financial statements during the year ended 31 March 2014. In addition to the above, and due to the unavailability of complete sets of books and records and the lack of information on the assets and liabilities of Jining Gangning, we were unable to obtain sufficient appropriate audit evidences to determine whether the net gain on de-consolidation of subsidiaries of approximately HK$164,183,000 and the impairment loss on the amounts due from the De-consolidated Subsidiaries of the Paper Products Segment of approximately HK$184,883,000, which were credited and charged to the Group's loss for the year ended 31 March 2014 respectively, were free from material misstatement.

We are therefore unable to determine whether any adjustments were necessary to be made to the Group's accumulated losses as at 1 April 2014 and of its loss and cash flows for the years ended 31 March 2014 and 2015, the state of the Group's and the Company's affairs as at 31 March 2014 and 2015 and on the related disclosures in the consolidated financial statements. The above matters also caused us to disclaim our opinion on the consolidated financial statements for the year ended 31 March 2014.

(b) De-consolidation of subsidiaries of biodegradable products operating segment during the year ended 31 March 2013

As disclosed in note 2(b) to the consolidated financial statements, the directors of the Company were 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 "Biodegradable Products Segment Subsidiaries") due to the resignations of the key management staff in early 2013 and the unwillingness of the holders of non-controlling interests who were managing the Biodegradable Products Segment Subsidiaries (the "non-controlling shareholders") to co-operate in the reconstruction of the books and accounts. The Biodegradable Products Segment Subsidiaries and their respective holding companies (the "Biodegradable Products Segment Holding Companies"), namely Fast Rise Development Limited, Ever Stable Holdings Limited and World Champion Investments Limited (together referred to as the "De-consolidated Subsidiaries of the Biodegradable Products Segment") formed 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 Biodegradable Products Segment Subsidiaries had been de-consolidated from the consolidated financial statements of the Group as from 1 April 2012. Since the Biodegradable Products Segment Holding Companies were merely holding the interests of the Biodegradable Products Segment Subsidiaries as their principal activity, the directors of the Company considered that the Biodegradable Products Segment Holding Companies should also be de-consolidated as it would be meaningless and to a certain extent confusing to consolidate only the Biodegradable Products Segment Holding Companies that would include only a part of the assets and liabilities of the entire biodegradable products operating segment. Consequently, the Biodegradable Products Segment Holding Companies were also de-consolidated from the consolidated financial statements of the Group as from 1 April 2012. The de-consolidation of the Biodegradable Products Segment Holding Companies was not in accordance with the Hong Kong Financial Reporting Standard 10 "*Consolidated Financial Statements*".

The de-consolidation of the De-consolidated Subsidiaries of the Biodegradable Products Segment had resulted in a net loss on de-consolidation of subsidiaries of approximately HK$10,223,000 and an impairment loss on the amounts due from the De-consolidated Subsidiaries of the Biodegradable Products Segment of approximately HK$265,649,000 for the year ended 31 March 2013. The directors were of the view that the carrying values of the amounts due from the De-consolidated Subsidiaries of the Biodegradable Products Segment were not recoverable and, accordingly, an impairment loss of HK$265,649,000 had been recognised in profit or loss for the year ended 31 March 2013.

We have not been provided with sufficient information and explanations on the de-consolidation of the Biodegradable Products Segment 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 Biodegradable Products Segment Subsidiaries from the consolidated financial statements during the year ended 31 March 2013. In addition to the above, and due to the unavailability of complete sets of books and records and the lack of information on the assets and liabilities of the Biodegradable Products Segment 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 the impairment loss on the amounts due from the De-consolidated Subsidiaries of the Biodegradable Products Segment 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.

We are therefore unable to determine whether any adjustments were necessary to be made to the Group's accumulated losses as at 1 April 2013 and of its loss and cash flows for the years ended 31 March 2014 and 2015, the state of the Group's and the Company's affairs as at 1 April 2013, 31 March 2014 and 2015 and whether any effect on the related disclosures in the consolidated financial statements. The above matters also caused us to disclaim our opinion on the consolidated financial statements for the year ended 31 March 2014.

2. Alleged loan to the Company

As mentioned in note 32(ii) to the consolidated financial statements, a litigation was brought against the Company and Mr. Wong Kam Leong ("Mr. Wong"), the ex-chairman of the Company as defendants for an alleged loan of approximately HK$21,000,000 which allegedly arose from a loan agreement (the "Loan Agreement") that was purportedly signed by Mr. Wong on behalf of the Company. The loan was allegedly granted to the Company and purportedly guaranteed by Mr. Wong. The litigation is still in progress and it is not possible to estimate the outcome of the litigation at this stage. The Company's directors consider that any amount of obligation to the Company in relation to this litigation cannot be measured with sufficient reliability and based on their investigation and legal opinion from the PRC legal advisers, consider that the Company is not indebted to the plaintiff for the sum claimed nor for any amount under the Loan Agreement. As a result, no liability has been recognised in the consolidated financial statements for the year ended 31 March 2015.

We were unable to obtain sufficient appropriate audit evidence as to whether the Group should recognise any liability under and resulting from the Loan Agreement and the pending litigation as at 31 March 2015.

3. Alleged guarantee agreement

As mentioned in note 32(iii) to the consolidated financial statements, on 6 November 2014, the Company received a writ of summons from Jinan Intermediate People's Court (濟南市中級人民法院) ("Jinan Court") in respect of a civil case where under a PRC company, namely, Shandong Rongshihua Leasing Company Limited (山東融世華租賃有限公司) ("Plaintiff ") claimed against (i) Jining Gangning Paper Company Limited (濟寧港寧紙業有限公司) ("Jining Gangning") as the first defendant, which is a 51% owned PRC subsidiary of the Group and had been de-consolidated from the Group's consolidated financial statements as from 1 April 2013; (ii) the Company as the second defendant; (iii) Mega Bright Investment Development Limited ("Mega Bright"), which is an indirectly wholly-owned subsidiary of the Company and the holding company of Jining Gangning, as the third defendant; (iv) Jining Haoyuan Paper Co. Limited (濟寧昊源紙業有限公司), which is the 49% shareholder of Jining Ganning, as the fourth defendant; (v) Shandong Xinyuan Mine Equipment Group Limited (山東星源礦山設備集團有限公司) as the fifth defendant; and (vi) Mr. Li Jian (李健) who is the general manager of Jining Gangning as the sixth defendant for the total amount of RMB15.88 million which include unpaid rental payments of RMB1.97 million, remaining lease commitment of RMB13.78 million, and other costs of RMB0.13 million (the "Total Claims") under a machinery leasing agreement (the "Leasing Agreement") allegedly signed between the Plaintiff as the lessor and Jining Gangning as the lessee.

A guarantee agreement (the "Alleged Guarantee Agreement") allegedly signed between Plaintiff and the Company and Mega Bright, which apparently bears the signature of Mr. Wong, the ex-chairman of the Company. Pursuant to the Alleged Guarantee Agreement, the Company and Mega Bright together acted as guarantors and were responsible to guarantee 51% of the liability under the Leasing Agreement. According to the Writ, Plaintiff claimed against the Company and Mega Bright for 51% of the Total Claims.

The first hearing took place on 8 April 2015 and the court had not yet reached any judgment. As advised by the Company's PRC legal advisers, the potential maximum exposure and liability of the Company and Mega Bright in this case will be in the region of RMB8.1 million, being 51% of the amount claimed by Plaintiff. The Company's directors, after seeking legal advices, considered that a provision of RMB8.1 million should be made. As a result, the Company has made a provision of HK$10,125,000 (equivalent to RMB8.1 million) for the case and no further provision has been provided. In addition, the Company's directors consider that any obligation of Mega Bright and Jining Gangning arising from this case or the Leasing Agreement and Alleged Guarantee Agreement should have no financial impact on the Group's consolidated financial statements for the year ended 31 March 2015 as Mega Bright and Jining Gangning were de-consolidated from the Group's consolidated financial statements as from 1 April 2013.

We were unable to obtain sufficient appropriate audit evidence as to whether the abovementioned provision of HK$10,125,000, which was charged to the Group's loss for the year ended 31 March 2015, was free from material misstatement.

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

The Group incurred loss of approximately HK$22,899,000 and had net operating cash outflow of approximately HK$17,200,000 for the year ended 31 March 2015 and as of that date, the Group and the Company's current liabilities exceeded its current assets by approximately HK$30,162,000 and HK$31,538,000 respectively, and the net liabilities of the Group and the Company amounted to HK$29,518,000 and HK$31,235,000 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.

As stated in note 2(b) to the consolidated financial statements, the directors of the Company have been taking active steps to improve the liquidity position of the Group. These steps included (1) the Company had, after the reporting period, entered into an acquisition agreement with independent third parties (the "Vendors"), pursuant to which, among other things, the Group conditionally agreed to acquire, and the Vendors conditionally agreed to sell, 70% equity interest of a target Company (the "Conditional Acquisition"). The directors of the Company believed that the completion of the Conditional Acquisition will enable the Group to acquire new business operations which will generate a positive operating cash flow to the Group; (2) the Company had, after the reporting period, proposed to carry out a conditional open offer to raise funding of approximately HK$105 million before expenses in order to finance the Conditional Acquisition and to fund the working capital of the Group. Details of the open offer and the Conditional Acquisition were disclosed in the Company's announcement dated 17 June 2015; (3) one of the existing directors of the Company has confirmed his 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; (4) one of the existing shareholders of the Company had, after the reporting period, further increased its unsecured loan facility to the Company from HK$15 million to HK$45 million; and (5) the directors of the Company continue to take action to tighten cost controls over various operating expenses.

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 above and 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 realized other than at the amounts at which they are currently carried 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 as current assets.

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 accumulated losses as at 1 April 2013, 31 March 2014 and 31 March 2015 and of its loss and cash flows for the years ended 31 March 2014 and 2015, the state of the Group's and the Company's affairs as at 1 April 2013, 31 March 2014 and 2015 and the related disclosures 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 32 (i) to the consolidated financial statements, which states that during the year ended 31 March 2014, a litigation was brought against the Company as defendant for an alleged dishonoured cheque in the sum of HK$80,000,000 together with interest and costs. The litigation is still in progress and the Company's directors, based on legal advice, consider that the Company will prevail and will contest the proceedings vigorously. As a result, no liability has been recognised in these consolidated financial statements as at 31 March 2014 and 31 March 2015. Our opinion is not qualified in respect of this matter.

Crowe Horwath (HK) CPA Limited
Certified Public Accountants
Hong Kong, 26 June 2015

Lau Kwok Hung
Practising Certificate No.: P04169

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2015

	Note	**2015 HK$'000**	2014 HK$'000
Continuing operations			
Revenue	4	**34,617**	25,697
Cost of sales		**(31,901)**	(24,813)
Gross profit		**2,716**	884
Other income and net gains	5	**–**	100
Administrative expenses		**(15,262)**	(13,617)
Operating loss		**(12,546)**	(12,633)
Finance costs	6	**(228)**	(3,686)
Impairment loss on property, plant and equipment	15	**–**	(287)
Impairment loss on amounts due from de-consolidated subsidiaries		**–**	(184,883)
Provision for legal claims	32(iii)	**(10,125)**	–
Net gain on de-consolidation of subsidiaries	30	**–**	164,183
Loss before taxation	7	**(22,899)**	(37,306)
Income tax	8	**–**	608
Loss for the year from continuing operations		**(22,899)**	(36,698)
Discontinued operations			
Loss for the year from discontinued operations	9	**–**	(333)
Loss for the year		**(22,899)**	(37,031)
Other comprehensive loss for the year			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating operations outside Hong Kong			
— Reclassification adjustments upon de-consolidation of subsidiaries		**–**	(14,341)
		–	(14,341)
Total comprehensive loss for the year		**(22,899)**	(51,372)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2015

	Note	2015 HK$'000	2014 HK$'000
Loss attributable to the owners of the Company		**(22,899)**	(37,031)
Total comprehensive loss attributable to the owners of the Company		**(22,899)**	(51,372)
Loss per share attributable to owners of the Company	13		
From continuing and discontinued operations			
— Basic (HK cents per share)		**(1.56)**	(3.18)
— Diluted (HK cents per share)		**(1.56)**	(3.18)
From continuing operations			
— Basic (HK cents per share)		**(1.56)**	(3.15)
— Diluted (HK cents per share)		**(1.56)**	(3.15)

The notes on pages 41 to 104 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2015

	Note	2015 HK$'000	2014 HK$'000
Non-current assets			
Property, plant and equipment	15	**464**	1,040
Available-for-sale financial asset	17	**180**	180
Total non-current assets		**644**	1,220
Current assets			
Trade receivables	18	**–**	7,438
Prepayments, deposits and other receivables	19	**7,086**	271
Cash and cash equivalents	21	**1,967**	3,484
Total current assets		**9,053**	11,193
Current liabilities			
Trade payables	22	**2,695**	9,713
Other payables	22	**26,395**	9,319
Provision	22	**10,125**	–
Total current liabilities		**39,215**	19,032
Net current liabilities		**(30,162)**	(7,839)
NET LIABILITIES		**(29,518)**	(6,619)
EQUITY			
Equity attributable to owners of the Company			
Share capital	26	**14,682**	14,682
Reserve		**(44,200)**	(21,301)
TOTAL EQUITY		**(29,518)**	(6,619)

Approved and authorised for issue by the board of directors on 26 June 2015.

Kaneko Hiroshi
Director

Siu Chi Keung
Director

The notes on pages 41 to 104 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

As at 31 March 2015

	Note	2015 HK$'000	2014 HK$'000
Non-current assets			
Interests in subsidiaries	16	**1**	1
Amounts due from subsidiaries	20	**302**	2,430
Total non-current assets		**303**	2,431
Current assets			
Prepayments, deposits and other receivables	19	**1,563**	30
Cash and cash equivalents	21	**1,719**	137
Total current assets		**3,282**	167
Current liabilities			
Other payables	22	**24,695**	8,402
Provision	22	**10,125**	–
Total current liabilities		**34,820**	8,402
Net current liabilities		**(31,538)**	(8,235)
NET LIABILITIES		**(31,235)**	(5,804)
EQUITY			
Equity attributable to owners of the Company			
Share capital	26	**14,682**	14,682
Reserves	27	**(45,917)**	(20,486)
TOTAL EQUITY		**(31,235)**	(5,804)

Approved and authorised for issue by the board of directors on 26 June 2015.

Kaneko Hiroshi	**Siu Chi Keung**
Director	*Director*

The notes on pages 41 to 104 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2015

		Attributable to owners of the Company									
	Note	Share capital HK$'000	Share premium HK$'000	Exchange reserve HK$'000	Share options reserve HK$'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 2013		6,857	417,862	14,341	16,008	20,565	(481,735)	1,042	(5,060)	(51,936)	(56,996)
Loss for the year		–	–	–	–	–	(37,031)	–	(37,031)	–	(37,031)
Reclassification adjustments upon de-consolidation of subsidiaries	30	–	–	(14,341)	–	–	–	–	(14,341)	–	(14,341)
Total comprehensive loss for the year		–	–	(14,341)	–	–	(37,031)	–	(51,372)	–	(51,372)
Placing of new shares	26(b)(i)	200	12,200	–	–	–	–	–	12,400	–	12,400
Share issuance expenses		–	(310)	–	–	–	–	–	(310)	–	(310)
De-consolidation of subsidiaries	30	–	–	–	–	–	1,042	(1,042)	–	51,936	51,936
Conversion of convertible bonds	26(b)(ii)	7,625	50,663	–	–	(24,021)	–	–	34,267	–	34,267
Release of deferred tax liability upon conversion of convertible bonds	23(a)	–	–	–	–	3,456	–	–	3,456	–	3,456
Lapse of share options		–	–	–	(7,532)	–	7,532	–	–	–	–
At 31 March 2014		14,682	480,415(#)	–(#)	8,476(#)	–(#)	(510,192)(#)	–(#)	(6,619)	–	(6,619)
At 1 April 2014		**14,682**	**480,415**	**–**	**8,476**	**–**	**(510,192)**	**–**	**(6,619)**	**–**	**(6,619)**
Loss for the year		**–**	**–**	**–**	**–**	**–**	**(22,899)**	**–**	**(22,899)**	**–**	**(22,899)**
Total comprehensive loss for the year		**–**	**–**	**–**	**–**	**–**	**(22,899)**	**–**	**(22,899)**	**–**	**(22,899)**
At 31 March 2015		**14,682**	**480,415(#)**	**–(#)**	**8,476(#)**	**–(#)**	**(533,091)(#)**	**–(#)**	**(29,518)**	**–**	**(29,518)**

(#) As at 31 March 2015, the aggregate amount of share premium and reserves was deficit of HK$44,200,000 (2014: deficit of HK$21,301,000).

The notes on pages 41 to 104 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2015

	Note	2015 HK$'000	2014 HK$'000
Operating activities			
Loss for the year		**(22,899)**	(37,031)
Adjustments for:			
Net (gain) on de-consolidation of subsidiaries	30	**–**	(164,183)
Net (gain) on disposal of a subsidiary	31	**–**	(49)
Net loss on disposal of property, plant and equipment	7	**86**	63
Income tax (credit)	8	**–**	(608)
Provision for legal claims	32(iii)	**10,125**	–
Finance costs	6	**228**	3,686
Depreciation of property, plant and equipment	15	**207**	985
Impairment loss on property, plant and equipment	15	**–**	287
Impairment loss on other receivables	7	**–**	122
Impairment loss on amounts due from de-consolidated subsidiaries	7	**–**	184,883
Fair value change on derivative financial liabilities	5	**–**	(100)
Operating cash flows before working capital changes		**(12,253)**	(11,945)
Decrease/(increase) in trade receivables		**7,438**	(6,725)
(Increase) in prepayments, deposits and other receivables		**(6,815)**	(242)
(Decrease)/increase in trade payables		**(7,018)**	9,120
Increase in other payables		**1,676**	1,260
Cash (used in) operations		**(16,972)**	(8,532)
Interest paid		**(228)**	(1)
Net cash (used in) operating activities		**(17,200)**	(8,533)
Investing activities			
Net cash outflow from de-consolidation of subsidiaries	30	**–**	(13,918)
Sales proceeds from disposal of property, plant and equipment		**283**	3
Purchase of property, plant and equipment		**–**	(897)
Net cash generated from/(used in) investing activities		**283**	(14,812)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2015

	Note	2015 HK$'000	2014 HK$'000
Financing activities			
Proceeds from issue of shares		**–**	12,400
Share issuance expenses		**–**	(310)
Advance from a director		**4,000**	6,000
Repayment to a director		**–**	(6,000)
Advance from a shareholder		**11,400**	–
Net cash generated from financing activities		**15,400**	12,090
Net (decrease) in cash and cash equivalents		**(1,517)**	(11,255)
Cash and cash equivalents at the beginning of the year		**3,484**	14,739
Cash and cash equivalents at the end of the year	21	**1,967**	3,484

The notes on pages 41 to 104 form part of these financial statements.

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 Factory Portion B of Unit 13, 9/F., Vanta Industrial Centre, Nos. 21–33 Tai Lin Pai Road, Kwai Chung, New Territories. Trading in shares of the Company has been suspended since 3 December 2013 at the request of the Company.

The Company is an investment holding company. During the year, its subsidiaries were principally engaged in the trading of wine and alcohol and trading of timber.

On 3 December 2013, trading in the shares of the Company was suspended pending the release of inside information. The Stock Exchange indicated that trading in the shares could only be resumed after the Company has demonstrated that it has a sufficient level of operations or assets as required by Rule 17.26 of the Rules Governing the Listing of Securities on the Growth Enterprise Market on the Stock Exchange (the "GEM Listing Rules").

On 21 November 2014, the Company was informed by the Stock Exchange that the GEM Listing Committee had decided to proceed to cancel the Company's listing status pursuant to Rule 9.14 of the GEM Listing Rules and requested the Company to submit a resumption proposal to demonstrate that it has sufficient level of operations or assets as required by Rule 17.26 of the GEM Listing Rules by 5 May 2015, failing which the Stock Exchange would proceed with cancelling the Company's listing.

The Company made a submission relating to the resumption proposal setting out details in respect of, among other things, the acquisition of business, an open offer and a capital reorganisation to the Stock Exchange on 5 May 2015. As part of the resumption proposal, the Company intends to, among other things, carry out an acquisition which constitutes a reverse takeover for the Company which is subject to the approval of the GEM Listing Committee as if it were a new listing application to be made by the Company.

As more time is required for the preparation of the aforesaid new listing application, the Company applied to the Stock Exchange on 18 May 2015 for an extension of the submission deadline of the resumption proposal (the "Extension Application").

On 26 May 2015, the Stock Exchange has approved the Extension Application and allows the Company to submit a new listing application relating to the resumption proposal (but not any other proposal) under the GEM Listing Rules on or before 30 October 2015. If the Company fails to do so or the resumption proposal fails to proceed for any reasons, the Stock Exchange will proceed with cancelling the Company's listing.

Further details of the Group's resumption proposal are disclosed in note 36 to the consolidated financial statements and the Company's announcement dated 17 June 2015.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Adoption of Hong Kong Financial Reporting Standards

Except for the matters regarding the de-consolidation of subsidiaries as mentioned in note 2(b) 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. These financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance, which for this financial year and the comparative period, as permitted by the GEM Listing Rules, continue to be those of the predecessor Companies Ordinance (Cap. 32). These financial statements also comply with the applicable disclosure provisions of the GEM Listing Rules. A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs which are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 March 2015 comprise the Company and its subsidiaries other than those de-consolidated (together referred to as the "Group").

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). 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.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying amounts of assets and liabilities not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have a significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 35.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of preparation of the financial statements (Continued)

Going concern

The Group incurred loss of approximately HK$22,899,000 and had net operating cash outflow of approximately HK$17,200,000 for the year ended 31 March 2015 and as of that date, the Group and the Company's current liabilities exceeded its current assets by approximately HK$30,162,000 and HK$31,538,000 respectively, and the net liabilities of the Group and the Company amounted to HK$29,518,000 and HK$31,235,000 respectively. These conditions, along with other matters as set forth herein, 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) the Company had, after the reporting period, entered into an acquisition agreement with independent third parties (the "Vendors"), pursuant to which, among other things, the Group conditionally agreed to acquire, and the Vendors conditionally agreed to sell, 70% equity interest of a target Company (the "Conditional Acquisition"). The directors of the Company believed that the completion of the Conditional Acquisition will enable the Group to acquire new business operations which will generate a positive operating cash flow to the Group; (2) the Company had, after the reporting period, proposed to carry out a conditional open offer to raise funding of approximately HK$105 million before expenses in order to finance the Conditional Acquisition and to fund the working capital of the Group. Details of the open offer and the Conditional Acquisition were disclosed in the Company's announcement dated 17 June 2015; (3) one of the existing directors of the Company has confirmed his 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; (4) one of the existing shareholders of the Company had, after the reporting period, further increased its unsecured loan facility to the Company from HK$15 million to HK$45 million; and (5) the directors of the Company continue to take action to tighten cost controls over various operating expenses.

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 obligations 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 carried 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 as current assets.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of preparation of the financial statements (Continued)

De-consolidation of subsidiaries

Paper products operating segment

During the year ended 31 March 2014, the directors of the Company had been unable to obtain complete set of books and records together with the supporting documents of the Group's PRC subsidiary, Jining Gangning Paper Company Limited (濟寧港寧紙業有限公司) ("Jining Gangning") due to the non-cooperation of the management and accounting personnel of Jining Gangning. Jining Gangning and its respective holding companies ("Paper Products Segment Holding Companies"), namely Glory Smile Enterprises Limited and Mega Bright Investment Development Limited (together referred to as the "De-consolidated Subsidiaries of the Paper Products Segment") formed the Group's paper products operating segment.

In the absence of complete set of books and records and the non-cooperation of the management and accounting personnel of Jining Gangning, the directors of the Company considered that the Group had lost control over Jining Gangning and Jining Gangning had been de-consolidated from the consolidated financial statements of the Group as from 1 April 2013. Since the principal activity of the Paper Products Segment Holding Companies were the holding of the Group's interests in Jining Gangning, the directors of the Company considered that the Paper Products Segment Holding Companies should also be de-consolidated as it would be meaningless and to a certain extent confusing to consolidate only the Paper Products Segment Holding Companies that would include only a part of the assets and liabilities of the entire paper products operating segment. Consequently, the Paper Products Segment Holding Companies were also de-consolidated from the consolidated financial statements as from 1 April 2013. The de-consolidation of the Paper Products Segment Holding Companies was not in accordance with the Hong Kong Financial Reporting Standard 10 "*Consolidated Financial Statements*".

The de-consolidation of the De-consolidated Subsidiaries of the Paper Products Segment had resulted in a net gain on de-consolidation of subsidiaries of approximately HK$164,183,000 and an impairment loss on amounts due from the De-consolidated Subsidiaries of the Paper Products Segment of approximately HK$184,883,000 for the year ended 31 March 2014 as the directors, to the best of their knowledge and belief, were of the view that the carrying values of the amounts due from the De-consolidated Subsidiaries of the Paper Products Segment were not recoverable and, accordingly, an impairment loss of HK$184,883,000 had been recognised in profit or loss.

The Group had consolidated the assets and liabilities of the De-consolidated Subsidiaries of the Paper Products Segment as at 30 September 2013 and their results for the period from 1 April 2013 to 30 September 2013 in its interim report for the six months ended 30 September 2013 based on unaudited management information received. Due to the continued non-cooperation of the management and accounting personnel of Jining Gangning, as detailed in the Company's announcement dated 27 January 2014, the Group had been denied of further management information required for reporting in its third quarterly report. Consequently, the third quarter financial information as reported in the Group's third quarterly report had not included those of De-consolidated Subsidiaries of the Paper Products Segment and they had been de-consolidated as from 1 October 2013.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of preparation of the financial statements (Continued)

De-consolidation of subsidiaries (Continued)

Paper products operating segment (Continued)

As the directors of the Company had not been provided with the complete set of books and records together with the supporting documents for them to prepare proper consolidated financial statements and to make the appropriate disclosures under the annual reporting requirements which are more comprehensive than the disclosure requirements of the interim report and the third quarterly report, the directors of the Company considered that it is more appropriate to de-consolidate the De-consolidated Subsidiaries of the Paper Products Segment from the consolidated financial statements of the Group as from 1 April 2013.

The following detailed the unaudited financial information, before intra-group balances and transactions elimination, of the De-consolidated Subsidiaries of the Paper Products Segment which was consolidated in the Group's interim report for the six months ended 30 September 2013 but was excluded in the consolidated financial statements for the year ended 31 March 2014.

	Unaudited 1/4/2013– 30/9/2013 HK$'000
Revenue	67,874
Loss for the period	(13,265)
Other comprehensive income	1,782
Total comprehensive loss	(11,483)

	Unaudited 30/9/2013 HK$'000
Non-current assets	128,799
Current assets	252,684
Current liabilities	(595,628)
Non- current liabilities	(27)
Net liabilities	(214,172)

Biodegradable products operating segment

During the year ended 31 March 2013, the directors of the Company 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 "Biodegradable Products Segment Subsidiaries") due to the resignations of the key management staff in early 2013 and the unwillingness of the holders of non-controlling interests who were managing the PRC Subsidiaries (the "non-controlling shareholders") to co-operate in the reconstruction of the books and accounts. The PRC Subsidiaries and their respective holding companies (the "Biodegradable Products Segment Holding Companies"), namely Fast Rise Development Limited, Ever Stable Holdings Limited and World Champion Investments Limited (together referred to as the "De-consolidated Subsidiaries of the Biodegradable Products Segment") formed the Group's biodegradable products operating segment.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of preparation of the financial statements (Continued)

De-consolidation of subsidiaries (Continued)

Biodegradable products operating segment (Continued)

In the absence of complete set of books and records and the non-cooperation of the non-controlling shareholders, the Biodegradable Products Segment Subsidiaries had been de-consolidated from the consolidated financial statements of the Group as from 1 April 2012. Since the Biodegradable Products Segment Holding Companies were merely holding the interests of the Biodegradable Products Segment Subsidiaries as their principal operations, the directors of the Company consider that the Biodegradable Products Segment Holding Companies should also be de-consolidated as it would be meaningless and to a certain extent confusing to consolidate only the Biodegradable Products Segment Holding Companies that would include only a part of the assets and liabilities of the entire biodegradable products operating segment. As a result, the Biodegradable Products Segment Holding Companies were also de-consolidated from the consolidated financial statements as from 1 April 2012. The de-consolidation of the Biodegradable Products Segment Holding Companies was not in accordance with the Hong Kong Financial Reporting Standard 10 "*Consolidated Financial Statements*".

The de-consolidation of the De-consolidated Subsidiaries of the Biodegradable Products Segment had resulted in a net loss on de-consolidation of subsidiaries of approximately HK$10,223,000 and an impairment loss on the amounts due from the De-consolidated Subsidiaries of the Biodegradable Products Segment of approximately HK$265,649,000 as the directors were of the view that the carrying values of the amounts due from the De-consolidated Subsidiaries of the Biodegradable Products Segment were not recoverable and, accordingly, impairment loss of the same amount had been recognised in profit or loss for the year ended 31 March 2013.

The Company had 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. A final judgement was adjudicated against Mr. Leung Wa in favour of the Company by the High Court of the Hong Kong Special Administrative Region ("Hong Kong") on 9 August 2013.

The Company had filed an application for court's leave to present a Creditor's Bankruptcy Petition with the High Court of Hong Kong against the Vendor on 17 March 2014. After the Court of First Instance granted a bankruptcy order against the Vendor on 30 July 2014, the Proof of Debt was filed to the Official Receiver's Office on 29 August 2014.

As advised by the Company's legal advisers in these proceedings, the likelihood of distribution of any realized assets of Mr. Leung to the Company is slim.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or a joint venture.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(h)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(d) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for the control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair values, except that:

- a deferred tax asset or liability arising from the assets acquired and liabilities assumed in a business combination and the potential tax effects of temporary differences and carryforwards of an acquiree that exist at the acquisition date or arise as a result of the acquisition are recognised and measured in accordance with HKAS 12: *Income Tax*;

- assets or liabilities relating to employee benefit arrangements are recognised and measured in accordance with HKAS 19 *Employee Benefits*;

- liabilities or equity instruments relating to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Business combinations (Continued)

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another HKFRS.

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39 *Financial Instruments: Recognition and Measurement*, or HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to its acquisition date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Property, plant and equipment

Property, plant and equipment are stated in the consolidated statement of financial position at cost less any accumulated depreciation and any accumulated impairment losses (see note 2(h)).

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

Buildings	5%
Plant and machinery	$6\,^{2}/_{3}$%–10%
Leasehold improvements	10% or over the lease term whichever is shorter
Furniture and fixtures	10%–25%
Computer equipment	10%–25%
Motor vehicles	10%–25%

Display gemstones are stated at cost less any identified impairment loss.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised in profit or loss during the financial period in which they are incurred.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net proceeds on disposal and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Property, plant and equipment in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other assets, commences when the assets are ready for their intended use.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Operating lease charges

Where the Group has the use of assets under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged as expenses in the accounting period in which they are incurred.

(g) Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units, or groups of cash-generating units, that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently whenever there is indication that the unit may be impaired. If some or all of the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On the disposal of the relevant cash generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Impairment of assets

(i) Impairment of financial assets

Financial assets that are stated at cost or amortised cost at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

— a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (that is, the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors included within trade and other receivables and loans receivable, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Impairment of assets (Continued)

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

— property, plant and equipment;

— investments in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

— Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (that is, a cash-generating unit).

— Recognition of impairment losses

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying amount of an asset will not be reduced below its individual fair value less costs of disposal (if measurable), or value in use, (if determinable).

— Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts (see note 2(h)).

(j) Available-for-sale investment

Available-for-sale investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, are carried at cost less any identified impairment losses (see note 2(h)) at the end of each reporting period.

(k) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(l) Trade and other payables

Trade and other payables are initially recognised at fair value. Trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

(n) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Employee benefits (Continued)

(ii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a share option reserve within equity. The fair value is measured at grant date using the Black Scholes Option Pricing Model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the share options, the total estimated fair value of the share options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to profit or loss for the year under review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is included in the amount recognised in share capital for the shares issued) or the option expires (when it is released directly to retained profits).

(iii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

(o) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Income tax (Continued)

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided that those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary differences or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Income tax (Continued)

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group or the Company has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Group or the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  — the same taxable entity; or

  — different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(p) Provision and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(q) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of goods

Revenue from sales of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

(ii) Interest income

Interest income is recognised as it accrues using the effective interest method.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. It also occurs if the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of the statement of profit or loss, which comprises:

— the post-tax profit or loss of the discontinued operation; and

— the post-tax gain or loss recognised on the measurement to fair value less costs to sell or on the disposal of the assets or disposal group(s) constituting the discontinued operation.

(s) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss, except those arising from foreign currency borrowings used to hedge a net investment in a foreign operation which are recognised in other comprehensive income.

Non-monetary assets and liabilities measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into Hong Kong Dollar at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items, including goodwill arising on consolidation of foreign operations acquired on or after 1 January 2005, are translated into Hong Kong Dollar at the closing foreign exchange rates ruling at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve. Goodwill arising on consolidation of a foreign operation acquired before 1 January 2005 is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation.

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(u) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Board of Directors of the Company, being the chief operating decision maker, for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3. 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 10, HKFRS 12 and HKAS 27 (2011)	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC)-Int 21	Levies

The application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these financial statements.

The Group has not applied any new standard or interpretation that have been issued but are not yet effective for the current accounting period (see note 37).

4. REVENUE

The principal activity of the Group was trading of wine and alcohol and timber during the year.

Revenue represents the sales value of goods supplied to customers, 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:

	2015 **HK$'000**	2014 HK$'000
Continuing Operations		
Sales of timber	**14,897**	–
Sales of wine and alcohol	**19,720**	25,697
	34,617	25,697

5. OTHER INCOME AND NET GAINS

	2015 **HK$'000**	2014 HK$'000
Continuing Operations		
Net gains		
Fair value change on derivative financial liabilities	–	100

6. FINANCE COSTS

	2015 HK$'000	2014 HK$'000
Continuing Operations		
Interest on bank borrowings wholly repayable within five years	–	1
Interest on other loans	228	–
Imputed interest on convertible bonds	–	3,685
Total interest expense on financial liabilities not at fair value through profit or loss	228	3,686

7. LOSS BEFORE TAXATION

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

	2015 HK$'000	2014 HK$'000
Continuing Operations		
Auditor's remuneration		
— Provision for the year	1,400	1,200
— Under-provision for previous year	–	320
— Other services	40	–
Costs of inventories sold	31,901	24,813
Depreciation of property, plant and equipment	207	907
Fair value change on derivative financial liabilities	–	(100)
Loss on disposals of property, plant and equipment	86	63
Impairment loss on amounts due from de-consolidated subsidiaries	–	184,883
Impairment loss on property, plant and equipment	–	287
Impairment loss on other receivables	–	122
Net (gain) on de-consolidation of subsidiaries	–	(164,183)
Minimum lease payments under operating leases in respect of leased premises	936	588
Staff costs including directors' emoluments		
— Contributions to defined contribution retirement plan	103	77
— Salaries, wages and other benefits	4,925	4,190
	5,028	4,267

8. INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(a) Taxation in the consolidated statement of profit or loss and other comprehensive income represents:

	2015 **HK$'000**	2014 HK$'000
Continuing Operations		
Current tax		
— Hong Kong	–	–
Deferred tax		
— Current year (note 23(a))	–	(608)
	–	(608)

No provision for Hong Kong Profits Tax has been made as the Group did not generate any assessable profits arising in Hong Kong. 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:

	2015 **HK$'000**	2014 HK$'000
Loss before taxation	**(22,899)**	(37,306)
Notional tax on loss before taxation, calculated at the rates applicable to losses in the tax jurisdictions concerned	**(3,778)**	(6,155)
Tax effect of income not subject to tax	–	(26,841)
Tax effect of expenses not deductible for tax	**2,693**	32,444
Tax effect of tax losses not recognised	**1,059**	351
Tax effect of other deductible temporary differences not recognised	**26**	(407)
Tax credit for the year	–	(608)

9. DISCONTINUED OPERATIONS

Disposal of money-lending business

During the year ended 31 March 2014, the Group entered into a sale and purchase agreement to dispose of its subsidiary, Success Finance Limited, which carried out the Group's money-lending business which had performed unsatisfactorily. As a result of keen competition in the money-lending business, the directors expected that the money-lending business would continue making loss unless substantial resources were allocated thereto. In view of the above, the directors decided to dispose of the money-lending business and to devote resources to its existing business and any other potential business.

The disposal was completed on 27 September 2013, on which date where control of the money-lending operations passed to the acquirer. Details of the assets and liabilities disposed of, and the calculation of the profit or loss on disposal, are disclosed in note 31.

(i) The results of the discontinued operations included in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows up to the date of disposals are set out below.

	2014 HK$'000
Revenue	–
Cost of sales	–
Gross profit	–
Administrative expenses	(382)
(Loss) before taxation	(382)
Gain on disposal of subsidiary (note 31)	49
(Loss) for the year from discontinued operations	(333)
Attributable to:	
Owners of the Company	(333)
Non-controlling interests	–
	(333)

9. DISCONTINUED OPERATIONS (CONTINUED)

(i) (Continued)

	2014 HK$'000
Loss for the year from discontinued operations included the following:	
Depreciation and amortisation	78
Minimum lease payments under operating leases in respect of leased premises	261
Cash flows from discontinued operations:	
Net cash (used in) operating activities	(26)
Net cash outflow	(26)

(ii) Segment revenues and results

The following is an analysis of segment revenues and results from the money-lending business segment:

	2014 HK$'000
Segment revenue	
Revenue from external customers	–
Segment results	(333)
Other information	
Depreciation and amortisation	78

(iii) Geographical information

The Group's operation of money-lending business was principally located in Hong Kong.

The Group's non-current assets (other than financial instruments) of money-lending business were located in Hong Kong.

10. LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

The loss attributable to owners of the Company dealt with in the financial statements of the Company for the year ended 31 March 2015 was HK$25,431,000 (2014: HK$54,257,000).

11. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

Directors' emoluments disclosed with reference to section 161 of the predecessor Hong Kong Companies Ordinance (Cap. 32) and senior management's remuneration are as follows:

	2015 HK$'000	2014 HK$'000
Fees	2,210	1,754
Salaries, allowances and other benefits	–	–
Contributions to retirement benefits schemes	27	9
	2,237	1,763

2015

	Fees HK$'000	Salaries, allowance and other benefits HK$'000	Retirement benefits schemes contributions HK$'000	Total HK$'000
Executive directors				
Hui Ngai Hon Edward	650	–	18	668
Kaneko Hiroshi (Chairman)	600	–	9	609
Siu Chi Keung	360	–	–	360
Independent non-executive directors				
Yau Paul	200	–	–	200
Wong Ka Shing	200	–	–	200
Leung Shuk Lan	200	–	–	200
	2,210	–	27	2,237

11. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (CONTINUED)

(a) Directors' emoluments (Continued)

2014

	Fees HK$'000	Salaries, allowance and other benefits HK$'000	Retirement benefits schemes contributions HK$'000	Total HK$'000
Executive directors				
Hui Ngai Hon Edward (Appointed on 17 September 2013)	338	–	9	347
Kaneko Hiroshi (Chairman) (Appointed on 17 April 2013)	200	–	–	200
Siu Chi Keung	360	–	–	360
Lu Shiyou (Resigned on 17 September 2013)	210	–	–	210
Wong Kam Leong (Resigned on 17 April 2013)	–	–	–	–
Independent non-executive directors				
Yau Paul (Appointed on 17 September 2013)	108	–	–	108
Wong Ka Shing (Appointed on 18 October 2013)	91	–	–	91
Leung Shuk Lan (Appointed on 18 October 2013)	91	–	–	91
Tam Yuk Sang, Sammy (Resigned on 18 October 2013)	120	–	–	120
Ho Lok Cheong (Resigned on 17 September 2013)	116	–	–	116
Ng Chi Yeung, Simon (Resigned on 18 October 2013)	120	–	–	120
	1,754	–	9	1,763

11. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (CONTINUED)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2014: two) directors whose emoluments are reflected in the analysis presented above.

The emoluments paid and payable to the remaining three (2014: three) individuals are as follows:

	2015	2014
	HK$'000	HK$'000
Salaries, bonus and allowances	**1,690**	1,432
Retirement benefits schemes contributions	**53**	38
	1,743	1,470

The emoluments of the non-director highest paid individuals fell within the following bands:

	Number of individuals	
	2015	2014
Nil to HK$1,000,000	**3**	3
HK$1,000,001–HK$1,500,000	**–**	–
	3	3

During the year ended 31 March 2015, no emoluments were paid or payable by the Group to the directors and the five highest paid individuals as an inducement to join, or upon joining the Group, or as compensation for loss of office (2014: Nil). During the year, none of the directors have agreed to waive any emoluments (2014: Nil).

12. 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 (2014: Nil).

13. LOSS PER SHARE

From continuing and discontinued operations

The calculation of the basic loss per share attributable to owners of the Company is based on the following data:

Loss

	2015 **HK$'000**	2014 HK$'000
Loss for the year attributable to owners of the Company	**(22,899)**	(37,031)

Weighted average number of ordinary shares (basic)

	2015 **'000**	2014 '000
Issued ordinary shares at the beginning of the year	**1,468,197**	685,697
Effect of placing of shares	**–**	9,425
Effect of conversion of convertible bonds	**–**	468,630
Weighted average number of ordinary shares at the end of the year	**1,468,197**	1,163,752

The basic and diluted loss per share are the same for the years ended 31 March 2015 and 2014 respectively, as the share options and convertible note/bonds outstanding during the years are anti-dilutive.

From continuing operations

The calculation of the basic loss per share from continuing operations attributable to owners of the Company is based on the following data:

Loss figures are calculated as follows:

	2015 **HK$'000**	2014 HK$'000
Loss for the year attributable to owners of the Company	**(22,899)**	(37,031)
Less: Loss for the year from discontinued operations	**–**	333
Loss for the purpose of basic loss per share from continuing operations	**(22,899)**	(36,698)

The denominators used are the same as those detailed above for loss per share from continuing and discontinued operations.

The basic and diluted loss per share from continuing operations are the same for the years ended 31 March 2015 and 2014 respectively, as the share options and convertible note/bonds outstanding during the years are anti-dilutive.

13. LOSS PER SHARE (CONTINUED)

From discontinued operations

Basic loss per share for the discontinued operations for the year ended 31 March 2014 is HK0.03 cents per share, based on the loss for the year ended 31 March 2014 from the discontinued operations of HK$333,000 and the denominators detailed above for loss per share from continuing and discontinued operations.

The basic and diluted loss per share from discontinued operations are the same for the years ended 31 March 2014, as the share options and convertible note/bonds outstanding during the years are anti-dilutive.

14. 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) Wine and alcohol — trading of wine and alcohol

(ii) Timber — trading of timber

In prior years, the Group was involved in money-lending business which was discontinued during the year ended 31 March 2014. The segment information does not include any amounts for this discontinued operation.

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:

	2015 **HK$'000**	2014 HK$'000
Wine and alcohol	**19,720**	25,697
Timber	**14,897**	–
	34,617	25,697

14. SEGMENT INFORMATION (CONTINUED)

(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 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' emoluments, impairment loss on amounts due from de-consolidated subsidiaries, provision for legal claims, net gain 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 2015 and 2014 is set out below.

Year ended 31 March 2015

	Wine and alcohol HK$'000	Timber HK$'000	Total HK$'000
Segment revenue			
Sales to external customers	**19,720**	**14,897**	**34,617**
Segment results (adjusted operating profit/(loss))	**(1,005)**	**(128)**	**(1,133)**
Segment assets	**1,213**	**5,433**	**6,646**
Segment liabilities	**(4,126)**	**(5,561)**	**(9,687)**
Other information			
Depreciation	**205**	**–**	**205**
Interest expenses	**–**	**95**	**95**
Loss on disposal of property, plant and equipment	**86**	**–**	**86**

14. SEGMENT INFORMATION (CONTINUED)

(a) Segment results, assets and liabilities (Continued)

Year ended 31 March 2014

	Wine and alcohol HK$'000
Segment revenue	
Sales to external customers	25,697
Segment results	(1,698)
Segment assets	11,849
Segment liabilities	(10,040)
Other information	
Depreciation	133
Capital expenditure	897
Loss on disposal of property, plant and equipment	41

14. SEGMENT INFORMATION (CONTINUED)

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

	2015 HK$'000	2014 HK$'000
Continuing Operations		
Revenue		
Total reportable segment revenue	**34,617**	25,697
Consolidated revenue	**34,617**	25,697
Loss		
Reportable segment (loss)	**(1,133)**	(1,698)
Elimination of inter-segment loss	**1,908**	–
Total reportable segment profit/(loss) derived from the Group's external customers	**775**	(1,698)
Impairment loss on amounts due from de-consolidated subsidiaries	**–**	(184,883)
Net gain on de-consolidation of subsidiaries	**–**	164,183
Finance costs	**(133)**	(3,686)
Provision for legal claims	**(10,125)**	–
Unallocated corporate expenses	**(13,416)**	(11,222)
Consolidated loss before taxation	**(22,899)**	(37,306)
Assets		
Total reportable segment assets	**6,646**	11,849
Elimination of inter-segment receivables	**(438)**	–
	6,208	11,849
Available-for-sale financial assets	**180**	180
Unallocated corporate assets	**3,309**	384
Consolidated total assets	**9,697**	12,413
Liabilities		
Total reportable segment liabilities	**9,687**	10,040
Elimination of inter-segment payables	**(5,883)**	–
	3,804	10,040
Provision for legal claims	**10,125**	–
Amount due from a director	**4,000**	–
Amount due from a shareholder	**11,400**	–
Unallocated corporate liabilities	**9,886**	8,992
Consolidated total liabilities	**39,215**	19,032

14. SEGMENT INFORMATION (CONTINUED)

(c) Geographical information

The following is an analysis of the geographical location of (i) the Group's revenue from continuing operations from external customers and (ii) the Group's property, plant and equipment. The geographical location of customers refers to the location at which the services were provided or the goods delivered. The geographical locations of property, plant and equipment are based on the physical location of the asset under consideration.

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

	2015 HK$'000	2014 HK$'000
Hong Kong (place of domicile)	19,720	25,697
PRC (place of domicile)	14,897	–
	34,617	25,697

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:

	2015 HK$'000	2014 HK$'000
Hong Kong	464	1,040

(d) Information about major customers

Revenue from customers contributing 10% or more of the total turnover of the Group are as follows:

	2015 HK$'000	2014 HK$'000
Customer A — revenue from trading of wine and alcohol	19,720	15,941
Customer B — revenue from trading of wine and alcohol	–	5,232
Customer C — revenue from trading of wine and alcohol	–	4,466
Customer D — revenue from trading of timber	14,897	–
	34,617	25,639

15. PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings HK$'000	Plant and machinery HK$'000	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Computer equipment HK$'000	Motor vehicles HK$'000	Display gemstones HK$'000	Construction in progress HK$'000	Total HK$'000
Cost									
At 1 April 2013	47,618	206,632	4,703	993	99	2,059	3,996	1,543	267,643
Additions	–	–	–	–	–	897	–	–	897
Disposals	–	–	(3,131)	–	–	–	(25)	–	(3,156)
Derecognised on disposal of a subsidiary (note 31)	–	–	(313)	–	(6)	–	–	–	(319)
De-consolidation of subsidiaries (note 30)	(47,618)	(206,632)	(1,259)	(884)	–	(2,059)	–	(1,543)	(259,995)
At 31 March 2014	–	–	–	109	93	897	3,971	–	5,070
At 1 April 2014	–	–	–	109	93	897	3,971	–	5,070
Additions	–	–	–	–	–	–	–	–	–
Disposals	–	–	–	(77)	(78)	(229)	(188)	–	(572)
At 31 March 2015	–	–	–	32	15	668	3,783	–	4,498
Accumulated depreciation and impairment									
At 1 April 2013	21,244	141,115	3,435	936	75	862	3,496	–	171,163
Charges for the year	–	–	892	6	12	75	–	–	985
Eliminated on disposals of assets	–	–	(3,090)	–	–	–	–	–	(3,090)
Eliminated on disposal of a subsidiary (note 31)	–	–	(144)	–	(6)	–	–	–	(150)
Impairment loss recognised in profit or loss	–	–	–	–	–	–	287	–	287
Eliminated on de-consolidation of subsidiaries (note 30)	(21,244)	(141,115)	(1,093)	(850)	–	(863)	–	–	(165,165)
At 31 March 2014	–	–	–	92	81	74	3,783	–	4,030
At 1 April 2014	–	–	–	92	81	74	3,783	–	4,030
Charges for the year	–	–	–	3	9	195	–	–	207
Eliminated on disposals of assets	–	–	–	(77)	(78)	(48)	–	–	(203)
At 31 March 2015	–	–	–	18	12	221	3,783	–	4,034
Carrying amount									
At 31 March 2015	–	–	–	14	3	447	–	–	464
At 31 March 2014	–	–	–	17	12	823	188	–	1,040

Notes:

(i) As mentioned in note 2(b) to the consolidated financial statements, the subsidiaries of the paper products operation were de-consolidated as from 1 April 2013. As a result, property, plant and equipment at a total cost of HK$259,995,000 and net book value of approximately HK$94,830,000 were also de-consolidated (note 30).

16. INTERESTS IN SUBSIDIARIES

	The Company 2015 HK$'000	2014 HK$'000
Unlisted investments, at cost	**1**	1
Less: Accumulated impairment losses	**–**	–
	1	1

(a) The following is a list of the Group's principal subsidiaries which have been consolidated as at 31 March 2015:

Name	Place of incorporation and business	Issued share capital/paid up registered capital	Proportion of equity interest attributable to the Company Directly	Indirectly	Principal activities
Cherry Oasis (Far East) Limited (iii)	Hong Kong	1 ordinary share	100%	–	Investment holding
Wondertime Investments Limited (iii)	British Virgin Islands	1 ordinary share of US$1 each	100%	–	Investment holding
Jewel Star Global Limited (iii)	British Virgin Islands	100 ordinary shares of US$1 each	100%	–	Investment holding
Goldbay Global Limited (iii)	British Virgin Islands	1 ordinary share of US$1 each	100%	–	Investment holding
Everfull International Holdings Limited (iii)	Hong Kong	1 ordinary share	100%	–	Investment holding
Wider Enterprises Limited (iii)	Hong Kong	1 ordinary share	–	100%	Trading of wine and alcohol
Beauty Ocean Trading Limited (iii)	British Virgin Islands	100 ordinary shares of US$1 each	–	100%	Trading of electronic products
Smart Dragon Trading Limited (iii)	Hong Kong	2 ordinary shares	–	100%	Trading of timber

16. INTERESTS IN SUBSIDIARIES (CONTINUED)

(a) (Continued)

The following is a list of the subsidiaries which have been de-consolidated from 1 April 2013:

Name	Place of incorporation and business	Issued share capital/paid up registered capital	Proportion of equity interest attributable to the Company Directly	Indirectly	Principal activities
Glory Smile Enterprises Limited (iii)	British Virgin Islands	1 ordinary share of US$1 each	100%	–	Investment holding
Mega Bright Investment Development Limited (iii)	Hong Kong	1 ordinary share	–	100%	Investment holding
Jining Gangning Paper Company Limited 濟寧港寧紙業有限公司 (ii) (v)	People's Republic of China ("PRC")	Registered capital of US$20,947,600	–	51%	Manufacturing, processing and sales of paper products

The following is a list of the subsidiaries which have been de-consolidated from 1 April 2012:

Name	Place of incorporation and operation	Issued share capital/paid up registered capital	Proportion of equity interest attributable to the Company Directly	Indirectly	Principal activities
Fast Rise Development Limited (iii)	British Virgin Islands	1 ordinary share of US$1 each	100%	–	Investment holding
Ever Stable Holdings Limited (iii)	British Virgin Islands	100 ordinary shares of US$1 each	–	100%	Investment holding
World Champion Investments Limited (iii)	Hong Kong	1 ordinary share	–	100%	Investment holding
Dongguan Jiu He Bioplastics Company Limited 東莞九禾生物塑料有限公司 (ii) (v)	PRC	Registered share capital of US$3,440,474	–	60%	Development, production and sales of biodegradable resin and related products
Zhongshan Jiu He Bioplastics Company Limited 中山九禾生物塑料有限公司 (iv) (v)	PRC	Registered share capital of US$1,924,653	–	60%	Development, production and sales of biodegradable resin and related products

16. INTERESTS IN SUBSIDIARIES (CONTINUED)

(a) (Continued)

Notes:

(i) The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

(ii) A sino-foreign equity joint venture incorporated in the PRC with limited liability.

(iii) These companies are registered as limited liability companies under the rules and regulations of their respective countries of incorporation.

(iv) A wholly-foreign-owned enterprise with limited liability incorporated in the PRC.

(v) The English translation of the names of subsidiaries incorporated in the PRC is for identification purposes only.

17. AVAILABLE-FOR-SALE FINANCIAL ASSET

	The Group	
	2015	2014
	HK$'000	HK$'000
Non-current		
Club membership, at cost	**180**	180

Note:

The club membership does not have a quoted market price in an active market and the directors of the Company are of the opinion that the fair value cannot be measured reliably. As a result, the club membership is measured at cost less impairment at the end of the reporting period.

18. TRADE RECEIVABLES

	The Group	
	2015	2014
	HK$'000	HK$'000
Accounts receivable	**–**	7,438
Less: Allowance for impairment	**–**	–
	–	7,438

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

18. TRADE RECEIVABLES (CONTINUED)

(a) Age analysis

The following is an analysis of trade receivables by age, presented based on the invoice date, which approximates the respective revenue recognition dates:

	The Group	
	2015	2014
	HK$'000	HK$'000
Within three months	–	7,438
	–	7,438

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 (see note 2(h)).

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

	The Group	
	2015	2014
	HK$'000	HK$'000
At beginning of year	–	757
De-consolidation of subsidiaries (note 30)	–	(757)
At end of year	–	–

(c) Trade receivables that are not impaired

The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired are as follows:

	The Group	
	2015	2014
	HK$'000	HK$'000
Past due but not impaired	–	–
Neither past due nor impaired	–	7,438
	–	7,438

Included in the Group's trade receivables are debtors relate to a number of independent customers that have a good track record with the Group. The Group does not hold any collateral over these balances.

19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	The Group	
	2015	2014
	HK$'000	HK$'000
Deposits to suppliers	**5,365**	–
Deposit to legal advisors	**1,533**	–
Deposits for rental and utilities	**156**	230
Prepayments	**32**	31
Other receivables	**–**	10
	7,086	271

	The Company	
	2015	2014
	HK$'000	HK$'000
Prepayments	**1,563**	30

Prepayments, deposits and other receivables are expected to be recovered or recognised as expense within one year.

20. AMOUNTS DUE FROM SUBSIDIARIES

Amounts due from subsidiaries

	The Company	
	2015	2014
	HK$'000	HK$'000
Amounts due from subsidiaries	**472,278**	470,650
Less: Impairment loss	**(471,976)**	(468,220)
	302	2,430

Amounts due from subsidiaries are unsecured, non-interest-bearing and not repayable within one year. In the opinion of the directors, these loans are considered as quasi-equity loans to the subsidiaries.

The amounts due from subsidiaries that were de-consolidated were fully impaired as the directors consider that the amounts were not recoverable. The directors consider that the recoverable amounts of the amounts due by subsidiaries other than those being de-consolidated were below their carrying amounts because of the net liabilities position as at 31 March 2015 and 2014. Accordingly, impairment loss has been recognised.

21. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2015	2014	**2015**	2014
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash at banks and in hand	**1,967**	3,484	**1,719**	137

22. TRADE PAYABLES, OTHER PAYABLES AND PROVISION

	The Group	
	2015	2014
	HK$'000	HK$'000
Trade payables	**2,695**	9,713

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

	The Group	
	2015	2014
	HK$'000	HK$'000
Within three months	**–**	9,713
Over three months but within six months	**2,695**	–
	2,695	9,713

	The Group	
	2015	2014
	HK$'000	HK$'000
Other payables		
— Accruals	**6,431**	4,755
— Other payables	**4,564**	4,564
— Amount due to a director (Note (i))	**4,000**	–
— Amount due to a shareholder (Note (ii))	**11,400**	–
	26,395	9,319

22. TRADE PAYABLES, OTHER PAYABLES AND PROVISION (CONTINUED)

	The Company	
	2015	2014
	HK$'000	HK$'000
Other payables		
— Accruals	**5,245**	4,352
— Other payables	**4,050**	4,050
— Amount due to a director (Note (i))	**4,000**	–
— Amount due to a shareholder (Note (ii))	**11,400**	–
	24,695	8,402

Notes:

(i) Amount due to a director is unsecured, non-interest-bearing and repayable on 31 December 2015.

(ii) Amount due to a shareholder is unsecured, interest-bearing on 5% per annum and repayable within one year.

Provision

The movements of the provision recognised in the consolidated statement of financial position during the year are as follows:

	The Group and the Company
	HK$'000
At 1 April 2014	–
Provision for legal claims	10,125
At 31 March 2015	**10,125**

The amount represents a provision for a pending litigation against the Group. For details please refer to note 32 (iii).

23. INCOME TAX IN THE STATEMENT OF FINANCIAL POSITION

(a) Deferred tax assets and liabilities recognised:

The Group and the Company

The components of deferred tax liabilities recognised at 31 March 2015 and the movements during the years ended 31 March 2014 and 2015 are as follows:

	Note	**Convertible bonds**
		HK$'000
At 1 April 2013		4,064
Credit to equity		(3,456)
Credit to profit or loss	8(a)	(608)
At 31 March 2014 and 31 March 2015		–

23. INCOME TAX IN THE STATEMENT OF FINANCIAL POSITION (CONTINUED)

(b) Deferred tax assets and liabilities not recognised:

The Group has not recognised deferred tax asset and liabilities in respect of the following temporary differences:

	The Group	
	2015	2014
	HK$'000	HK$'000
Tax losses	**2,862**	1,799
Temporary differences for accelerated tax depreciation	**(57)**	(91)
	2,805	1,708

As at 31 March 2015, the Group and the Company have unused tax losses of approximately HK$17,322,000 and HK$6,707,000 (2014: HK$10,902,000 and HK$1,067,000) respectively available for offset against future profits that may be carried forward indefinitely. No deferred tax assets has been recognised in respect of the tax losses due to unpredictability of future profit stream.

As at 31 March 2015, the Group has taxable temporary differences of HK$57,000 (2014: HK$91,000) for accelerated tax depreciation. No deferred tax liability has been recognised in the years 2014 and 2015 as the amounts considered immaterial.

24. EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS AND SHARE OPTIONS

A share option scheme (the "Existing Scheme") was approved and adopted by the shareholders of the Company at an annual general meeting held on 21 August 2006 which has a term of 10 years.

The maximum aggregate number of shares permitted to be issued upon exercise of all outstanding options to be granted under the Existing Scheme is 3,872,225 (as adjusted for the share consolidation in year 2012) representing 10% of the total number of issued shares of the Company at 11 August 2009, being the date of approval of the refreshment of the maximum limit under the Existing Scheme.

With the passing of an ordinary resolution at the annual general meeting of the Company held on 23 August 2010, a new share option scheme (the "New Scheme") was approved and adopted by the shareholders of the Company which came into effect on 24 August 2010 with a term of 10 years.

The maximum aggregate number of shares permitted to be issued upon exercise of all outstanding options to be granted under the New Scheme is 7,594,725 (as adjusted for the share consolidation in year 2012) representing 10% of the total number of issued shares of the Company at 23 August 2010, being the date of approval of the refreshment of the maximum limit under the New Scheme.

Under the Existing Scheme, 2,325,000 (as adjusted for the share consolidation in year 2012) outstanding options shall continue to be valid and exercisable in accordance with the rules of the Existing Scheme. The directors confirm that no further options would be granted under the Existing Scheme prior to 23 August 2010.

24. EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS AND SHARE OPTIONS (CONTINUED)

The maximum aggregate number of shares permitted to be issued upon exercise of all outstanding options to be granted under the New Scheme is 13,119,725 (as adjusted for the share consolidation in year 2012), representing 10% of the total number of issued shares of the Company at 11 August 2011, being the date of approval of the refreshment of the maximum limit under the New Scheme.

As at 31 March 2015, a total of 2,325,000 and 2,150,000 shares (as adjusted for the share consolidation in year 2012) (2014: 2,325,000 and 2,150,000 shares) was issuable upon exercise of all share options granted under the Existing Scheme and the New Scheme respectively (collectively the "Schemes"), which represented 0.16% and 0.15% (2014: 0.16% and 0.15%) of the Company's issued share capital at that date.

Each option gives the holder the right to subscribe for one ordinary share in the Company and is settled gross in shares.

The principal terms of the Schemes are set out as follows:

The purpose of the Schemes is to enable the Group to provide eligible participants with incentives or rewards for their contributions to the Group. Under the Schemes, the directors of the Company are authorised to grant options to the participants including any employees, directors, advisers, consultants, licensors, distributors, suppliers, agents, customers, joint venture partners, strategic partners and services providers to or of any member of the Group whom the directors consider at their sole discretion to subscribe for shares of the Company.

The maximum number of shares issued and to be issued upon exercise of options granted under the Schemes to any one participant may not exceed 1% of the total number of shares of the Company in issue from time to time in any 12-month period.

The directors of the Company may at their sole discretion determine the period during which an option may be exercised, such period to expire not later than 10 years after the date of the grant of the option. The Schemes do not specify a minimum period for which an option must be held. However, the board may stipulate that an option would be subject to a minimum holding period and/or a participant may have to achieve a performance target before the option and/or any other terms can be exercised in whole or in part. An offer of a grant of an option may be accepted within 14 days from the date of grant and upon payment of HK$1.

The exercise price of an option is determined by the directors of the Company at their sole discretion and will at least be the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets on the date of grant of an option; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date on which an option is granted; and (iii) the nominal value of the Company's shares.

24. EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS AND SHARE OPTIONS (CONTINUED)

(a) Terms of unexpired and unexercised share options at the end of the reporting period

Exercise period	Exercise price HK$	2015 '000	2014 '000
9 May 2008 to 8 May 2018	3.840	**1,250**	1,250
17 September 2008 to 16 September 2018	4.048	**675**	675
1 September 2009 to 31 August 2019	3.200	**400**	400
15 November 2010 to 14 November 2020	3.320	**750**	750
10 January 2011 to 9 January 2021	3.500	**1,000**	1,000
12 July 2011 to 11 July 2021	3.000	**400**	400
		4,475	4,475

(b) Movements in the share options outstanding and their related weighted average exercise prices were as follows:

	2015		2014	
	Weighted average exercise price HK$	**Shares underlying the options '000**	Weighted average exercise price HK$	Shares underlying the options '000
Outstanding at beginning of year	**3.576**	**4,475**	3.741	7,985
Lapsed during the year	**–**	**–**	3.951	(3,510)
Outstanding at end of year	**3.576**	**4,475**	3.576	4,475
Exercisable at end of year	**3.576**	**4,475**	3.576	4,475

The share options outstanding at 31 March 2015 had a weighted average remaining contractual life of 4.58 years (2014: 5.58 years).

24. EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS AND SHARE OPTIONS (CONTINUED)

The fair values of the share options were estimated as at the measurement date by using the Black-Scholes Option-Pricing Model, taking into account the terms and conditions upon which the options were granted. The significant assumptions and inputs used in the valuation model are as follows:

Date of grant	20/02/08	22/02/08	02/05/08	09/05/08	07/07/08	17/09/08	31/12/08	18/05/09	01/09/09	30/03/10	15/11/10	10/01/11	12/07/11
Closing share price at date of grant (HK$)	0.060	0.060	0.048	0.047	0.034	0.042	0.035	0.042	0.157	0.260	0.166	0.175	0.150
Exercise price (HK$)	0.061	0.062	0.049	0.048	0.036	0.0506	0.035	0.042	0.160	0.286	0.166	0.175	0.15
Risk-free interest rate per annum	2.42%	2.40%	2.368%	2.373%	3.317%	2.389%	1.194%	0.83%	1.1694%	1.233%	0.438%	0.545%	0.558%
Expected life of option (years)	5	5	5	5	5	5	5	3	3	2	2	2	3
Expected volatility	112%	112%	83%	83%	84%	88%	97%	119%	103%	115%	89%	85%	90%
Expected dividend per annum	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Estimated fair value per share option (HK$)	0.0489	0.0497	0.0318	0.0290	0.0228	0.0263	0.0256	0.0229	0.0825	0.1476	0.0718	0.0732	0.0849

Notes:

(i) The risk-free rate was the yield of Hong Kong Monetary Authority exchange fund notes with similar time-to-maturity to the expected term of the share options.

(ii) The expected life of a share option is based on management's best estimates for the effects of non-transferability, exercise restriction and behavioral consideration. It is not necessarily indicative of the actual exercise patterns that may occur.

(iii) The expected volatility is based on the Company's historical share prices before the date of grant.

(iv) The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

25. EMPLOYEE RETIREMENT BENEFITS

Defined contribution retirement plan

The Group operates a Mandatory Provident Fund Scheme ("the MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000 (HK$25,000 prior to June 2014). Contributions to the plan vest immediately.

The total expenses recognised to profit or loss of approximately HK$103,000 (2014: HK$77,000) represents contributions payable to these plans by the Group at rates specified at the rules of the plans (note 7).

26. SHARE CAPITAL

(a) Ordinary shares

	2015 No. of shares '000	2015 Amount HK$'000	2014 No. of shares '000	2014 Amount HK$'000
Authorised:				
Ordinary shares of HK$0.01 each (2014: HK$0.01 each)	**30,000,000**	**300,000**	30,000,000	300,000

	2015 HK$'000	2014 HK$'000
Issued and fully paid:		
1,468,197,250 shares of HK$0.01 each	**14,682**	14,682

(b) A summary of the movements of the Company's issued share capital is as follows:

	Note	Number of ordinary shares of HK$0.01 per share	Issued share capital HK$'000
At 1 April 2013		685,697,250	6,857
Placing of new shares	b(i)	20,000,000	200
Conversion of convertible bonds	b(ii)	762,500,000	7,625
At 31 March 2014 and 31 March 2015		1,468,197,250	14,682

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of Company. All ordinary shares rank equally with regard to the Company's residual assets.

Notes:

(i) On 11 October 2013, the Company placed and issued 20,000,000 ordinary shares with a par value of HK$0.01 each and recognised an increase in share capital of HK$200,000. These shares rank pari passu in all aspects with the then existing shares.

(ii) During the year ended 31 March 2014, 762,500,000 ordinary shares of the Company at HK$0.01 each were issued upon the conversion of convertible bonds with an aggregate principal amount of HK$61,000,000 at the conversion price of HK$0.08 in April 2013, May 2013, July 2013, August 2013, September 2013, October 2013 and December 2013. The shares issued rank pari passu in all aspects with the then existing shares.

27. RESERVES

The Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

The Company

	Share premium HK$'000	Accumulated losses HK$'000	Share options reserve HK$'000	Convertible bonds equity reserve HK$'000	Total HK$'000
At 1 April 2013	417,862	(462,652)	16,008	20,565	(8,217)
Placing of new shares (note 26(b)(i))	12,200	–	–	–	12,200
Share issuance expenses	(310)	–	–	–	(310)
Conversion of convertible bonds (note 26(b)(ii))	50,663	–	–	(24,021)	26,642
Release of deferred tax liability upon conversion of convertible bonds (note 23(a))	–	–	–	3,456	3,456
Lapse of share options	–	7,532	(7,532)	–	–
Loss for the year	–	(54,257)	–	–	(54,257)
At 31 March 2014	480,415	(509,377)	8,476	–	(20,486)
At 1 April 2014					
Loss for the year	–	(25,431)	–	–	(25,431)
At 31 March 2015	480,415	(534,808)	8,476	–	(45,917)

Nature and purpose of reserves

(i) Share premium

The application of the share premium is governed by Section 40 of the Companies Act 1981 of Bermuda.

(ii) Share option reserve

The share option reserve relates to share options granted under the Company's share option scheme. Further information about share-based payments to employees is set out in note 24.

(iii) Distributability of reserve

At 31 March 2015, the Company had no distributable reserve (2014: Nil).

28. COMMITMENTS

Operating lease commitments

At the end of the reporting period, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	The Group	
	2015	2014
	HK$'000	HK$'000
Within one year	**780**	936
In the second to fifth year inclusive	**–**	780
After fifth year	**–**	–
	780	1,716

29. GRANT OF THE EQUITY LINE OF CREDIT TO THE COMPANY

Pursuant to the equity line of credit agreement dated 9 September 2011 (the "Agreement") and its supplemental agreements dated 16 September 2011 and 27 September 2011 respectively entered into between the Company and Lyceum Partners LLC (the "Investor"), the Company has been granted an option (the "Option") by the Investor to require the Investor to subscribe for new shares of the Company (the "Option Shares") up to an aggregate of 1,000,000,000 Option Shares (the "Total Commitment"), subject to certain conditions.

The Option is exercisable by the Company during the Commitment Period, being the period commencing on 8 November 2011 and expiring upon the earlier of (i) the expiry of the 36 months from such date, and (ii) the date on which the aggregate of the Option Shares subscribed by the Investor under the Agreement equals the Total Commitment. The option was not exercise up to its expiry date of the Agreement on 8 November 2014.

The Company may exercise the Option by issuing multiple tranche notices (subject to terms and maximum number of Option Shares to be subscribed by the Investor) during the Commitment Period except that it may not, without the prior written consent of the Investor, deliver a tranche notice until (i) the expiry of the Pricing Period (as defined in the Company's circular dated 3 October 2011) relating to any tranche notice previously issued by the Company, (ii) the Option Shares specified in the relevant previous tranche notice have been listed and become tradable, and (iii) the trading price of the Company's shares shall equal to or greater than HK$0.25 per share (as amended by the supplemental agreement dated 27 September 2011) on the tranche notice date.

With regard to any Pricing Period, the subscription price per Option Share shall be 83% of the 5-day average of the closing prices of the Company's shares during such period. If the subscription price per Option Share shall be lower than the Threshold Price being a minimum of HK$0.175 per Option Share (as amended by the supplemental agreement dated 27 September 2011), the Investor shall pay the subscription price per Option Share equals to the Threshold Price. The subscription price shall be calculated and funded in US Dollars. The Company shall not make any rights issue, open offer, bonus issue, subdivision, consolidation, stock split or similar restructuring of the shares of the Company during the relevant Pricing Period.

The Investor also entered into a share lending agreement with one of the shareholders of the Company, as at the date of the Agreement, (the "Share Lender") so as to facilitate the Investor's subscription of the Option Shares under the Agreement. The Company has agreed with the Share Lender to reimburse the Share Lender for all costs, fees and expenses incurred by the Share Lender in connection with the lending of the shares.

29. GRANT OF THE EQUITY LINE OF CREDIT TO THE COMPANY (CONTINUED)

As a result of the Share Consolidation of the Company effective on 6 March 2012, the Total Commitment was adjusted to 50,000,000 Option Shares, the Threshold Price was adjusted to HK$3.5 per Option Share and the trading price of the Company's shares in relation to the conditions of the Company's issuance of tranche notice as mentioned above was adjusted to HK$5 per share.

The directors of the Company, by reference to the valuation report issued by a professional valuer, considered that the fair values of the Option at the date of grant and as at 31 March 2014 was insignificant.

30. DE-CONSOLIDATION OF SUBSIDIARIES

As mentioned in note 2(b) to the consolidated financial statements, the Group's subsidiaries Jining Gangning Paper Company Limited, Mega Bright Investment Development Limited and Glory Smile Enterprises Limited have been de-consolidated from the consolidated financial statements of the Group as from 1 April 2013.

Details of the aggregate net assets of the abovementioned subsidiaries at date of de-consolidation are set out below.

	HK$'000
Property, plant and equipment	94,830
Prepaid lease payments	17,702
Deposit for acquisition for property, plant and equipment	12,209
Inventories	47,646
Trade receivables	16,189
Prepayments, deposits and other receivables	2,378
Pledged deposit	156,051
Cash and cash equivalents	13,918
Trade payables	(16,473)
Other payables	(217,851)
Bill payables	(231,227)
Short-term bank loan	(97,150)
	(201,778)
Exchange reserve	(14,341)
Non-controlling interests	51,936
Net gain on de-consolidation of subsidiaries	(164,183)
Analysis of net outflow of cash and cash equivalents arising from de-consolidation of subsidiaries	(13,918)

31. DISPOSAL OF A SUBSIDIARY

On 27 September 2013, the Group disposed of Success Finance Limited which carried on the Group's money-lending business at a consideration of HK$1.

Consideration received

	HK$'000
Consideration received in cash and cash equivalents	–
Total consideration received	–

Analysis of asset and liabilities over which control was lost

	HK$'000
Net liabilities disposed of	
Current asset	
Other receivables	68
Non-current asset	
Property, plant and equipment	169
Goodwill	90
Current liability	
Other payables	(376)
	(49)

Gain on disposal of a subsidiary	
Consideration received	–
Net liabilities disposed of	49
Gain on disposal	49

The gain on disposal is included in the loss for the year from discontinued operation.

Net cash inflow on disposal of a subsidiary	
Consideration received in cash and cash equivalents	–

32. CONTINGENT LIABILITIES

Pending litigations

(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 ("Plaintiff A") claimed 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 and apparently bore the signature of Mr. Wong Kam Leong ("Mr. Wong"), the ex-chairman of the Company, was issued without obtaining the authorisation or approval from the board of directors of the Company. 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 consolidated financial statements, the Proceedings are still in progress and the directors of the Company, based on legal advice, consider that the Company will prevail and will contest the Proceedings vigorously. As a result, no provision has been made in the consolidated financial statements as at 31 March 2014 and 2015.

(ii) According to Company's announcement dated 16 October 2014, 9 December 2014, 11 March 2015 and 15 April 2015, 民事起訴狀 ("Writ of Summons") was received from Zhongshan Intermediate People's Court (中山市中級人民法院) ("Zhongshan Court") in respect of a civil case where Mr. Chen Song Jian (陳崇健) ("Plaintiff B") claimed against the Company as the first defendant and Mr. Wong Kam Leong ("Mr. Wong") as the second defendant in relation to outstanding loan of HK$21,000,000 with accrued interests, legal cost of RMB239,000 and court fees. The loan amount allegedly granted by Plaintiff B to the Company and purportedly guaranteed by Mr. Wong under a loan agreement (the "Loan Agreement"). The Loan Agreement that was purportedly signed by Mr. Wong on behalf of the Company.

The hearing of the case took place at the Zhongshan Court on 6 April 2015. Both Plaintiff B and Mr. Wong were absent from the hearing and the court has not yet reached any judgment.

Up to date of approval of these consolidated financial statements, the litigation is still in progress and it is not possible to estimate the outcome of the litigation. The Company's directors consider that any amount of obligation in relation to this litigation cannot be measured with sufficient reliability and based on their investigation and legal opinion from PRC legal advisers, consider that the Company is not indebted to Plaintiff B for the above sum claimed by Plaintiff B in the Writ of Summons nor any amount under the Loan Agreement. As a result, no provision has been made in the consolidated financial statements for the year ended 31 March 2015.

(iii) As mentioned in the Company's announcement dated 7 November 2014 and 15 April 2015, the Company received a writ of summons on 6 November 2014 from Jinan Intermediate People's Court (濟南市中級人民法院) ("Jinan Court") in respect of a civil case where under a PRC company, namely, Shandong Rongshihua Leasing Company Limited (山東融世華租賃有限公司) ("Plaintiff C") claimed against (i) Jining Gangning Paper Company Limited (濟寧港寧紙業有限公司) ("Jining Gangning") as the first defendant, which is a 51% owned PRC subsidiary of the Group and had been de-consolidated from the Group's consolidated financial statements as from 1 April 2013; (ii) the Company as the second defendant; (iii) Mega Bright Investment Development Limited ("Mega Bright"), which is an indirectly wholly-owned subsidiary of the Company and the holding company of Jining Gangning, as the third defendant; (iv) Jining Haoyuan Paper Co. Limited (濟寧昊源紙業有限公司), which is the 49% shareholder of Jining Ganning, as the fourth defendant; (v) Shandong Xinyuan Mine Equipment Group Limited (山東星源礦山設備集團有限公司) as the fifth defendant; and (vi) Mr. Li Jian (李健) who is the general manager of Jining Gangning as the sixth defendant for the total amount of RMB15.88 million which include unpaid rental payments of RMB1.97 million, remaining lease commitment of RMB13.78 million, and other costs of RMB0.13 million (the "Total Claims") under a machinery leasing agreement (the "Leasing Agreement") allegedly signed between Plaintiff C as the lessor and Jining Gangning as the lessee on 16 April 2013.

32. CONTINGENT LIABILITIES (CONTINUED)

Pending litigations (Continued)

(iii) (Continued)

A guarantee agreement (the "Alleged Guarantee Agreement") allegedly signed between Plaintiff C and the Company and Mega Bright on 16 April 2013, which apparently bears the signature of Mr. Wong, the ex-chairman of the Company who had resigned with effect from 17 April 2013. Pursuant to the Alleged Guarantee Agreement, the Company and Mega Bright together acted as guarantors and were responsible to guarantee 51% of the liability under the Leasing Agreement. According to the Writ, Plaintiff C claimed against the Company and Mega Bright for 51% of the Total Claims.

The first hearing took place on 8 April 2015 and the court had not yet reached any judgement. As advised by the Company's PRC legal advisers, the potential maximum exposure and liability of the Company and Mega Bright in this case will be in the region of RMB8.1 million, being 51% of the amount claimed by Plaintiff C. The Company's directors, after seeking legal advices, considered that a provision of RMB8.1 million should be made. As a result, the Company has made a provision of HK$10,125,000 (equivalent to RMB8.1 million) for the case and no further provision has been provided. In addition, the Company's directors consider that any obligation of Mega Bright and Jining Gangning arising from this case or the Leasing Agreement and Alleged Guarantee Agreement should have no financial impact on the Group's consolidated financial statements for the years ended 31 March 2015 as Mega Bright and Jining Gangning were de-consolidated from the Group's consolidated financial statements as from 1 April 2013 (note 2(b)).

Alleged litigations and arbitrations involving the de-consolidated subsidiaries

The Company's directors became aware from the litigation search results conducted by an independent third party search agent that there were certain alleged PRC litigations and arbitrations (collectively the "Legal Proceedings") involving the two de-consolidated subsidiaries named Zhongshan Jiu He Bioplastics Company Limited ("Zhongshan Jiu He") and Jining Gangning.

Save as for the Legal Proceedings involving the de-consolidated subsidiaries as disclosed elsewhere in these financial statements, certain details, amounts and development of the Legal Proceedings were not complete in the litigation search results due to the limited information available in public records. As advised by PRC legal adviser, the details and current status of the Legal Proceedings cannot be ascertained as the Group is not involved in the Legal Proceedings and the related subsidiaries have been de-consolidated from the Group due to the reason as mentioned in note 2(b).

As Zhongshan Jiu He and Jining Gangning were de-consolidated as from 1 April 2012 and 1 April 2013 respectively, the Company's directors considered that any obligation of Zhongshan Jiu He and Jining Gangning arising from the above matters should have no financial impact on the Group's consolidated financial statements for the year ended 31 March 2015.

32. CONTINGENT LIABILITIES (CONTINUED)

Litigations

As mentioned in the Company's announcements dated 10 and 27 January 2014, 18 February 2014, 14 March 2014, 15 April 2014, 7 May 2014, 25 August 2014 and 30 September 2014, on 9 January 2014, the Company received a writ of summon (the "Writ") from Jining Intermediate People's Court (濟寧市中級人民法院) (the "Jining Court") in respect of a civil case where the plaintiff ("Plaintiff D") claimed against the Company as first defendant, the Company's subsidiary, Mega Bright as the second defendant, Mr. Wong, the ex-chairman of the Company, as the third defendant and the Company's subsidiary, Jining Gangning Paper Company Limited (濟寧港寧紙業有限公司) ("Jining Gangning"), as the fourth defendant, in relation to a loan of approximately RMB40,883,000 allegedly granted by Plaintiff D to the Company and jointly and severally guaranteed by Mr. Wong, Mega Bright together with a pledge of its shareholding interest in Jining Gangning and Jining Gangning. The loan of approximately RMB40,883,000 allegedly arose under a loan agreement that was purportedly signed by Mr. Wong on behalf of the Company and Mega Bright for a total loan amount of approximately RMB73,037,000 (the "Loan Agreement"). At this stage, the Company cannot locate any written records of authorisation having been given by the Company or Mega Bright for Mr. Wong to execute the Loan Agreement. According to the Writ, the first hearing date of the case is scheduled to be 18 February 2014. The hearing was later adjourned to 8 May 2014 and was further adjourned to 26 September 2014.

On 8 April 2014, Jining Gangning attempted to deliver several alleged court documents, in relation to the above lawsuit which were supposed to be delivered to Mega Bright by the Jining Court, to the Company for the attention of the Board. The documents include, among others, (i) an order made by the Jining Court on 23 December 2013 that it has granted the application made by Plaintiff D to freeze RMB10,000,000 in the bank account of Mega Bright or seize an equivalent value of the assets of Mega Bright; (ii) a writ of summons to Mega Bright issued by the Jining Court on 24 February 2014 stating that the new date of the first hearing of the above lawsuit was set on 8 May 2014; and (iii) an order made by the Jining Court on 2 April 2014 that it has granted the application made by Plaintiff D to withdraw the claims made against Mr. Wong in the above lawsuit. The order referred to in (iii) above was also served by the Jining Court to the Company through the Company's PRC legal adviser on 8 April 2014. The Company was advised by its PRC legal adviser that the attempted delivery of the above documents made by Jining Gangning did not constitute a proper service in accordance with the relevant PRC laws.

The Company's directors, based on their investigation and legal opinion from the PRC legal advisers, consider that there is no proof that the Company is indebted to Plaintiff D for the above sum claimed by Plaintiff D in the Writ nor for any amount under the Loan Agreement.

As a result, no provision has been made in the consolidated financial statements for the years ended 31 March 2014. In addition, the Company's directors consider that any obligation of Mega Bright and Jining Gangning arising from this pending litigation or under the Loan Agreement should have no financial impact on the Group's consolidated financial statements for the years ended 31 March 2014 as Mega Bright and Jining Gangning were de-consolidated from the Group's consolidated financial statements as from 1 April 2013 (note 2(b)).

The hearing of legal proceedings took place at Jining Court on 26 September 2014. Owing to the absence of Plaintiff D at the hearing, Plaintiff D's claim in the proceedings was subsequently dismissed. As advised by the Company's PRC legal advisers in this proceeding, each of the Company, Mega Bright, Mr. Wong and Jining Gangning is not required to bear any liability under the proceedings. However, the Company's PRC legal advisers cannot rule out the possibility that Plaintiff D will take other legal action against the Company and the other relevant parties on the same case in future.

32. CONTINGENT LIABILITIES (CONTINUED)

Financial guarantees issued

Jining Gangning 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 Gangning had outstanding guarantees issued to the extent of approximately HK$50,366,000 as at 31 March 2013. Under such guarantee agreements, Jining Gangning 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 years.

As at 31 March 2013, the directors of the Company do not consider it probable that a claim will be made against Jining Gangning under any of the guarantees as the default risk is low. The maximum liability of Jining Gangning at 31 March 2013 is the outstanding amounts of the bank borrowings of the counter-parties under the cross guarantees of approximately HK$25,616,000.

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 as at 31 March 2013. As at date of this report, the current status of the financial guarantee cannot be ascertained due to the limited information available to the Group.

As mentioned in note 2(b) to the consolidated financial statements, Jining Gangning was de-consolidated as from 1 April 2013. The Company's directors consider that any obligation of Jining Gangning arising from the above financial guarantee agreements should have no financial impact on the Group's financial statements for the years ended 31 March 2014 and 31 March 2015.

Alleged financial guarantee agreement

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 ("Plaintiff E") 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 (the "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 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 authorisation 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. If the Guarantee Agreement was held to be valid and enforceable, there could be adverse impacts on Zhongshan 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 for the year ended 31 March 2014.

32. CONTINGENT LIABILITIES (CONTINUED)

Alleged financial guarantee agreement (Continued)

As mentioned in the Company's announcement dated 13 August 2013 and the Company's interim result announcement dated 13 November 2013, the Company's attention was drawn to a substituted service in the form of an advertisement issued by Zhongshan Intermediate People's Court (中山市中級人民法院) in respect of a civil case. The names of the defendants appearing on the advertisement include, inter alia, Jining Gangning, Zhongshan Jiu He, Mr. Wong and others. The advertisement disclosed the first hearing date of the case was scheduled to be 11 November 2013.

The first hearing was held as scheduled and the court has not yet reached any judgment. Plaintiff E's claims against Mr. Wong as first defendant and Zhongshan Jiu He, Jining Gangning and other defendants as guarantors for the (i) principal loan amount of RMB20,000,000; (ii) the default interest of RMB8,486,000 and (iii) litigation fees relevant to the lawsuit of RMB450,000. Based on the first hearing and available information, no decision could be concluded. As at date of this report, the current status of the case cannot be ascertained due to the limited information available to the Group.

As mentioned in note 2(b) to the consolidated financial statements, Zhongshan Jiu He and Jining Gangning were de-consolidated as from 1 April 2012 and 1 April 2013 respectively. The Company's directors consider that any obligation of Zhongshan Jiu He and Jining Gangning arising from the above matters should have no financial impact on the Group's consolidated financial statements for the year ended 31 March 2015.

33. MATERIAL RELATED PARTY TRANSACTIONS

(a) Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. During the year, loan interest of HK$132,000 (2014: HK$Nil) was accrued to a shareholder of the Company and included in other payables.

The outstanding balances arising from above transactions at the end of the reporting period are as follows:

	The Group and the Company	
	2015	2014
	HK$'000	HK$'000
Amounts due to a shareholder	**11,400**	–
Amounts due to a director	**4,000**	–

Details of the terms and conditions of the amount due to a shareholder and a director are disclosed in note 22.

The directors of the Company are of the opinion that the above transactions were entered into on terms mutually agreed.

33. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Key management personnel compensation

The emoluments of directors who are also identified as members of key management of the Group, during the year are set out in note 11(a).

34. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Categories of financial instruments:

	The Group	
	2015	2014
	HK$'000	HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**7,488**	11,162
Available-for-sale financial assets	**180**	180
Financial liabilities		
Amortised cost	**29,090**	19,032

	The Company	
	2015	2014
	HK$'000	HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**1,719**	137
Financial liabilities		
Amortised cost	**24,695**	8,402

The Group is exposed to a variety of risks including foreign currency risk, interest rate risk and other price risks, credit risk and liquidity risk, which result from both its operating and investing activities.

34. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

Capital management

The primary objective of the Company's capital management policy is to ensure that the Company will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The directors of the Company review the capital structure on a regular basis. As part of this review, the directors of the Company consider the cost of capital and the risks associated with capital, and balance its overall capital structure through new share issues as well as raising new debts or repayment of existing debts.

The Group is not subject to any externally imposed capital requirements.

The Group monitors capital using a gearing ratio, determined as the proportion of net debt to equity derived from the consolidated statement of financial position. The following table analyses the Group's capital structure as at 31 March 2015:

	2015 **HK$'000**	2014 HK$'000
Debts (note (i))	**15,400**	–
Less: Cash and cash equivalents (note 21)	**(1,967)**	(3,484)
Net debt	**13,433**	(3,484)
Total equity (note (ii))	**(29,518)**	(6,619)
Net debt to equity ratio	**(45.51%)**	N/A

Notes:

(i) Debt comprises short-term loans from director and shareholder as detailed in note 22.

(ii) Equity includes all capital and reserves of the Group.

34. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Credit risk

These risks are regularly monitored by the management and minimised by the Group's financial management policies and practices as described below.

(i) In respect of trade and other receivables, in order to minimise risk, the management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. The management continuously evaluates the credit-worthiness and payment record of each borrower or customer and these credit risks are closely monitored on an ongoing basis. At the end of each reporting period, the Group reviews the recoverable amount of each individual debt to ensure that adequate impairment losses are made for irrecoverable amounts. The Group does not require collateral in respect of its financial assets. Trade debts are usually due within 1 to 3 months from the date of billing.

(ii) The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk. At the end of the reporting period, the Group did not have any concentration of credit risk in respect of the Group's trade receivables (2014: one single customer representing 74% and top five customers representing 100% respectively).

(iii) Cash at banks and bank deposits are placed with banks and financial institutions with good credit ratings. The directors of the Company consider that the Group's credit risk in respect of the cash at banks and bank deposits is low.

(iv) In respect of other receivables, the management has been closely monitoring and reviewing the recoverability of the amounts and the directors consider such credit risk is manageable.

(v) Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade receivables and other receivables are set out in notes 18 and 19 respectively.

34. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient amount of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. The directors of the Company will consider raising fund by ways of issuing debt and equity instruments of the Group or obtaining adequate committed lines of funding from financial institutions to meet its liquidity requirements in future.

The following liquidity table sets out the remaining contractual maturities at the end of the reporting period of the Group's and the Company's derivative and non-derivative financial liabilities based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group and the Company can be required to pay.

The Group

At 31 March 2015

	Less than 1 year or on demand HK$'000	Between 1 to 2 years HK$'000	Between 2 to 5 years HK$'000	Total contractual undiscounted cash flow HK$'000	Carrying amount HK$'000
Trade payables	**2,695**	**–**	**–**	**2,695**	**2,695**
Other payables	**26,833**	**–**	**–**	**26,833**	**26,395**
	29,528	**–**	**–**	**29,528**	**29,090**

At 31 March 2014

	Less than 1 year or on demand HK$'000	Between 1 to 2 years HK$'000	Between 2 to 5 years HK$'000	Total contractual undiscounted cash flow HK$'000	Carrying amount HK$'000
Trade payables	9,713	–	–	9,713	9,713
Other payables	9,319	–	–	9,319	9,319
	19,032	–	–	19,032	19,032

34. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Liquidity risk (Continued)

The Company

At 31 March 2015

	Less than 1 year or on demand HK$'000	Between 1 to 2 years HK$'000	Between 2 to 5 years HK$'000	Total contractual undiscounted cash flow HK$'000	Carrying amount HK$'000
Other payables	**25,133**	**–**	**–**	**25,133**	**24,695**

At 31 March 2014

	Less than 1 year or on demand HK$'000	Between 1 to 2 years HK$'000	Between 2 to 5 years HK$'000	Total contractual undiscounted cash flow HK$'000	Carrying amount HK$'000
Other payables	8,402	–	–	8,402	8,402

(c) Interest rate risk

The Group and the Company have no variable interest-bearing borrowings. The Group's and the Company's fair value interest rate risk relate primarily to a fixed-rate borrowing from a shareholder.

Interest rate profile

The following table details the interest rate profile of the Group's and the Company's borrowings at the end of the reporting period:

	The Group				**The Company**			
	2015		2014		**2015**		2014	
	Effective interest rates %	HK$'000	**Effective interest rates %**	HK$'000	**Effective interest rates %**	HK$'000	**Effective interest rates %**	HK$'000
Fixed rate borrowings: Amount due from a shareholder	**5%**	11,400	**–**	–	**5%**	11,400	**–**	–
		11,400		–		11,400		–

The management considers that the exposure on cash flow interest rate risk and fair value interest rate risk are insignificant. Accordingly, no sensitivity analysis has been prepared.

34. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(d) Foreign currency risk

The Group

The Group's operations are principally conducted in Hong Kong and the majority of assets are denominated in Hong Kong Dollars, which are the functional currencies of the Group entities to which these transactions relate.

The Group does not have a foreign currency hedging policy. The Group manages its foreign currency risk by closely monitoring the movement of the foreign currency rates.

(i) Exposure to currency risk

The following tables detail the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

	The Group Exposure to foreign currencies (expressed in Hong Kong dollars)	
	2015	2014
	United States Dollars	United States Dollars
Deposit paid	**5,365**	–
Accounts payables	**–**	(5,218)
Gross exposure arising from recognised assets and liabilities	**5,365**	(5,218)

As HK$ is pegged to US$, the management does not expect any significant movements in the HK$/US$ exchange rates. No sensitivity analysis in respect of the Group's financial assets and liabilities denominated in US$ is disclosed as in the opinion of the management, such sensitivity analysis does not give additional value in view of insignificant movement in the HK$/US$ exchange rates as at the end of the reporting period.

The Company

The Company has no significant currency risk. Accordingly, no sensitivity analysis has been prepared for the Company for 2014 and 2015.

(e) Other price risk

The Group's equity price risk arising from changes in the Company's own share price to the extent that the Company's own equity instruments underlie the fair values of derivatives or other financial liabilities of the Group. The Group and the Company had no significant equity instruments underlying the fair values of derivatives or other financial liabilities as at 31 March 2014 and 2015.

(f) Fair value of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's and the Company's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2014 and 2015.

35. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

(a) Critical accounting judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, management has made the following accounting judgements:

(i) Depreciation and amortisation

The Group depreciates its property, plant and equipment in accordance with the accounting policies stated in notes 2(c). The estimated useful lives reflect the directors' estimates of the periods that the Group intends to derive future economic benefits from the use of these assets.

(ii) Impairment of property, plant and equipment

The recoverable amount of an asset is the higher of its fair value less cost of disposal and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset, which requires significant judgement relating to the level of revenue and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of revenue and operating costs. Changes in these estimates could have a significant impact on the carrying amounts of the assets and could result in additional impairment charge or reversal of impairment in future periods.

(iii) Pending litigations

As detailed in note 32 to the financial statements, the Group had contingent liabilities and provision in respect of a number of legal proceedings in Hong Kong and PRC. The directors are of the opinion, after having sought the legal advice from the Company's legal counsels, that adequate provision for claims and costs has been made in the financial statements. Changes in these estimates could result in additional provision or reversal of provision in future period.

(iv) Impairment of trade and other receivables

The policy for impairment assessment for trade and other receivables of the Group is based on the evaluation of collectibility and an aging analysis of the receivables and on the judgement of the management. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer or borrower. As at 31 March 2015, no allowance for impairment of doubtful trade and other receivables (2014: HK$Nil) is required. If the financial conditions of borrowers or customers of the Group were to deteriorate, resulting in further impairment of their ability to make payments, additional provision may be required.

36. EVENTS AFTER THE REPORTING PERIOD

On 3 December 2013, trading in the shares of the Company was suspended pending the release of inside information. The Stock Exchange indicated that trading in the shares could only be resumed after the Company has demonstrated that it has a sufficient level of operations or assets as required by Rule 17.26 of the GEM Listing Rules.

On 21 November 2014, the Company was informed by the Stock Exchange that the GEM Listing Committee had decided to proceed to cancel the Company's listing status pursuant to Rule 9.14 of the GEM Listing Rules and requested the Company to submit a resumption proposal to demonstrate that it has sufficient level of operations or assets as required by Rule 17.26 of the GEM Listing Rules by 5 May 2015, failing which the Stock Exchange would proceed with cancelling the Company's listing.

Subsequent to the reporting period, the Company made a submission relating to the resumption proposal setting out details in respect of, among other things, an acquisition, an open offer and a capital reorganization to the Stock Exchange on 5 May 2015.

As part of the resumption proposal, the Company has indicated its intention to, among other things, carry out an acquisition ("Acquisition") which constitutes a reverse takeover for the Company which is subject to the approval of the GEM Listing Committee as if a new listing application is to be made by the Company. As more time is required for the preparation of the new listing application, the Company applied to the Stock Exchange on 18 May 2015 for an extension of the submission deadline of the resumption proposal (the "Extension Application").

On 26 May 2015, the Stock Exchange has approved the Extension Application and allows the Company to submit a new listing application relating to the resumption proposal (but not any other proposal) under the GEM Listing Rules on or before 30 October 2015. If the Company fails to do so or the resumption proposal fails to proceed for any reasons, the Stock Exchange will proceed with cancelling the Company's listing.

Details on the abovementioned resumption proposal (the "Resumption Proposal") are disclosed as follows:

(a) The Acquisition:

On 4 May 2015, Goldbay Global Limited (the "Purchaser") (a direct wholly-owned subsidiary of the Company), the vendors (the "Vendors") and the guarantors (the "Guarantors") entered into an acquisition agreement, pursuant to which, among other things, the Purchaser conditionally agreed to acquire, and the Vendors conditionally agreed to sell, 70% equity interest in Hong Kong Automobile Restoration Group Limited (the "Target Company"), for a consideration of HK$122.85 million. The consideration is to be satisfied (i) as to HK$35 million in cash; (ii) as to HK$15 million by the issue of promissory notes; and (iii) as to HK$72.85 million by the issue and allotment of 169,418,604 consideration shares (representing approximately 30.2% of the issued share capital of the Company after adjustment for the capital reorganisation (note 36 (c)) and as enlarged by the issue of the consideration shares and the offer shares from open offer (note 36(b))) to the Vendors.

The target group is principally engaged in auto detailing services and auto repair and maintenance services under the "CARs" and "Challenger" brands in Hong Kong. The acquisition is conditional upon, among other things, completion of the open offer, the capital reorganisation becoming effective, and the granting of the whitewash waiver by the Executive Director of the Corporate Finance Division of the Securities and Futures Commission. The completion of the acquisition will take place simultaneously with the completion of the open offer. Upon the completion of acquisition, the Target Company will become an indirect 70%-owned subsidiary of the Company.

Up to the date of approval of these consolidated financial statements, completion of the acquisition has not been taken place.

36. EVENTS AFTER THE REPORTING PERIOD (CONTINUED)

(b) The Open Offer:

Further, in order to, among other things, finance the Acquisition and to fund the working capital of the Group following the completion of the Acquisition, the Company also proposed to carry out an open offer and accordingly entered into an underwriting agreement with the underwriter on 4 May 2015. The Board proposes to raise not less than approximately HK$105.2 million before expenses by way of issuing not less than 244,699,541 offer shares; and to raise not more than approximately HK$105.5 million before expenses by way of issuing not more than 245,445,375 offer shares, at the subscription price of HK$0.43 per offer share on the basis of five (5) offer shares for every three (3) adjusted shares resulting from the proposed capital reduction (note 36(c)(ii)) held on the record date.

(c) The Capital Reorganisation:

The Board also proposes to implement the capital reorganisation which involves the following:

(i) the proposed share consolidation whereby every ten (10) issued and unissued shares of par value HK$0.01 each in the existing share capital of the Company be consolidated into one (1) consolidated share of par value HK$0.10 each (the "Consolidated Share");

(ii) the proposed capital reduction whereby the (a) the issued share capital of the Company is reduced by cancelling the paid up capital of the Company to the extent of HK$0.09 on each of the then issued Consolidated Share such that the par value of each issued Consolidated Share will be reduced from HK$0.10 to HK$0.01 (the "Issued Capital Reduction"); and (b) the authorised share capital of the Company is reduced by reducing the par value of all Consolidated Shares from HK$0.10 each to HK$0.01 each resulting in the reduction of the authorised share capital of the Company from HK$300,000,000 divided into 3,000,000,000 Consolidated Shares to HK$30,000,000 divided into 3,000,000,000 adjusted shares (the "Adjusted Shares") of par value HK$0.01 each;

(iii) the proposed capital increase whereby the authorised share capital of the Company be increased from HK$30,000,000 divided into 3,000,000,000 Adjusted Shares to HK$300,000,000 divided into 30,000,000,000 Adjusted Shares;

(iv) the proposed share premium reduction whereby the entire amount standing to the credit of the share premium account be reduced to nil (the "Share Premium Reduction");

(v) the transfer of the credit amounts arising from the Issued Capital Reduction and the Share Premium Reduction to the contributed surplus account; and

(vi) the Directors will be authorised to apply any credit balance in the contributed surplus account in accordance with the Bye-laws and all applicable laws (including the application of such credit balance to set off against the accumulated losses of the Company).

Immediately following the capital reorganisation, the authorised share capital of the Company will be HK$300,000,000 divided into 30,000,000,000 adjusted shares of par value HK$0.01 each, of which 146,819,725 adjusted shares will be in issue and the aggregate nominal value of the issued share capital of the Company will be HK$1,468,197.25 (assuming that no further shares are issued or repurchased from the date of this report until the effective date of the capital reorganisation).

36. EVENTS AFTER THE REPORTING PERIOD (CONTINUED)

(c) The Capital Reorganisation: (Continued)

Based on the number of shares in issue as at 31 March 2015, a credit of approximately HK$13.2 million will arise as a result of the Capital Reduction. As at 31March 2015, the amount standing to the credit of the share premium account of the Company was approximately HK$480.4 million and the entire balance of the accumulated losses of the Company was approximately HK$534.8 million. The credit amounts arising from the Issued Capital Reduction and the Share Premium Reduction will be transferred to the contributed surplus account.

Further details of the Resumption Proposal are disclosed in Company's announcement dated 17 June 2015.

37. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2015

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and new standards which are not yet effective for the year ended 31 March 2015 and which have not been adopted in these financial statements.

HKFRS 9	Financial Instruments[1]
HKFRS 14	Regulatory Deferral Accounts[2]
HKFRS 15	Revenue from Contracts with Customers[3]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[5]
Amendments to HKAS 1	Disclosure Initiative[5]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[5]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[5]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[4]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[5]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[5]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010–2012 Cycle[6]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011–2013 Cycle[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle[5]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for first annual HKFRS financial statements beginning on or after 1 January 2016
3 Effective for annual periods beginning on or after 1 January 2017
4 Effective for annual periods beginning on or after 1 July 2014
5 Effective for annual periods beginning on or after 1 January 2016
6 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.

The Group is in the process of making an assessment of what the impact of these amendments 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.