THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional advisers.

If you have sold or transferred all your shares in **Long Success International (Holdings) Limited** (the "Company"), you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities.

LONG SUCCESS
百齡國際

LONG SUCCESS INTERNATIONAL (HOLDINGS) LIMITED

百 齡 國 際 (控 股) 有 限 公 司*

(incorporated in Bermuda with limited liability)

(Stock Code: 8017)

MAJOR AND CONTINUING CONNECTED TRANSACTION

Financial Adviser

WALLBANCK BROTHERS
Securities (Hong Kong) Limited

Independent Financial Adviser

CAPITAL
CSC Asia Limited

The notice convening the special general meeting of the Company to be held at the Function Room of Macau Jockey Club, 1/F China Merchants Tower, Shun Tak Centre, 200 Connaught Road Central, Hong Kong at 11:00 a.m. on Monday, 5 July 2010 (or any adjournment thereof) (the "SGM") is set out on pages 141 to 142 of this circular.

A form of proxy for use at the SGM is enclosed with this circular. Whether or not you intend to be present at the SGM, you are requested to complete the form of proxy and return the same to the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the SGM or any adjournment thereof if you so wish.

This circular will remain on the GEM website at www.hkgem.com on the "Latest Company Announcements" page for at least 7 days from the date of its posting.

* *for identification purpose only*

17 June 2010

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 high 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 and no assurance is given that there will be a liquid market in the securities traded on GEM.

CONTENTS

In this circular, the following expressions shall have the following meanings unless the context indicates otherwise:

"Acquisition"	the acquisition of 100% equity interest in the BVI Company by the Purchaser from the Vendor on the terms and subject to the conditions set out in the Acquisition Agreement
"Acquisition Agreement"	the share transfer agreement dated 26 March 2010 entered into between the Purchaser and the Vendor in relation to the Acquisition
"Announcement"	the announcement issued on 26 March 2010 by the Company in relation to the Acquisition
"Annual Caps"	The annual maximum total amount of the transactions contemplated under the Master Agreement for each of the three years
"Asset"	assets that will be held by the Joint Venture Company, including but not limited to plant, machinery and the Patent License Agreement
"Board"	the board of Directors
"Business Day(s)"	a day, other than (i) a Saturday, (ii) day on which a tropical cyclone warning No. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon in Hong Kong and remains in effect on or before 12:00 noon, or (iii) day on which a black rainstorm warning signal is hoisted or remains hoisted before 12:00 noon in Hong Kong and remains in effect on or before 12:00 noon, on which licensed banks in Hong Kong are generally open for banking business
"BVI"	British Virgin Islands
"BVI Company"	Ever Stable Holdings Limited (永順控股有限公司), an investment holding company, incorporated in the BVI with limited liability
"Company"	Long Success International (Holdings) Limited, an exempted company incorporated in Bermuda with limited liability, the Shares of which are listed on the GEM
"Completion"	the completion of the Acquisition
"Consideration"	the aggregate consideration of HK$280 million payable by the Purchaser to the Vendor for the Acquisition pursuant to the Acquisition Agreement

"Consideration Shares"	the 216,000,000 new Shares to be allotted and issued by the Company to the Vendor or his nominee(s) at the Issue Price upon Completion to satisfy part of the Consideration pursuant to the Acquisition Agreement
"Continuing Connected Transactions"	the continuing connected transactions contemplated under the Master Agreement
"CSC Asia" or "Independent Financial Adviser"	CSC Asia Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders on the fairness and reasonableness of the Continuing Connected Transaction and the Annual Caps relating thereto
"Director(s)"	the director(s) of the Company
"Enlarged Group"	the Group immediately after completion of the Acquisition
"GEM"	the Growth Enterprise Market of the Stock Exchange
"GEM Listing Committee"	the listing sub-committee of the board of the Stock Exchange with responsibility of GEM
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	an independent committee of the Board comprising Mr. Ng Kwok Chu, Winfield, Mr. Ng Chau Tung, Robert, Mr. Tse Ching Leung and Mr. Wang Qingyi, the four independent non-executive Directors, formed for the purpose of advising the Independent Shareholders in relation to the Continuing Connected Transaction
"Independent Shareholders"	Shareholders other than the PRC Partner, its ultimate beneficial owners and its associates
"Independent Third Parties"	such person(s) who is(are) independent of and not connected nor acting in concert with the Directors, chief executive, management shareholders or substantial shareholders of the Company or its subsidiaries, or any of their respective associates, or parties acting in concert with any of them

"Intellectual Property"	the two patents, in relation to biodegradable materials as licensed by the PRC Partner to the Joint Venture Company pursuant to the Patent License Agreement: (i) registered under PRC patent number ZL200610035466.0 of patent name "a production method for a fully biodegradable plastic resin and its related film products" ("一種可完全生物降解塑膠樹脂及其薄膜類製品的生產方法"), with a validity period from 16 May 2006 to 15 May 2026; and (ii) registered under PRC patent number ZL01144447.9 of patent name "a production method for a starch-based biodegradable material and its related disposable tableware" ("一種澱粉基生物降解材料及其一次性餐飲具生產方法"), with a validity period from 18 December 2001 to 17 December 2020
"Issue Price"	HK$0.3009 per Consideration Share
"Joint Venture Company"	東莞九禾生物塑料有限公司(Dongguan Jiu He Bioplastics Company Limited), a sino-foreign equity joint venture incorporated in the PRC with limited liability
"Last Trading Day"	26 March 2010, being the last trading day on which the Shares were traded on the Stock Exchange prior to the publication of the Announcement
"Latest Practicable Date"	15 June 2010, being the latest practicable date for the purpose of ascertaining certain information contained in this circular prior to its publication
"Long Stop Date"	30 September 2010 or such later date as the Vendor and the Purchaser may agree in writing
"Macau"	the Macau Special Administrative Region of the PRC
"Master Agreement"	an agreement dated 26 May 2010 entered into between the Joint Venture Company and the PRC Partner in relation to the Continuing Connected Transaction
"Patent License Agreement"	the patent license agreement entered into between the Joint Venture Company and the PRC Partner dated 21 February 2010 in relation to the Intellectual Property
"PRC"	the People's Republic of China, which for the purpose of this circular excludes Hong Kong, Macau and Taiwan
"PRC Partner"	廣東上九生物降解塑料有限公司(Guangdong Shangjiu Biodegradable Plastics Company Limited), a company incorporated in the PRC with limited liability and holds 40% equity interest in the Joint Venture Company

"Products"	the biodegradable materials and its related products, which apply and utilize the Intellectual Property
"Purchaser"	Fast Rise Development Limited, a company incorporated in the BVI with limited liability and is wholly owned by the Company
"Refundable Deposit"	the refundable deposit in the amount of HK$80 million for partial settlement of the Consideration
"RMB"	Renminbi, the lawful currency of the PRC
"Second Payment"	HK$80 million in cash for partial settlement of the Consideration
"SFO"	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong;
"Share(s)"	ordinary share(s) of HK$0.04 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Shares
"SGM"	A special general meeting of the Company to be convened to consider and, if thought fit, to approve by the Shareholders, or the Independent Shareholders where appropriate, among other things, the Acquisition Agreement, the Continuing Connected Transaction and the transactions contemplated thereunder
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Group"	the BVI Company and its subsidiary(ies) (including the Joint Venture Company)
"Third Payment"	HK$55 million in cash for partial settlement of the Consideration
"US$"	United States dollars, the lawful currency of the United States of America
"Vendor"	Mr. Leung Wa, a Hong Kong citizen
"%"	per cent.

Note: An exchange rate of US$1.00 to HK$7.80 has been used for the conversion of US$ into HK$ for the purpose of this circular. This is for illustration purpose only and does not constitute a representation that any amounts in HK$ or US$ have been, could have been, or may be converted, at these or such other rates.

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

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

Executive Directors:
Mr. Wong Kam Leong
Mr. Hu Dongguang
Ms. Li Jie Yi
Mr. Wu Bingxiang
Dr. Guo Wanda

Non-executive Director:
Mr. Zhang Chi

Independent Non-executive Directors:
Mr. Ng Kwok Chu, Winfield
Mr. Ng Chau Tung, Robert
Mr. Tse Ching Leung
Mr. Wang Qingyi

Registered Office:
Canon Court
22 Victoria Street
Hamilton HM12
Bermuda

Principal Office in Hong Kong:
26/F, EIB Centre
40-44 Bonham Strand
Sheung Wan
Hong Kong

17 June 2010

To the Shareholders

Dear Sir or Madam,

MAJOR AND CONTINUING CONNECTED TRANSACTION

INTRODUCTION

On 26 March 2010, the Board announced that after trading hours on 26 March 2010, the Purchaser, a wholly-owned subsidiary of the Company, entered into the Acquisition Agreement with the Vendor pursuant to which the Vendor has agreed to sell and the Purchaser has agreed to acquire the entire equity interest in the BVI Company (which owns the 60% equity interest in the Joint Venture Company) at the consideration of HK$280 million. The Joint Venture Company will be principally engaged in the development, production and sales of biodegradable materials and its related products and has entered into the Patent License Agreement with the PRC Partner regarding the Intellectual Property.

Pursuant to the Acquisition Agreement, the Consideration will be satisfied by (i) the Refundable Deposit of HK$80 million in cash; (ii) the Second Payment of HK$80 million in cash; (iii) the Third Payment of HK$55 million in cash and (iv) the issue and allotment of 216,000,000 Consideration Shares by the Company for the Purchaser to the Vendor or his nominee(s) at the Issue Price.

* *for identification purpose only*

On 26 May 2010, the Joint Venture Company entered into the Master Agreement with the PRC Partner, pursuant to which the Joint Venture Company would supply and the PRC Partner would purchase the Products for a period of three years upon fulfilment of the conditions precedent set out therein.

Upon Completion, the Joint Venture Company will be owned as to 40% by the PRC Partner and 60% by the Company through the BVI Company. The PRC Partner will therefore become the controlling shareholder of the Joint Venture Company. As the PRC Partner is a connected person as defined under the GEM Listing Rules and based on the applicable percentage ratios, the transactions contemplated under the Master Agreement constitute continuing connected transactions of the Company, which are subject to reporting, announcement and independent shareholders' approval requirements under the GEM Listing Rules.

CSC Asia has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on whether the terms of the transactions under the Master Agreement and the Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned, on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

The purpose of this circular is to provide you with, amongst other things, (i) further details of the Acquisition and other disclosures in connection with the Acquisition required pursuant to the GEM Listing Rules; (ii) further details of the Continuing Connected Transaction; and (iii) the notice of the SGM which shall be convened for the purpose of considering and, if thought fit, approving the resolutions in relation to the Acquisition Agreement, the Continuing Connected Transactions and the transactions contemplated thereunder.

(1) THE ACQUISITION AGREEMENT

The principal terms of the Acquisition Agreement are as follows:

Date

26 March 2010 (after trading hours)

Purchaser

Fast Rise Development Limited, a company incorporated in the BVI with limited liability and is wholly owned by the Company.

Vendor

Mr. Leung Wa.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendor is a third party independent of the Company and its connected persons as defined under the GEM Listing Rules.

Asset to be acquired

Pursuant to the Acquisition Agreement, the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to acquire 100% equity interest in the BVI Company, which holds 60% equity interest in the Joint Venture Company.

Apart from the 60% equity interest in the Joint Venture Company, the BVI Company has no other material assets and liabilities as at the Latest Practicable Date. The BVI Company, an investment holding company, was incorporated in the BVI with limited liability on 12 November 2009.

The Joint Venture Company was incorporated in the PRC with limited liability on 11 February 2010 and is owned as to 60% by the BVI Company and 40% by the PRC Partner as at the Latest Practicable Date. It will be principally engaged in the development, production and sales of biodegradable materials and its related products.

To the best of the Directors' knowledge, information and belief, the PRC Partner was incorporated with limited liability in PRC on 28 December 1999 and is also engaged, among others, in the research, production and sales of biodegradable materials.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the PRC Partner is a third party independent of the Company and its connected persons as defined under the GEM Listing Rules.

The Consideration

The Consideration of HK$280 million is to be satisfied in the following manners (or other terms of payment as may be agreed by both parties in writing):

(i) as to HK$80 million by cash as the Refundable Deposit payable within 2 months from the signing of the Acquisition Agreement;

(ii) as to HK$80 million by cash as the Second Payment payable within 2 months after approval of the Acquisition Agreement and the transactions contemplated thereunder at the SGM;

(iii) as to HK$55 million by cash as the Third Payment payable within 2 months from the Completion; and

(iv) as to HK$65 million by issue and allotment of 216,000,000 Consideration Shares to the Vendor or his nominee(s) at the Issue Price within 2 months from the Completion.

In the event the Acquisition does not proceed to Completion, the Refundable Deposit shall be refunded to the Purchaser without interest together with any other payment(s) (including but not limited to the Second and Third Payment) made by the Purchaser to the Vendor within 10 Business Days from the date as the Purchaser serves a notice in respect thereof.

The Acquisition is subject to the sufficient funding of the Company to finance the Consideration from the net proceeds of any fund raising exercises, including by way of placing of new shares or issuing other securities to investors who are third parties independent of the Company and its connected persons (as defined in the GEM Listing Rules) by the Company.

Adjustment to the Consideration

Pursuant to the Acquisition Agreement, the Vendor has the obligations to increase the registered capital of the Joint Venture Company to not less than US$17,000,000 and has agreed to guarantee and procure the paid-up capital of the Joint Venture Company to be not less than US$17,000,000. Such capital increase to not less than US$17,000,000 is determined with reference to the working capital requirements for initial operation of the Joint Venture Company. In the event that the Vendor has failed to fulfill the aforesaid obligations on or before 30 September 2010 or there has been a material change (not in usual custom) in the business relationship between the Target Group and its customers, suppliers, staff and partner, the Purchaser has the right to adjust the Consideration and require the Vendor to refund the Refundable Deposit without interest and any other payment(s) (including but not limited to the Second and Third Payment) made by the Purchaser to the Vendor within 10 Business Days upon serving a notice to the Vendor. In addition, the Purchaser is entitled to withhold the issue and allotment of the Consideration Shares to the extent of the relevant shortfall of the unpaid registered capital. *(Note: The provision as to the "business relationship" of the Target Group and its customers was made on a prudent assumption, as the Acquisition Agreement was entered into before due diligence could be conducted fully on the Target Group. Since the Target Group at today has yet to commence operation, this provision does not necessarily apply.)*

The Consideration under the Acquisition Agreement was arrived at after arm's length negotiations between the parties thereto with reference to, among other things, (i) the profit guarantees on the Joint Venture Company of not less than HK$60 million, HK$80 million and HK$100 million respectively for 2011, 2012 and 2013 respectively; (ii) the future prospects of the business in manufacturing of biodegradable products as described in the paragraph headed "**REASONS FOR AND BENEFITS OF THE ACQUISITION**" below; and (iii) the obligations on the part of the Vendor to increase the registered capital of the Joint Venture Company to not less than US$17,000,000.

Profit Guarantee/Consideration Adjustment

Pursuant to the Acquisition Agreement, the Vendor shall provide a profit guarantee in favour of the Purchaser, as the profit after taxation of the Joint Venture Company will not be less than HK$60 million, HK$80 million and HK$100 million for the financial years 2011, 2012 and 2013 respectively. The financial year-end date is on 31 December of each year.

If the Joint Venture Company fails to meet the aforesaid profit guarantees in any of the three years, the Vendor shall pay the Purchaser a compensation equivalent to the shortfall of HK$36 million, HK$48 million and HK$60 million respectively for 2011, 2012 and 2013 respectively (being the guaranteed profit attributable to the 60% equity interest in the Joint Venture Company). If the Joint Venture Company records a loss in any of the three years, the Vendor shall pay the Purchaser a compensation equivalent to the loss attributable to the 60% equity interest in the Joint Venture Company for that year plus the shortfall of the aforesaid guaranteed profit for that year.

The profit guarantee was arrived at after arm's length negotiation with the Vendor based on the best available information on the historical and forthcoming major sales contracts and invoices provided by the PRC Partner.

The Purchaser has the right to choose the way of settlement of the compensation.

In order to achieve the guaranteed profit, the Joint Venture Company has entered into the Master Agreement with the PRC Partner. Details whereof are set out in the section headed "**CONTINUING CONNECTED TRANSACTIONS**" below.

Conditions precedent of the Acquisition

Completion of the Acquisition Agreement is subject to fulfillment of the following conditions precedent:

(a) the Purchaser having obtained a PRC legal opinion (which shall include but not limited to the status of the injection of share capital of the Joint Venture Company by the BVI Company and the PRC Partner) from a qualified PRC legal adviser;

(b) the Purchaser, its agents or professional advisers being reasonably satisfied with the results of the due diligence review;

(c) the Vendor having obtained all relevant approvals, confirmations, waivers or consents in respect of the Acquisition Agreement and all transactions contemplated thereunder under the applicable laws and regulations from the relevant authorities having jurisdiction over the Vendor or other relevant third parties;

(d) the Shareholders having in general meeting approved the Acquisition Agreement, the allotment and issue of the Consideration Shares and all transactions contemplated thereunder;

(e) the GEM Listing Committee of the Stock Exchange having granted or agreeing to grant the listing of, and permission to deal in, the Consideration Shares, whether subject to conditions or not;

(f) the Purchaser being satisfied, from the date of signing of the Acquisition Agreement and at any time before Completion, that the warranties given under the Acquisition Agreement remain true, accurate, not misleading nor in breach of any material respect and that no event has suggested that there was any adverse material change in such warranties;

(g) the Purchaser does not find nor have the knowledge that from the date of signing of the Acquisition Agreement, there be any abnormal operations or any material adverse change in the business, positions (including assets, financial and legal status), operations, performance or assets, or any undisclosed material potential risks in respect of the Target Group;

(h) the Vendor successfully procures the obtaining of legal and valid authorization by the Joint Venture Company for the use of the intellectual property necessary for engaging in the principal business of the Joint Venture Company (including but not limited to completion of the registration procedure with the relevant PRC governmental authorities for the patent license); and

(i) the Company obtains sufficient funding to discharge its obligation under the Acquisition Agreement.

The Purchaser has the right to waive by way of written notice the conditions mentioned above (save and except conditions d, e and i). If the conditions mentioned above have not been fulfilled in full (or, where applicable, waived by the Purchaser in writing) on or before the Long Stop Date, the Purchaser shall have the right to terminate the Acquisition Agreement by serving a notice in writing to the Vendor. Upon termination of the Acquisition Agreement for the above reason, none of the parties shall have any claims against the other parties (other than any antecedent breaches) under the Acquisition Agreement.

Completion

Completion of the Acquisition Agreement shall take place within 10 Business Days from the date the Purchaser serves a notice in respect of the Completion to the Vendor. The Purchaser shall not serve the notice unless all of the conditions (a) to (i) above have been fulfilled (or, where applicable, waived).

Given that the terms of the Acquisition Agreement were negotiated on an arm's length basis, further in consideration of the provision of profit guarantees of not less than HK$60 million, HK$80 million and HK$100 million respectively for 2011, 2012 and 2013 respectively for the Joint Venture Company by the Vendor and in view of the future prospects of the business in manufacturing of biodegradable products, the Board considers that the terms of the Acquisition Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

THE CONSIDERATION SHARES

Based on the Issue Price, an aggregate of 216,000,000 Consideration Shares would be allotted and issued, representing:

(1) a premium of approximately 68.10% over the closing price of the Shares of HK$0.179 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(2) a discount of approximately 1.34% to the closing price of the Shares of HK$0.305 per Share as quoted on the Stock Exchange on Last Trading Day;

(3) a premium of approximately 7.46% on the average of the closing prices of the Shares of HK$0.280 per Share as quoted on the Stock Exchange for the 5 consecutive trading days up to and including Last Trading Day; and

(4) a premium of approximately 16.31% on the average of the closing prices of the Shares of HK$0.2587 per Share as quoted on the Stock Exchange for the 10 consecutive trading days up to and including Last Trading Day.

The Consideration Shares, when allotted and issued, shall rank pari passu in all respects amongst themselves and with the Shares in issue on the date of allotment and issue of the Consideration Shares and be entitled to dividends and other rights carried by the Shares. Upon the allotment and issue of the Consideration Shares, there will not be any change in control of the Company. There is no restriction on the subsequent sale of the Consideration Shares. Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares on the Stock Exchange.

INFORMATION ON THE GROUP

The Group is principally engaged in sales of paper products, sharing of profits of a junket representative of a VIP lounge of a casino in Macau; provision of money lending services; and sales of customerised software and related computer equipment and provision of technical support.

INFORMATION ON BVI COMPANY

The BVI Company is an investment holding company incorporated with limited liability in BVI on 12 November 2009 and wholly owned by the Vendor.

According to the audited account of the BVI Company for the period ended 31 March 2010 since the date of its incorporation, the BVI Company recorded a net loss of HK$120,415. Apart from the said 60% equity interest in the Joint Venture Company, the BVI Company has no other material assets and liabilities as at the Latest Practicable Date.

INFORMATION ON JOINT VENTURE COMPANY

The Joint Venture Company was incorporated in PRC with limited liability on 11 February 2010. As at the Latest Practicable Date, the Joint Venture Company is owned as to 60% by the BVI Company and 40% by the PRC Partner. Pursuant to a supplemental agreement dated 22 March 2010, BVI Company and the PRC Partner have agreed to increase the total investment in Joint Venture Company from US$1 million to US$30 million and to increase its registered capital from US$1 million to US$17 million. The increase in registered capital of Joint Venture Company has been approved by the relevant PRC government authority on 13 May 2010. The registered capital of the Joint Venture Company has been paid up to US$1,000,000.

The Joint Venture Company is principally engaged in the development, production and sales of biodegradable materials and their related products. The Joint Venture Company has entered into the Patent License Agreement in relation to the Intellectual Property with the PRC Partner.

Upon Completion, the Joint Venture Company will become an indirect non wholly-owned subsidiary of the Company and the accounts of the Joint Venture Company will be consolidated into the accounts of the Company. On or before 30 September 2010, the unaudited aggregate value of the capital (including assets) to be injected and transferred to the Joint Venture Company is expected to be approximately HK$132.6 million (equivalent to US$17,000,000). The Joint Venture Company has not been in full operation.

According to the Auditors of the Company, as at 31 March 2010, the book value of the Joint Venture Company was HK$7,618,333.

To the best of the Directors' knowledge, information and belief, the PRC Partner was incorporated in PRC with limited liability on 28 December 1999 and is also engaged, among others, in the research, production and sales of biodegradable materials.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the PRC Partner is a third party independent of the Company and its connected persons as defined under the GEM Listing Rules.

New Management Personnel

Dr. Guo Wanda

Dr. Guo Wanda, has since 1 May 2010 been appointed as an executive director of the Company in connection with the Acquisition. Dr. Guo, aged 44, is a vice president of China Development Institute of Shenzhen. He is also the chairman of Shenzhen Association of Management Consultants. Dr. Guo graduated from Nankai University in Tianjin, the People's Republic of China ("the PRC") with a Bachelor's Degree and a Master's Degree in economics. He also obtained a Doctor of Philosophy in economics from the same university in 1991. Dr. Guo has extensive experience in China macroeconomics, industrial economy, industrial investment and corporate development strategy.

Dr. Guo has been an independent non-executive director of Powerleader Science & Technology Group Limited, which was listed on GEM since 2008, and Shenzhen FIYTA Holdings Limited, which was listed on the Shenzhen Stock Exchange, since 2005 respectively.

After joining the Board, Dr. Guo has assisted the Company in the Acquisition and it is the intention of the Board to propose Dr. Guo to be the chairman of the Joint Venture Company.

Save as disclosed herein, Dr. Guo did not hold any directorships in any listed public companies in Hong Kong or overseas in the last three years preceding the Latest Practicable Date and he does not hold any other positions with the Company or its subsidiaries as at the Latest Practicable Date.

Detailed information is more particularly set out in the announcement of the Company dated 22 April 2010.

The Patent Licence Agreement

Pursuant to Patent Licence Agreement, the PRC Partner has agreed to license to the Joint Venture Company the use of the Intellectual Property in relation to the Products over the remaining validity period thereof in consideration of a payment of RMB43,400,000 to the PRC Partner as full licence fee for the entire licence period, and the Patent Licence Agreement shall become valid only from the date of payment of such licence fee by Joint Venture Company. The licence fee shall become payable when the registered capital of the Joint Venture Company has been fully paid up.

The Patent Licence Agreement will enable the Joint Venture Company to enjoy the right to manufacture the Products within the PRC utilizing the Intellectual Property, and the right to design, use and sell the Products utilizing the Intellectual Property.

The Vendor's obligation under the Acquisition Agreement to or to procure to increase and pay up the registered capital of the Joint Venture Company to US$17 million includes the payment of the license fee of RMB43,400,000 for the Intellectual Property. The license fee, being part of the US$17 million required to be injected into the Joint Venture Company, has not affected the Consideration.

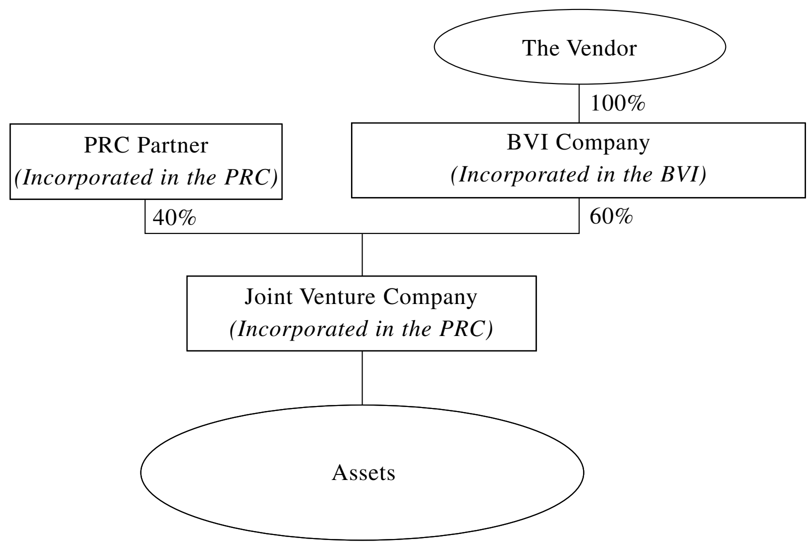
Information on Intellectual Property

Pursuant to the Patent Licence Agreement, the patented technologies in relation to biodegradable materials licensed by the PRC Partner to the Joint Venture Company include two patents: (i) registered under PRC patent number ZL200610035466.0, of patent name "a production method for a fully biodegradable plastic resin and its related film products", with a validity period from 16 May 2006 to 15 May 2026; and (ii) registered under PRC patent number ZL01144447.9 of patent name "a production method for a starch-based biodegradable material and its related disposable tableware", with a validity period from 18 December 2001 to 17 December 2020.

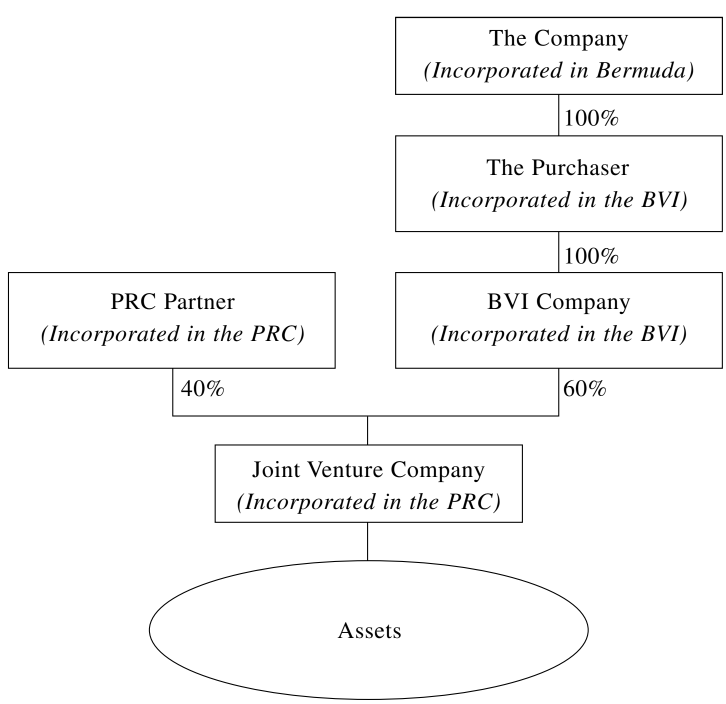
SHAREHOLDING STRUCTURE OF THE JOINT VENTURE COMPANY

Upon Completion, the Company will indirectly hold 60% equity interest in the Joint Venture Company, which will hold assets relating to the biodegradable materials manufacturing business and the Intellectual Property. The shareholding structures of the Joint Venture Company before and after the Completion are as follows:

The shareholding structure of the Joint Venture Company before Completion



The shareholding structure of the Joint Venture Company after Completion



Note: Assets is defined as assets that will be held by the Joint Venture Company, including but not limited to plant, machinery and the Patent License Agreement.

EFFECT ON THE SHAREHOLDING STRUCTURE

The following table depicts the effects of the issue of the Consideration Shares on the shareholding structure of the Company based on the issued share capital and shareholding structure of the Company as at the Latest Practicable Date and assuming Completion and the issue and allotment of the Consideration Shares having taken place, without taking into account issue of new Shares, if any, after the Latest Practicable Date and prior to Completion:

Shareholders	As at the Latest Practicable Date		Upon Completion and issue and allotment of the Consideration Shares	
	Number of Shares	*%*	*Number of Shares*	*%*
Wide Fine International Limited *(Note 1)*	248,125,000	17.75	248,125,000	15.37
Zhang Chi *(Note 2)*	36,350,000	2.60	36,350,000	2.25
Sub-Total	284,475,000	20.35	284,475,000	17.62
Public Shareholders				
– the Vendor	2,000,000	0.14	218,000,000	13.51
– other public Shareholders	1,111,470,000	79.51	1,111,470,000	68.87
Total	1,397,945,000	100.00	1,613,945,000	100.00

Note:

1. The 248,125,000 Shares are beneficially owned by and registered in the name of Wide Fine International Limited ("Wide Fine"), a company incorporated in Hong Kong with limited liability and is wholly-owned by Mr. Wong Kam Leong, an executive Director.

2. Mr. Zhang Chi is a non-executive Director.

#Source: the records of Computershare Hong Kong Investor Services Ltd. and the Company on the shareholding structure of the Company on 15 June 2010.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Directors are of the view that the unfavorable market conditions in the gaming and entertainment business in Macau and the meltdown of the worldwide financial markets have forced the management to seek diversification in the Group's business. The Board discerns the economic development and growth from the PRC as going to be one of the main origins to the world's economic growth, and the investment in the biodegradable materials manufacturing business in the PRC may bring a higher return to the Shareholders. Under the international encouragement for environmental protection and the policy support by PRC government, the use of biodegradable products will be an important and inevitably trend. The great market demand for biodegradable products will bring business opportunities for the Company, resulting in increase in the Company's turnover and profit. The Directors also consider that the Acquisition is in line with the business plan of the Company to engage in the environmental industry, as processed biodegradable products made of the biodegradable materials can be decomposed into soil friendly substances by natural organism after being discarded and the life cycle of these products are of a kind of recyclable and low-carbon economy, which will have a positive impact on the improvement of global climate change and social progress of mankind. This shares the same business belief as that in the acquisition of the paper manufacturing company, Jining Gangning Paper Co. Ltd. by the Company on 10 February 2009, which is also engaged in manufacturing and sales of various types of kraft paper by making use of waste paper. In view of the foregoing, the Board considers that the terms of the Acquisition Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

BUSINESS PLAN, MODEL AND PROSPECT

The Joint Venture Company is performing leasehold improvement and renovation for the new factory; arranging plant and machinery to be put into production; and recruiting technicians and other management personnel for the purpose of full operation. It is expected to commence substantive operation in September 2010.

The business will start with single production line at its initial stage utilizing the assets (i.e. plant and machinery) injected by the Vendor and it is expected that when it comes to full operation, not less than 10 production lines will be in active operation, which would enable the business to be expected to manufacture approximately 20,000 to 30,000 tonnes of the Products annually.

It is expected that in the short term, the sales of the Products would be sold to the market through the sales channel of the PRC Partner whilst in the long term, the Company will target to secure stable customer bases comprising foreign companies and local conglomerates which are mainly local and foreign manufacturer of biodegradable products including plastic bags, farm films and plastic products and have plan to set up a marketing team for this purpose in future.

To the best information, knowledge and belief of the Directors, there is abundant supply of raw materials such as starch for manufacture of the Products from either local supplier or importer in the PRC and a shortage of supply of raw materials is possibly unlikely in the foreseeable future.

The Products will be manufactured according to the amount of orders as to be placed by its customers. (e.g. PRC Partner) and the form and model of the Products will be made according to the order and request of the customers.

From raw materials to finished products, different prescribed composition formula will be applied and additives will be added to the raw materials and the mixtures or compounds would then be pressurized, squeezed, molded under an adjusted temperature to form its end products in the form of biodegradable grain.

As aforesaid, it is expected that biodegradable products will have a positive impact on the improvement of global climate change and social progress of mankind, the Directors are optimistic about the prospect of the business of manufacturing and sales of biodegradable products in future.

FINANCIAL EFFECTS OF THE ACQUISITION

Following the Acquisition, the Joint Venture Company will become an indirect non wholly-owned subsidiary of the Group and its financial statements would be consolidated into the accounts of the Group. Assuming the Acquisition had been completed on 30 September 2009 and assuming no adjustment to the consideration would be required, according to the unaudited pro forma financial information of the Enlarged Group as set out in Appendix III of this circular, the total assets of the Group would increase from approximately HK$431.50 million to approximately HK$696.62 million and the total liabilities of the Group would increase from approximately HK$280.33 million to approximately HK$429.17 million.

Based on the profit guarantees provided by the Vendor on the Joint Venture Company, the Acquisition is expected to have positive effects on the revenue and earnings of the Enlarged Group.

RISK FACTORS FOR THE ACQUISITION

The Directors would like to draw the attention of the Shareholders to the following risk factors connection with the Acquisition.

(i) Significant and continuous capital investment

The biodegradable materials manufacturing business requires significant and continuous capital investment, the operation costs may exceed the original budgets and may not achieve the intended economic results or commercial viability. Actual capital expenditures may significantly exceed the Company's budgets because of various factors beyond the Company's control, which in turn may affect the Company's financial condition.

If we are unsuccessful in raising additional capital or if new capital funding costs are higher than our prior capital funding costs, our business operations and our development programs may be materially and adversely impacted, with similar effects on our results of operations and financial condition.

(ii) New business segment of the Group

The Acquisition constitutes an investment in a new business sector, being biodegradable materials production. The new business may pose significant challenges to the Company's administrative, financial and operational resources. The Company has no relevant experience to run and manage the new business in the past and may rely heavily on the PRC Partners and other professionals for technical support.

(iii) Key qualified personnel and professionals for the operations

The business of biodegradable materials is operated by a team of professionals having the relevant experience and expertise. However, there is no assurance after the Acquisition that the Enlarged Group could retain the professional or guarantee the parties will continue to provide services to the Enlarged Group or will honour the agreed terms and conditions of their employment contracts. Any loss of key personnel or failure to recruit and retain personnel for the future operations and development may have a material adverse impact on the business.

(iv) Non-exclusivity of Intellectual Property

The Intellectual Property is crucial to the new business but is not exclusively licensed to the Joint Venture Company under the Patent Licence Agreement.

Besides, we depend, in large part, on PRC laws to protect our intellectual property rights, but this may not be sufficient to prevent any misappropriation of our intellectual property or to prevent our competitors from independently developing designs and technologies that are substantially similar to ours. Third parties may infringe our intellectual property rights and any efforts to enforce or defend our intellectual property rights may not be adequate, or may require significant attention from our management and may be costly and the outcome of any legal actions to protect our intellectual property rights is uncertain.

If we are unable to adequately protect or safeguard our intellectual property rights, our business, financial condition, results of operations and prospects may be materially and adversely affected.

(v) Trade and Technology Competition

The business of biodegradable materials is operated in a competitive market and the intense competition faced by the Enlarged Group may result in a decline in our market share and lower profit margins.

In addition, there is no assurance that the technology currently employed in production will not be replaced by new technologies and methods.

(vi) Reliance on limited customer

The results of the Group will be affected by its ability to continue to obtain orders from other customers upon expiration of the Master Agreement should there be no renewal of the same. There is no assurance that major customers of the Group will place orders with the Group, or their future orders will be at a comparable level or on similar terms as in the years when the Master Agreement are in effect. Should the Group fail to obtain placing orders from other customers upon expiration of the Master Agreement or the Group is unable to obtain orders at a comparable level, the Group's business and profitability in the long term could be adversely affected.

(vii) Laws and regulations

The business is subject to governmental regulations, policies and controls. There can be no assurance that the relevant government will not change such laws and regulations or impose additional or more stringent laws or regulations, or otherwise undesirable to future development of the biodegradable materials production business.

OTHER ACQUISITIONS

On 12 February 2009, the Board announced that, Glory Smile Enterprises Limited, a wholly-owned subsidiary of the Company, entered into an acquisition agreement to acquire the entire equity interest in the Mega Bright Investment Development Limited (in turn the 51% equity interest in the Jining Gangning Paper Co, Ltd. (濟寧港寧紙業有限公司), a company incorporated in the PRC with limited liability, at a consideration of HK$190 million. Jining Gangning Paper Co, Ltd. is engaged in the manufacture and sale of various types of kraft paper.

Its production facilities comprise 3-paper production lines (designated as Line Nos. 1, 2 and 3), a waste water treatment plant, various equipment for the supply of plant utilities, various laboratory and office equipment, various material handling equipment and other associated equipment.

The consideration of HK$190 million for the acquisition has been satisfied in the following manner:

(i) as to HK$47.5 million by cash as the refundable deposit;

(ii) as to HK$56 million by cash as the second payment;

(iii) as to HK$40 million by issue of the convertible bonds convertible into 333,333,333 conversion shares at a conversion price of HK$0.12 per conversion share by the Company to the vendor or his nominee(s); and

(iv) as to HK$46.5 million by issue of the promissory notes by the Company to the vendor or his nominee(s) which bear an interest of 1% above the prime rate as quoted by the Hongkong and Shanghai Banking Corporation Limited.

There is currently no expected plan to vary the remuneration payable to and the benefits in kind receivable by the Directors as a result of the acquisition. For details, please refer to the Company's circular dated 14 May 2009.

(2) CONTINUING CONNECTED TRANSACTIONS

THE MASTER AGREEMENT

Date

26 May 2010

Parties

(i) the Joint Venture Company, as supplier; and

(ii) the PRC Partner, as purchaser

The PRC Partner is the holder of 40% equity interest in the Joint Venture Company to be acquired by the Group on the terms and subject to the conditions of the Acquisition Agreement.

Pursuant to the Acquisition Agreement, the Purchaser, a wholly owned subsidiary of the Company, shall acquire 60% equity interest in the Joint Venture Company. Upon Completion, the Joint Venture Company shall become an indirect wholly-owned subsidiary of the Company. Accordingly, the Master Agreement shall constitute a continuing connected transaction of the Company.

Subject matter

Pursuant to the Master Agreement, the Joint Venture Company has agreed to supply and the PRC Partner has agreed to purchase the Products in such quantities as will be produced by the Joint Venture Company, at such prices and on and subject to the terms as set out in the Master Agreement for a period of three years from the date the conditions precedent are satisfied.

Conditions Precedent

The Master Agreement is conditional on and shall only be effective upon (i) the passing of an ordinary resolution by the Shareholders, or Independent Shareholders, where appropriate, at the SGM to be held by the Company for the approval of the Continuing Connected Transaction and the Annual Caps; (ii) the passing of the resolutions for the approval of the Master Agreement by the shareholders of the Joint Venture Company and the PRC Partner respectively; and (iii) the Completion.

Pricing Basis

Under the Master Agreement, the price for the Products shall be determined in accordance with the relevant prevailing market price at the time purchase order is placed by the PRC Partner, the price for the Products ordered by the PRC Partner for each month will be payable at the end of each month in arrears. The Master Agreement specifies payment to be made by cash, letter of credit or cheque, etc.

The Group will perform price comparison with other potential customers for the Products to ensure that the price at which the Products sold to the PRC Partner is in line with the prevailing market price and on normal commercial terms.

Proposed Annual Caps

The Annual Caps for the transactions contemplated under the Master Agreement for the period of three years are set out below:

		Year	
	1st	**2nd**	**3rd**
	HK$	*HK$*	*HK$*
	('000,000)	*('000,000)*	*('000,000)*
Annual Caps for the supply of Products	350	1,000	1,000

In arriving at the Annual Caps, the Directors have taken into account the following factors:

(i) the profit guarantee as given by the Vendor in relation to the Acquisition; and

(ii) the estimated growth of the demand for the Products as a result of the fact that under the international encouragement for environmental protection and the policy support by PRC government, the use of biodegradable products will be an important and inevitable trend.

The Directors consider that the supply of the Products will be provided on normal commercial terms (or on terms no less favourable to the Group than those offered by Independent Third Parties) and the total value (in terms of revenue recognition) of the supply of the Products provided under the Master Agreement for each of the three years shall not exceed the respective Annual Caps.

Reasons for entering into the Master Agreement

The Directors are of the view that the Master Agreement enables (i) the Group to achieve the guaranteed profits as given by the Vendor in relation to the Acquisition; and (ii) the Group to have the PRC Partner as a stable customer of the Products and in its ordinary course of business on market prices and on normal commercial terms.

The Directors (excluding the independent non-executive Directors whose views will be expressed in the circular regarding the Continuing Connected Transaction to be despatched to the Shareholders) are of the view that (i) the terms of the Master Agreement (a) have been negotiated on an arm's length basis; (b) will be conducted on normal commercial terms, or on terms no less favourable to the Group than those available to or from Independent Third Parties under prevailing local market conditions; (c) are entered into in the ordinary and usual course of business of the Group (after Completion); and (d) are fair and reasonable and in the interests of the Company and the Shareholders as a whole; and (ii) that the Annual Caps for the three years are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Save and except that it may result in limited customer bases due to production capacity being fully consumed by the PRC Partner in the long run, as the Products will be sold to the PRC Partner at the prevailing market price, the Directors are of the view that the entering into of the Master Agreement does not bring any significant disadvantages to the Group.

The Group will comply with the annual review requirements under Rules 20.37 and 20.38 of the GEM Listing Rules in respect of the Continuing Connected Transaction and will re-comply with the relevant GEM Listing Rules if the Annual Cap is exceeded or, when the relevant agreements are renewed or, when there is a material change to the terms of the Continuing Connected Transaction.

INFORMATION OF THE PARTIES TO THE CONTINUING CONNECTED TRANSACTIONS

The Group

The Group is principally engaged in sales of paper products, sharing of profits of a junket representative of a VIP lounge of a casino in Macau; provision of money lending services; and sales of customerised software and related computer equipment and provision of technical support.

The Group, through the Purchaser, shall acquire and hold 60% equity interest in the Joint Venture Company upon Completion.

The Joint Venture Company

The Joint Venture Company was incorporated in the PRC with limited liability on 11 February 2010. As at the date of this announcement, the Joint Venture Company is owned as to 60% by the BVI Company and 40% by the PRC Partner.

The Joint Venture Company is principally engaged in the development, production and sales of biodegradable materials and its related products. The Joint Venture Company has entered into the Patent License Agreement in relation to the Intellectual Property with the PRC Partner.

Upon Completion, the Joint Venture Company will become an indirect non wholly-owned subsidiary of the Company and the accounts of the Joint Venture Company will be consolidated into the accounts of the Company. On or before 30 September 2010, the unaudited aggregate value of the capital (including assets) to be injected and transferred to the Joint Venture Company is expected to be approximately HK$132.6 million (equivalent to US$17,000,000). The Joint Venture Company has not been in full operation.

The PRC Partner

To the best of the Directors' knowledge, information and belief, the PRC Partner was incorporated in the PRC with limited liability on 28 December 1999 and is also engaged, among others, in the research, production and sales of biodegradable materials.

Pursuant to the Acquisition Agreement, the Purchaser, a wholly owned subsidiary of the Company, shall acquire 60% equity interest in the Joint Venture Company. Upon Completion, the Joint Venture Company will be owned as to 40% by the PRC Partner and 60% by the Company through the BVI Company and become an indirect wholly-owned subsidiary of the Company. The PRC Partner is therefore the controlling shareholder of the Joint Venture Company. As the PRC Partner is a connected person as defined under the GEM Listing Rules, accordingly the entering into of the Master Agreement shall constitute a continuing connected transaction of the Company.

To the best of the Directors' knowledge, information and belief, the PRC Partner is beneficially owned by Mr. Zhu Guangfu as to 95% and Mr. Huang Wujun as to 5%, who are PRC citizens and businessmen.

Listing Rules Implications

As either the relevant percentage ratios (as defined under the GEM Listing Rules) in respect of each of the Annual Caps will be more than 2.5%, or the annual consideration will be more than HK$10,000,000, the Continuing Connected Transaction and the Annual Cap, pursuant to Rules 20.35 of the GEM Listing Rules, are subject to reporting and announcement requirements as set out in Rules 20.45 to 20.47 of the GEM Listing Rules, and are subject to Independent Shareholders' approval requirement under Rule 20.48 of the GEM Listing Rules.

Each year the independent non-executive Directors must review the Continuing Connected Transaction and confirm in the annual report and accounts that the transaction has been entered into in the ordinary and usual course of business, on normal commercial terms or on terms no less favourable to the Group than terms available to or from Independent Third Parties, and the terms are fair and reasonable and in the interests of the Shareholders as a whole in accordance with Rule 20.37 of the GEM Listing Rules.

An Independent Board Committee has been established to advise the Independent Shareholders in relation to the Continuing Connected Transaction and the Annual Cap. CSC Asia has been appointed to advise the Independent Board Committee and the Independent Shareholders on whether the terms of the transactions under the Master Agreement and the annual caps relating thereto are fair and reasonable so far as the Independent Shareholders are concerned, on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

Any connected person and Shareholders, together with their respective associates with a material interest in the transactions contemplated under the Master Agreement shall abstain from voting in respect of the relevant resolutions. As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief, the PRC Partner, its ultimate beneficial owners and their respective associates do not hold any Shares and save and except the Vendor, no Shareholders are materially interested in the Continuing Connected Transactions. As such, save and except the Vendor, who together with his associates, is entitled to control or exercise control over the voting right in respect of 2,000,000 Shares, being 0.14% of the entire issued capital of the Company as at the Latest Practicable Date, no Shareholders are required to abstain from the voting at the SGM in respect of the Continuing Connected Transactions and the Annual Caps.

None of the Directors had a material interest in the Master Agreement and each of them therefore exercised their respective voting rights at the board meeting held for the purpose of approving the Master Agreement and the Annual Cap.

SGM

The SGM will be held at the Function Room of Macau Jockey Club, 1/F, China Merchants Tower, Shun Tak Centre, 200 Connaught Road Central, Hong Kong at 11 a.m. on Monday, 5 July 2010 to consider and, if thought fit, to approve, among other things, the Acquisition Agreement, the Continuing Connected Transactions and the transactions contemplated thereunder. The Vendor, who together with his associates, is entitled to control or exercise control over the voting right in respect of 2,000,000 Shares, being 0.14% of the entire issued capital of the Company as at the Latest Practicable Date, and are thus required to abstain from voting in respect of the Acquisition. Save as aforesaid, no Shareholder has any material interest in the Acquisition Agreement and is required to abstain from voting at the SGM in respect of the Acquisition Agreement and the transactions contemplated thereunder.

A notice convening the SGM is set out on pages 141 to 142 of this circular. Whether or not you intend to be present at the SGM, you are requested to complete the form of proxy and return the same to the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof.

Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or at any adjourned meeting should you so wish.

RECOMMENDATION

The Directors consider that (1) the Acquisition Agreement and the transactions contemplated thereunder and (2) the Continuing Connected Transactions are fair and reasonable to the Company and in the interest of the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the ordinary resolutions to be proposed at the SGM to approve the Acquisition Agreement and the transactions contemplated thereunder and the Continuing Connected Transactions.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

By order of the Board
Long Success International (Holdings) Limited
Wong Kam Leong
Chairman

The following is the text of a letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in relation to the Continuing Connected Transactions:

LONG SUCCESS INTERNATIONAL (HOLDINGS) LIMITED

百齡國際（控股）有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 8017)

17 June 2010

To the Independent Shareholders

CONTINUING CONNECTED TRANSACTIONS

Dear Sir or Madam,

We have been appointed as members of the Independent Board Committee to advise you in connection with the Continuing Connected Transactions, details of which are set out in the letter from the Board contained in the circular (the "Circular") of the Company dated 17 June 2010. Terms defined in the Circular shall have the same meanings herein, unless the context otherwise requires.

Having taken into account the advice and recommendation of CSC Asia as set out on pages 25 to 31 of the Circular, we are of the opinion that the terms of the Continuing Connected Transactions and the Annual caps relating thereto are fair and reasonable so far as the Company and the Independent Shareholders are concerned and the entering into of the Continuing Connected Transactions is in the interests of the Company and the Independent Shareholders as a whole.

We therefore recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the SGM to approve the Continuing Connected Transactions and the Annual Caps relating thereto.

Yours faithfully,
For and on behalf of the
Independent Board Committee

Mr. Ng Kwok Chu, Winfield | **Mr. Ng Chau Tung, Robert**

Mr. Tse Ching Leung | **Mr. Wang Qingyi**

Independent Non-executive Directors

* *for identification purpose only*

The following is the text of a letter of advice from CSC Asia Limited which has been prepared for the purpose of incorporation into this circular, setting out its advice to the Independent Board Committee and the Independent Shareholders in respect of the Continuing Connected Transactions and the proposed Annual Caps.

CAPITAL

CSC Asia Limited
Units 3204-07, 32/F
Cosco Tower
183 Queen's Road Central
Hong Kong

17 June 2010

To: The independent board committee and
the independent shareholders of
Long Success International (Holdings) Limited

Dear Sirs,

CONTINUING CONNECTED TRANSACTION

INTRODUCTION

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders with respect of the terms of the Master Agreement and the proposed Annual Caps, details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in the circular of the Company to the Shareholders dated 17 June 2010 (the "**Circular**"), of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

On 26 March 2010, the Purchaser, being the wholly-owned subsidiary of the Company, entered into the Acquisition Agreement with the Vendor at a consideration of HK$280 million pursuant to which the Vendor has agreed to sell and the Purchaser has agreed to acquire the entire equity interest in the BVI Company, which owns the 60% equity interest in the Joint Venture Company. The Joint Venture Company is principally engaged in the development, production and sales of biodegradable resin and its related products and has entered into the Patent License Agreement with the PRC Partner on 21 February 2010 regarding the Intellectual Property. Details regarding the Acquisition Agreement and the Patent License Agreement are set out in the Letter from the Board and we will not provide our opinion in this regard in the context of this letter.

On 26 May 2010, the Company announced that the Joint Venture Company, of which the Company shall hold 60% equity interest through the BVI Company upon Completion, entered into the Master Agreement with the PRC Partner, pursuant to which the Joint Venture Company agreed to supply and the PRC Partner agreed to purchase the Products for a period of three years from the date the conditions precedent are satisfied.

Upon Completion, the Joint Venture Company will be owned as to 40% by the PRC Partner and 60% by the Company through the BVI Company and become an indirect wholly-owned subsidiary of the Company. The PRC Partner, being the controlling shareholder of the Joint Venture Company, is therefore regarded as a connected person of the Company as defined under the GEM Listing Rules. Accordingly, the transactions contemplated under the Master Agreement constitute continuing connected transactions of the Company under the GEM Listing Rules.

As either the applicable percentage ratios as defined under the GEM Listing Rules in relation to the proposed Annual Caps exceed 2.5% and the annual consideration is more than HK$10 million, the Continuing Connected Transactions are subject to the reporting, announcement and Independent Shareholders' approval requirements as set out in Rules 20.45 to 20.48 of the GEM Listing Rules. In this connection, the Company will seek the Independent Shareholders' approval for the Continuing Connected Transactions and the proposed Annual Caps at the SGM to be conducted by poll. As at the Latest Practicable Date, to the best knowledge, information and belief of the Directors, the PRC Partner, its ultimate beneficial owners and their respective associates do not hold any Share and no Shareholders are materially interested in the Continuing Connected Transactions. As such, no Shareholders are required to abstain from voting at the SGM in respect of the Continuing Connected Transactions and the proposed Annual Caps.

The Independent Board Committee, comprising four independent non-executive Directors, namely Messrs. Ng Kwok Chu, Winfield, Ng Chau Tung, Robert, Tse Ching Leung and Wang Qingyi, has been formed to advise the Independent Shareholders on whether the Continuing Connected Transactions and the proposed Annual Caps are fair and reasonable insofar as the Independent Shareholders are concerned, on normal commercial terms, in the ordinary and usual course of business and in the interests of the Company and the Shareholders as a whole. We, CSC Asia Limited, have been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

CSC Asia Limited is independent from, and not connected with, the Company or any of its substantial shareholders, directors or chief executive, or any of their respective associates, and is accordingly qualified to give independent advice to the Independent Board Committee and the Independent Shareholders.

BASIS OF OUR OPINION

In formulating our recommendations, we have relied on the information and facts supplied by the Company and the representations of, the Directors and management of the Company, including those set out in the Circular. We have assumed that all the information and representations so supplied by the Company and/or the Directors and all information and representations referred to or contained in the Circular, for which the Company and the Directors are solely and wholly responsible, were true, accurate and complete at the time they were made and continue to be so as at the Latest Practicable Date. No representation or warranty, expressed or implied, is made by us on the accuracy of such information or representation. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. The Directors have confirmed, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no material facts the omission of which would make any statements in the Circular misleading.

We consider that we have reviewed sufficient information and documents to reach an informed view and to provide a reasonable basis for our recommendations. We have not, however, conducted any independent investigation into the businesses or affairs or assets and liabilities or future prospects of the Group, the PRC Partner or any of their associates, nor have we carried out any independent verification of information supplied.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation regarding the Master Agreement and the transactions contemplated thereunder together with the proposed Annual Caps, we have taken into consideration the following principal factors and reasons:

(I) Background of and reasons for entering into the Master Agreement

The Company is an investment holding company and its subsidiaries are principally engaged in paper manufacturing business; sharing of profits of a junket representative of a VIP lounge of a casino in Macau; money lending services; and IT consulting services.

The Joint Venture Company is principally engaged in the development, production and sales of biodegradable resin and its related products and has entered in to the Patent License Agreement in relation to the Intellectual Property with the PRC Partner, a company with over ten years experience, engaging in, among others, research, production and sales of biodegradable resin.

As stated in the interim report of the Company for the six months ended 30 September 2009, the operation environment for the IT consulting services and gaming and entertainment business in Macau were difficult in result of the measures adopted by the Guangdong government in July 2008 to further tighten the individual visits to Macau under the individual visit scheme and the global financial meltdown drove down the VIP gaming revenue. Turnovers generated from sharing of profits of a junket representative of a VIP lounge of a casino in Macau; money lending services; and IT consulting services for the six months ended 30 September 2009 amounted to approximately HK$0.2 million, HK$0.6 million and HK$2.4 million, representing substantial decreases of approximately 69.8%, 48.7% and 73.5% as compared to that of the responding period in 2008. As such, the Group intends to de-emphasise these business segments in the future and continue to look for appropriate investment opportunities in the PRC to expand and diversify its portfolio. The acquisition of the paper manufacturing company, Jining Gangning Paper Co. Ltd. which was engaged in manufacturing and sales of various types of kraft paper by making use of waste paper, was completed on 10 February 2009, revenue of which amounted to approximately HK$47.9 million, representing approximately 93.6% of the total revenue of the Company for the six months ended 30 September 2009.

Based on the performance of business segment of the sales of paper products which is related to environmental business, the Directors consider that the environmental industry is of high potential profitability. Accordingly, the Company entered into the Acquisition Agreement with the Vendor on 26 March 2010 to acquire 60% equity interest in the Joint Venture Company. Upon Completion, the Joint Venture Company will be owned as to 40% by the PRC Partner and 60% by the Company through the BVI Company. As advised by the Directors, the Joint Venture Company is the only supplier of the Products patented by the PRC Partner as at the Latest Practicable Date. Orders for the Products to be placed by the PRC Partner will be based on the orders received by the PRC Partners from its own clients. As advised by the Directors, the PRC Partner has entered into several sole agency agreements with independent agents covering different geographical segments in which specific sales amount of the Products have been committed. The Directors consider that the entering into the Master Agreement enables the Group to have the PRC Partner as its stable customer of the Products; to capture the business opportunities through the PRC Partner and thus to achieve the guaranteed profits contemplated under the Acquisition Agreement.

The Directors (excluding the independent non-executive Directors) are of the view that (i) the terms of the Master Agreement (a) have been negotiated on an arm's length basis; (b) will be conducted on normal commercial terms, or on terms no less favourable to the Group than those available to or from Independent Third Parties under prevailing local market conditions; (c) are entered into in the ordinary and usual course of business of the Group (after Completion); and (d) are fair and reasonable and in the interests of the Company and the Shareholders as a whole; and (ii) that the proposed Annual Caps for the three years are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

We have discussed with and been advised by the Directors that the Joint Venture Company has not recorded any sales as at the Latest Practicable Date. As the Joint Venture Company is a newly established company, it may take a period of time for the Joint Venture Company to build up its reputation and clientele, the Directors consider that the entering into the Master Agreement is beneficial to the Company by procuring the PRC Partner, who has over ten years experience in the market with strong client base, as the stable customer of the Joint Venture Company which will re-sell the Products to its customers and will in turn boost the revenue of the Joint Venture Company at once.

Having considered (i) the Continuing Connected Transactions are profit generating in nature which will secure the revenue of the Joint Venture Company, accounts of which will be consolidated into the financial statements of the Group; (ii) the Continuing Connected Transactions will become one of the principal business of the Company upon Completion; and (iii) the entering into the Master Agreement enables the Joint Venture Company, which was newly established, to procure the PRC Partner as its stable customers and may also boost the sales of the Products through the sales channel and strong client base of the PRC Partner, we consider that the entering into the Master Agreement is in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole.

(II) Principal terms of the Master Agreement

Pursuant to the Master Agreement, the Joint Venture Company has agreed to supply and the PRC Partner has agreed to purchase the Products in such quantities as will be produced by the Joint Venture Company, at such prices and on and subject to the terms as set out in the Master Agreement for a period of three years from the date the conditions precedent are satisfied.

The Master Agreement is conditional on and shall only be effective upon (i) the passing of an ordinary resolution by the Shareholders, or Independent Shareholders, where appropriate, at the SGM to be held by the Company for the approval of the Continuing Connected Transactions and the proposed Annual Caps; (ii) the passing of the resolutions for the approval of the Master Agreement by the shareholders of the Joint Venture Company and the PRC Partner respectively; and (iii) the Completion.

Pursuant to the Master Agreement, the pricing basis of the supply of the Products shall be determined with reference to the prevailing market price at the time purchase order is placed by the PRC Partner. Payment for the transactions of last month shall be settled on monthly basis payable in every month-end by way of cash, letter of credit, cheque or any other settlement method.

As mentioned previously in this letter, the Joint Venture Company has not recorded any sales as at the Latest Practicable Date, accordingly we are unable to compare the terms of the Continuing Connected Transactions to the terms of supply of the Products to other independent customers. However, we have enquired into and been advised by the Directors that the Group will perform price comparison with other potential customers for the Products to ensure that the price at which the Products being sold to the PRC Partner is line with the prevailing market price and the Continuing Connected Transactions will be conducted on normal commercial terms or on terms no less favorable to the Group than available to or from independent third parties under prevailing local market conditions.

Notwithstanding that there is no historical transactions of the Joint Venture Company for comparison, in considering that (i) the pricing, which will be determined based on the prevailing market price, is on normal commercial terms; (ii) the payments for the Continuing Connected Transactions are on monthly basis; (iii) the independent non-executive Directors will, pursuant to Rule 20.37 of the GEM Listing Rules, review, among other things, whether the Continuing Connected Transactions are conducted on normal commercial terms; (iv) the auditors of the Company will, for the purpose of Rule 20.38 of the GEM Listing Rules, review, among other things, whether the Continuing Connected Transactions are conducted in accordance with the terms of the Master Agreement and; (v) as stated under section headed "(III) Annual review of the Master Agreement" of this letter that the Directors confirmed the Company will re-comply with the relevant GEM Listing Rules if the proposed Annual Caps are exceeded or, when the Master Agreement is renewed or, when there is a material change to the terms thereof, we are of the view that the terms of the Master Agreement are on normal commercial terms and are fairly and reasonably determined.

(i) The proposed Annual Caps

The proposed Annual Caps and annual maximum aggregate quantities for the supply of the Products contemplated under the Master Agreement for the period of three years are as follows:

	Year		
	1st	**2nd**	**3rd**
Annual Caps *(HK$'million)*	350	1,000	1,000
Maximum quantities of supply of the products (tons)	10,000	30,000	30,000

As stated in the Letter from the Board, the proposed Annual Caps are determined with reference to (i) the profit guarantee as given by the Vendor in relation to the Acquisition; and (ii) the estimated growth of the demand for the Products as a result of the fact that under the international encouragement for environmental protection and the policy support by the PRC government, the use of biodegradable products will be an important and inevitable trend.

As the Joint Venture Company was newly incorporated on 11 February 2010 which did not record any sales as at the Latest Practicable Date, we are unable to review the proposed Annual Caps based on the historical sales amount of the supply of the Products. In assessing the fairness and reasonableness of the proposed Annual Caps, we have reviewed (i) the management accounts of the Joint Venture Company for the three months ended 31 March 2010; (ii) the Directors' concern on the current financial resources and the expected production capacity of the Joint Venture Company for the three years ending 31 December 2013; (iii) the prevailing market price of the Products with reference to the invoices issued by the PRC Partner to its independent customers on sampling basis; (iv) the estimated percentage of turnover to be generated from the Continuing Connected Transactions; and (v) the business plan and profit forecasts of the Joint Venture Company for the five years ending 31 December 2015.

As advised by the Directors, the production capacity of the Joint Venture Company for the first year will be lower than the second and the third year as not all the machinery will be purchased at once upon the commencement date of the production plant in the first year. According to the business plan of the Joint Venture Company, production of the Products will commence in November 2010. The proposed Annual Caps are calculated by the expected unit price per ton of the Products based on the prevailing market price; the maximum annual production capacity of the Joint Venture Company for the three years ending 31 December 2013 and approximately 80-90% estimated turnover of the Joint Venture to be generated from the Continuing Connected Transactions. Based on our findings, the expected unit price per ton (including taxation) of the Products falls within the range of the prevailing market prices for both the low-end and high-end Products. As advised by the Directors, the Joint Venture Company will focus on the production of high-end Products but will also cater for orders of low-end Products if necessary. Further, the expected unit price per ton (including taxation) of the Products, which has been set slightly below the prevailing market price of high-end Products enables the PRC Partner to resell the Products with a profit margin to its independent customers. As advised by the Directors, the maximum quantities of the supply of the Products for each of the three years are based on current financial resources and the expected production capacity of the Joint Venture Company. In addition, the proposed Annual Caps allow buffer for the unexpected growth in the demand for the Products and possible inflation of RMB.

Having considered the basis on which the proposed Annual Caps are determined as described above, we are of the view that the proposed Annual Caps are reasonably determined, fair and reasonable insofar as the Independent Shareholders are concerned.

(III) Annual review of the Master Agreement

As confirmed by the Directors, the Company will fulfil the annual review requirements under Rules 20.37 and 20.38 of the GEM Listing Rules and will re-comply with the relevant GEM Listing Rules if the proposed Annual Caps are exceeded or, when the Master Agreement is renewed or, when there is a material change to the terms thereof. In light of the above, we are of the view that there are appropriate measures in place to govern the conduct of the transactions contemplated under the Master Agreement and safeguard the interests of the Independent Shareholders.

RECOMMENDATIONS

Having considered the above principal factors and reasons in respect to the Master Agreement and the proposed Annual Caps, we are of the view that the terms of the Master Agreement and the proposed Annual Caps are on normal commercial terms and are fair and reasonable insofar as the Independent Shareholders are concerned and that the entering into of the Master Agreement is in the interests of the Company and the Shareholders as a whole. Accordingly, we would advise the Independent Shareholders, as well as recommend the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the ordinary resolution to approve the Master Agreement, the Continuing Connected Transactions including the proposed Annual Caps at the SGM.

Yours faithfully,
For and on behalf of
CSC Asia Limited
Andrew Chiu
Managing Director

1. SUMMARY OF FINANCIAL RESULTS FOR THE THREE YEARS ENDED 31 MARCH 2009

The following financial information has been extracted from the audited financial statements of the Group for each of the three years ended 31 March 2009.

(i) Consolidated Income Statement

	Year ended 31 March		
	2007	**2008**	**2009**
	(audited)	(audited)	(audited)
	HK$'000	*HK$'000*	*HK$'000*
Continuing operations			
Revenue	23,735	25,424	12,778
Other income	1,127	749	3,810
Raw materials and consumables used	(3,240)	(7,119)	(6,578)
Staff costs	(13,724)	(17,671)	(11,401)
Depreciation of property, plant and equipments	(211)	(241)	(411)
Impairment loss on goodwill	–	(33,376)	(14,200)
Impairment loss on property, plant and equipment	–	–	(2,465)
Impairment loss on trade receivables	(945)	(671)	(235)
Impairment loss on loan receivables	–	–	(656)
Other expenses	(5,462)	(8,300)	(17,696)
Finance costs	(21)	(619)	(5)
(Loss)/ Profit before tax	1,259	(41,824)	(37,059)
Income tax expenses	–	–	(334)
Profit/(Loss) for the year from continuing operations	1,259	(41,824)	(37,393)
Discontinued operation			
Loss for the year from discontinued operation	(5,521)	–	–
Loss for the year	(4,262)	(41,824)	(37,393)
Attributable to:			
Equity holders of the parent	(5,992)	(43,710)	(37,604)
Minority interests	1,730	1,886	211
	(4,262)	(41,824)	(37,393)
Loss per share attributable to ordinary equity holders of the parent			
For continuing and discontinued operations			
Basic and diluted (HK cents per share)	(0.66)	(2.10)	(1.37)
For continuing operation			
Basic and diluted (HK cents per share)	(0.05)	(2.10)	(1.37)

(ii) Consolidated Balance Sheet

	As at 31 March		
	2007	**2008**	**2009**
	(audited)	(audited)	(audited)
	HK$'000	*HK$'000*	*HK$'000*
Non-current assets			
Goodwill	63,376	30,000	15,890
Property, plant and equipment	424	667	3,321
Available-for-sale financial asset	–	180	180
Deposit for acquisition	–	–	47,500
Loans receivable	–	–	348
Total non-current assets	63,800	30,847	67,239
Current assets			
Trade receivables	8,523	10,631	2,746
Loans receivable	–	8,727	8,478
Prepayment, deposit and other receivables	712	1,663	1,576
Available-for-sale financial assets	–	59,000	32,000
Cash and cash equivalents	1,277	19,189	2,940
Total current assets	10,512	99,210	47,740
Current liabilities			
Trade payables	868	3,497	3,229
Accruals and other payables	4,294	3,862	5,679
Deferred consideration for acquisition	21,577	–	–
Receipts in advance	2,230	771	–
Current portion of obligations under finance lease	144	35	–
Amount due to ultimate holding company	1,407	–	–
Provision for taxation	833	833	1,033
Total current liabilities	31,353	8,998	9,941
Net current assets/ (liabilities)	(20,841)	90,212	37,799
Total assets less current liabilities	42,959	121,059	105,038
Non-current liabilities			
Deferred consideration for acquisition	13,300	–	–
Obligations under finance leases	–	–	–
Total non-current liabilities	13,300	–	–
Net Assets	29,659	121,059	105,038
Capital and reserves			
Share capital	30,303	27,273	30,320
Reserves	(2,374)	84,669	74,400
Equity attributable to equity holders of the parent	27,929	111,942	104,720
Minority interests	1,730	9,117	318
Total Equity	29,659	121,059	105,038

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE YEAR ENDED 31 MARCH 2009

The following financial information is an extract of the annual report of the Group for the year ended 31 March 2009.

(i) Consolidated Income Statement

For the year ended 31 March 2009

	Note	2009 *HK$'000*	2008 *HK$'000*
Revenue	6	12,778	25,424
Other income	6	3,810	749
Materials used and work performed and capitalised		(6,578)	(7,119)
Staff costs	13	(11,401)	(17,671)
Depreciation of property, plant and equipment		(411)	(241)
Impairment loss on goodwill	16	(14,200)	(33,376)
Impairment loss on property, plant and equipment		(2,465)	–
Impairment loss on trade receivables		(235)	(671)
Impairment loss on loan receivables		(656)	–
Other expenses		(17,696)	(8,300)
Finance costs	7	(5)	(619)
Loss before tax		(37,059)	(41,824)
Income tax expense	8	(334)	–
Loss for the year	9	(37,393)	(41,824)
Attributable to:			
Equity holders of the parent		(37,604)	(43,710)
Minority interests		211	1,886
		(37,393)	(41,824)
Loss per share attributable to ordinary equity holders of the parent			
Basic and diluted (HK cents per share)	12	(1.37)	(2.10)

(ii) Consolidated Balance Sheet

At 31 March 2009

		Group		Company	
		2009	2008	2009	2008
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets					
Intangible assets	15	–	–	–	–
Goodwill	16	15,890	30,000	–	–
Property, plant and equipment	17	3,321	667	–	–
Interests in subsidiaries	18	–	–	57,980	80,532
Available-for-sale financial assets	19	180	180	–	–
Deposit for acquisition	20	47,500	–	47,500	–
Loans receivable	21	348	–	–	–
Total non-current assets		67,239	30,847	105,480	80,532
Current assets					
Trade receivables	22	2,746	10,631	–	–
Loans receivable	21	8,478	8,727	–	–
Prepayment, deposits and other receivables	23	1,576	1,663	–	130
Available-for-sale financial assets	19	32,000	59,000	–	27,000
Cash and cash equivalents	24	2,940	19,189	1,136	130
Total current assets		47,740	99,210	1,136	27,260
Current liabilities					
Trade payables	25	3,229	3,497	–	–
Accruals and other payables		5,679	4,633	1,334	1,167
Current portion of obligations under finance lease	26	–	35	–	–
Provision for taxation		1,033	833	–	–
Total current liabilities		9,941	8,998	1,334	1,167
Net current assets (liabilities)		37,799	90,212	(198)	26,093
Total assets less current liabilities		105,038	121,059	105,282	106,625
NET ASSETS		105,038	121,059	105,282	106,625

		Group		Company	
		2009	**2008**	**2009**	**2008**
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Capital and reserves					
Share capital	27	30,320	27,273	30,320	27,273
Reserves	29	74,400	84,669	74,962	79,352
Equity attributable to equity holders of the parent		104,720	111,942	105,282	106,625
Minority interests		318	9,117	–	–
TOTAL EQUITY		105,038	121,059	105,282	106,625

(iii) Consolidated Statement of Changes in Equity

For the year ended 31 March 2009

	Attributable to equity holders of the parent								
	Share capital HK$'000	Share premium HK$'000	Merger reserve* HK$'000	Exchange reserve HK$'000	Share option reserve HK$'000	Accumulated Losses HK$'000	Total HK$'000	Minority interests HK$'000	Total HK$'000
At 1 April 2007	30,303	31,370	(341)	(85)	–	(33,318)	27,929	1,730	29,659
Exchange differences arising on translation of foreign subsidiaries recognised directly in equity	–	–	–	56	–	–	56	–	56
Loss for the year	–	–	–	–	–	(43,710)	(43,710)	1,886	(41,824)
Total recognised income and expenses	–	–	–	56	–	(43,710)	(43,654)	1,886	(41,768)
Rights Issue	30,303	9,091	–	–	–	–	39,394	–	39,394
Issue of bonus shares	30,303	(30,303)	–	–	–	–	–	–	–
Capital reduction	(81,818)	44,103	–	–	–	37,715	–	–	–
Issue of share in open offer	9,091	90,909	–	–	–	–	100,000	–	100,000
Issue of bonus shares	9,091	(9,091)	–	–	–	–	–	–	–
Share issue expenses	–	(12,609)	–	–	–	–	(12,609)	–	(12,609)
New subsidiaries	–	–	–	–	–	–	–	5,501	5,501
Equity-settled share-based payments	–	–	–	–	882	–	882	–	882
At 31 March 2008 and 1 April 2008	27,273	123,470	(341)	(29)	882	(39,313)	111,942	9,117	121,059
Exchange differences arising on translation of foreign subsidiaries recognised directly in equity	–	–	–	185	–	–	185	–	185
Loss for the year	–	–	–	–	–	(37,604)	(37,604)	211	(37,393)
Total recognised income and expenses	–	–	–	185	–	(37,604)	(37,419)	211	(37,208)
Issue of new shares	1,692	9,308	–	–	–	–	11,000	–	11,000
Share issue expenses	–	(74)	–	–	–	–	(74)	–	(74)
Issue of shares upon exercise of warrants	35	157	–	–	–	–	192	–	192
Issue of shares upon exercise of share options	1,320	7,638	–	–	(3,157)	–	5,801	–	5,801
Dividend paid to minority shareholder	–	–	–	–	–	–	–	(3,600)	(3,600)
Acquisition of minority interests	–	–	–	–	–	–	–	(5,410)	(5,410)
Equity-settled share-based payments	–	–	–	–	13,278	–	13,278	–	13,278
At 31 March 2009	30,320	140,499	(341)	156	11,003	(76,917)	104,720	318	105,038

(iv) Consolidated Cash Flow Statement

For the year ended 31 March 2009

	Note	2009 HK$'000	2008 HK$'000
Operating activities			
Loss before tax		(37,059)	(41,824)
Adjustments for:			
Equity-settled share option expense		13,278	882
Finance costs		5	619
Depreciation of property, plant and equipment		411	241
Impairment loss on trade receivables		235	671
Impairment loss on loan receivables		656	–
Impairment loss on goodwill		14,200	33,376
Impairment loss on property, plant and equipment		2,465	–
Loss (gain) on disposal of property, plant and equipment		35	(41)
Realised loss on trading securities		64	–
Interest income, excluding that derived from money lending operation		(3,853)	(279)
Operating cash flows before working capital changes		(9,563)	(6,355)
Decrease (increase) in trade receivables		7,650	(2,779)
Increase in loans receivable		(755)	(8,727)
Decrease (increase) in prepayment, deposits and other receivables		87	(951)
(Decrease) increase in trade payables		(268)	2,629
Increase (decrease) in accruals and other payables		1,046	(1,891)
Cash used in operations		(1,803)	(18,074)
Interest paid		(5)	(619)
Income tax paid		(134)	–
Net cash used in operating activities		(1,942)	(18,693)
Investing activities			
Interest received, excluding that derived from money lending operation		3,853	279
Deposit paid for acquisition	20	(47,500)	–
Proceeds from disposal of property, plant and equipment		430	41
Sale of trading securities		3,097	–
Purchase of trading securities		(3,161)	–
Payment of consideration for acquisitions	31	(5,500)	(34,877)
Decrease (increase) in available-for-sale financial assets		27,000	(59,180)
Purchase of property, plant and equipment		(5,995)	(484)
Net cash used in investing activities		(27,776)	(94,221)

	Note	2009 HK$'000	2008 HK$'000
Financing activities			
Repayment to ultimate holding company		–	(1,407)
Repayment of capital elements of finance leases		(35)	(109)
Proceeds from issue of shares		11,000	139,394
Share issue expenses		(74)	(12,609)
Proceeds from exercise of share options		5,801	–
Proceeds from exercise of warrants		192	–
Dividend paid to minority shareholders		(3,600)	–
Proceeds from issuance of shares to minority shareholders of new subsidiaries		–	5,501
Net cash provided by financing activities		13,284	130,770
Net (decrease) increase in cash and cash equivalents		(16,434)	17,856
Cash and cash equivalents at the beginning of the year		19,189	1,277
Effect of foreign exchange rate changes		185	56
Cash and cash equivalents at the end of the year	24	2,940	19,189

(v) Notes to the Financial Statements

31 March 2009

1. CORPORATE 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 and principal place of business are Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda and 26/F, EIB Centre, 40-44 Bonham Street, Sheung Wan, Hong Kong respectively.

The Company is an investment holding company. During the year, its subsidiaries are principally engaged in the following activities:

(i) Sale and implementation of customised software and related computer equipment;
(ii) Provision of computer-related technical support and maintenance services;
(iii) Sharing of profits of a junket representative of a VIP lounge in a casino in Macau; and
(iv) Money lending business.

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs", which also include Hong Kong Accounting Standards and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the GEM of the Stock Exchange ("GEM Rules").

These financial statements have been prepared under the historical cost convention except for available-for-sale financial assets which are measured at fair value. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand (HK$'000) except when otherwise stated.

Basis of consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries (collectively the "Group") made up to 31 March. The results of the subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. All significant intercompany transactions and balances and any unrealised profits arising from intercompany transactions within the Group are eliminated on consolidation.

3. ADOPTION OF NEW AND REVISED HKFRSs

The Group has adopted the following new or amended HKFRSs for the first time in the preparation of current year's financial statements:

HKAS 39 & HKFRS 7 Amendments	Reclassification of Financial Assets
HK(IFRIC) – Int 12	Service Concession Arrangements
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of these new or amended HKFRSs has had no significant impact on the Group's financial statements and there have been no significant changes to the accounting polices applied in these financial statements.

The Group has not early adopted the following new HKFRSs, that have been issued but not yet effective:

HKFRS 1 and HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[1]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combinations[2]
HKFRS 7 (Amendments)	Improving Disclosures about Financial Instruments[1]
HKFRS 8	Operating Segments[1]
HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKAS 32 and HKAS 1 (Amendment)	Puttable Financial Instruments and Obligations Arising on liquidation[1]
HKAS 39 (Amendment)	Eligible Hedged Items[2]
HK(IFRIC)-Int 9 & HKAS 39 (Amendment)	Embedded Derivatives[5]
HK(IFRIC)-Int 13	Customer Loyalty Programmes[3]
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate[1]
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation[4]
HK(IFRIC)-Int 17	Distribution of Non-cash Assets to Owners[2]
HK(IFRIC)-Int 18	Transfer of Assets from Customers[6]
HKFRSs (Amendments)	Improvements to HKFRSs[7]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[8]

Notes:

1 Effective for annual periods beginning on or after 1 January 2009
2 Effective for annual periods beginning on or after 1 July 2009
3 Effective for annual periods beginning on or after 1 July 2008
4 Effective for annual periods beginning on or after 1 October 2008
5 Effective for annual periods beginning on or after 30 June 2009
6 Effective for transfers on or after 1 July 2009
7 Generally effective for annual periods beginning on or after 1 January 2009, except for amendments to HKFRS 5 which are effective for annual periods beginning on or after 1 July 2009
8 Effective for annual periods beginning on or after 1 January 2010

The adoption of HKFRS 3 (Revised) may affect the accounting for business combination which is consummated on or after the commencement of the first financial year beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary. The directors of the Company anticipate that the application of other new and revised standards, amendments or interpretations will have no material impact on the results or financial position of the Group.

4. SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies adopted by the Group is set out below:

(A) Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 "Business Combinations" are recognised at their fair values at the acquisition date, except for non-current 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", which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

(B) Goodwill

Goodwill arising on an acquisition of a subsidiary represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant subsidiary or jointly controlled entity at the date of acquisition. Goodwill is carried at cost less any accumulated impairment losses.

Goodwill is tested annually for impairment and is allocated to cash-generating units for the purposes of impairment testing. Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relate. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in any subsequent period.

Gain or loss on disposal of an entity includes the carrying value of goodwill relating to the entity sold.

(C) Subsidiaries and minority interests

A subsidiary is a company in which the Company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors. Subsidiaries are considered to be controlled if the Company has the power, directly or indirectly, to govern the financial and operating policies, so as to obtain benefits from their activities.

Minority interests represent the portion of the net assets of subsidiaries attributable to interests not owned by the Company, whether directly or indirectly through subsidiaries, and in respect of which the Group has not agreed any additional terms with the holders of those interest which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. Minority interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the equity shareholders of the Company. Minority interests in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interests and the equity shareholders of the Company.

Where losses applicable to the minority interests exceed the minority's interest in the equity of a subsidiary, the excess, and any future losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

(D) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and, where it is probable that the economic benefits will flow to the Group and the revenue and costs incurred or to be incurred in respect of the transaction can be measured reliably, is recognised as follows:

(i) Sales of goods are 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) Service income is recognised when services are provided.

(iii) Revenue from sharing of profits is recognised when the right to receive profit is established.

(iv) Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

(v) Dividend income from securities and other investments is recognised when the right to receive payment is established.

(E) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Depreciation is calculated on the straight-line basis to write off the cost of each asset over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold improvement	50% or over the lease term whichever is shorter
Furniture and fixtures	25%
Computer equipment	25 – 331/3%
Motor vehicles	25%

Display gemstones which comprise collectable items are considered to have indefinite useful life and not subject to depreciation.

Major costs incurred in restoring property, plant and equipments to their normal working condition are charged to the income statement. Improvements are capitalized and depreciated over their expected useful lives to the Group.

The gain or loss on disposal of property, plant and equipments is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the income statement.

(F) Intangible assets

(i) Research and development costs

Research costs are expensed as incurred. Costs incurred on development projects relating to the design and testing of new or improved products are recognised as an intangible asset where the technical feasibility and intention of completing the product under development has been demonstrated and the resources are available to do so, costs are identifiable and there is an ability to sell or use the asset that will generate probable future economic benefits. Such development costs are recognised as an asset and amortised on a straight-line basis over a period of 3 years to reflect the pattern in which the related economic benefits are recognised. Development costs that do not meet the above criteria are expensed as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

(ii) Software

The cost of acquisition of software is capitalised and treated as an intangible asset if the cost is not an integral part of the related hardware. Software is amortized on a straight-line basis over the remaining estimated useful life or 3 years whichever is shorter.

(G) Impairment of assets

Assets that have an indefinite useful life are not subject to amortization, and are at least tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (i.e. cash-generating units).

(H) Financial assets

A financial asset is initially measured at the fair value plus, in the case of a financial asset not at fair value through profit or loss, directly attributable transaction costs. After initial recognition, the Group classifies its financial assets into loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised or derecognised on a trade date basis. Regular way purchases or sales are purchases and sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade and other receivables, bank deposits and balances) are carried at amortised cost using the effective interest method, less any identified impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. An impairment loss is recongised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Gains or losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

(ii) Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as any of the other categories of financial assets. After initial recognition, available-for-sale financial assets are measured at fair value, with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in the income statement.

(I) Financial liabilities

(i) Interest-bearing loans and borrowings

Interest-bearing loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs, and are subsequently measured at amortized cost using the effective interest method. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in income statement over the period of the borrowing using the effective interest method.

(ii) Trade and other payables

Trade and other payables (including amounts due to related parties) are initially measured at fair value, and are subsequently measured at amortized cost, using the effective interest method.

(J) Cash equivalents

Cash equivalents are short-term, highly liquid investments which are readily convertible into known amounts of cash without notice and which were within three months of maturity when acquired. Cash equivalents include investments and advances denominated in foreign currencies provided that they fulfill the above criteria.

For the purposes of the cash flow statement, cash equivalents would also include bank overdrafts and advances from banks repayable within three months from the date of the advance.

(K) Leases

Leases of assets are classified as finance leases when the leases transfer substantially all risks and rewards incidental to ownership of the assets to the Company. All other leases are classified as operating leases.

(i) Finance leases

Assets held under finance leases are recognised in the balance sheet at amounts equal to the fair value of the leased assets, or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liabilities, net of finance charges, on the finance leases are recorded as obligations under finance leases. All assets held under finance leases are classified as property, plant and equipments, except for those properties held to earn rental income which are classified as investment property, in the balance sheet.

Depreciation and impairment loss are calculated and recognised in the same manner as the depreciation and impairment loss on property, plant and equipments as set out in Notes 4(E) and 4(G) respectively, except for the estimated useful lives cannot exceed the relevant lease terms, if shorter.

Minimum lease payments are apportioned between finance charge and the reduction of the outstanding liabilities. The finance charge is recognised in profit or loss over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(ii) Operating leases

Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term. The payments made on acquiring land held under an operating lease are recognised in the balance sheet as lease premium for land.

Contingent rents are charged as an expense in the periods in which they are incurred.

(L) Income tax

Income tax for the period comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in the income statement except to the extent that they relate to items recognised directly in reserves, in which case they are recognised in reserves.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred taxation liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profits will be available against which deductible temporary differences, and the carryforward of unused tax assets and unused tax losses can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates (and tax law) that have been enacted or substantively enacted at the balance sheet date.

(M) Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

(N) Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to profit or loss. Non-monetary items that are measured in the terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollar. As at the balance sheet date, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the balance sheet date and, their profit and loss accounts are translated into Hong Kong dollars at the exchange rate ruling at the dates of transactions for the year. The resulting exchange differences are included in the exchange fluctuation reserve. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the profit and loss account.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated to Hong Kong dollars at the weighted average exchange rates for the year.

(O) Employee benefits

Salaries, annual bonuses, paid annual leave, leave passage and the cost to the Company of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Provision is made in respect of paid leave entitlement accumulated during the year, which can be carried forward into future periods for compensated absence or payment in lieu if the employee leaves employment.

The Group operates a number of defined contribution retirement plans, the assets of which are held in separate trustees administered funds. The Group's contributions to the defined contribution retirement plans are expensed when the employees have rendered services entitling them to the contributions.

(P) Equity-settled share-based payment transactions

The fair value of services received is measured by reference to the fair value of share options granted at the date of grant which is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve). The equity amount is recognised in share options reserve until the option is exercised (when it is transferred to share premium account). When the option is forfeited after the vesting date or is not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

(Q) Borrowing costs

Borrowing costs include interest charges and other costs incurred in connection with the borrowing of funds.

Borrowing costs are expensed as incurred, except when they are directly attributable to the acquisition, construction or production of assets that necessarily takes a substantial period of time to get ready for their intended use in which case they are capitalized as part of the cost of that asset. Capitalization of borrowing costs commences when expenditures for the asset and borrowing costs are being incurred and the activities to prepare the asset for its intended use are in progress. Borrowing costs are capitalized at the weighted average cost of the related borrowings until the asset is ready for its intended use. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded. All other borrowing cost is charged to the income statement in the year in which they are incurred.

(R) Related parties

Two parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions, or vice versa, or where the parties are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or corporate entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the Group or of any entity that is a related of the Group.

(S) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include inventories, trade receivables and property, plant and equipment. Segment revenue, expenses, assets, and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between Group enterprises within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, corporate and financing expenses and minority interests.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies which are described in Note 4, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to the 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 review and future periods in the revision affects both current and future periods.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are as follows:

(i) *Impairment of goodwill*

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. The carrying amount of the goodwill as at 31 March 2009 was HK$15,890,000 (2008: HK$30,000,000). More details are given in Note 16.

(ii) *Impairment of trade and loans receivables*

The policy for impairment assessment for trade and loans receivables of the Group is based on the evaluation of collectability and an aging analysis of the receivables and on the judgment of the management. A considerable amount of judgment 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 2009, allowance for doubtful loans receivable was HK$656,000 (2008: nil), whilst allowance for doubtful trade receivables was HK$2,916,000 (2008: HK$2,686,000). 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.

(iii) *Impairment of assets*

The Group assesses at least annually whether there is any indication of impairment of the Group's assets, in accordance with the relevant accounting policies. The recoverable amounts of the assets have been determined based on value in use calculations. These calculations and valuations require the use of judgement and estimates on future operating cash flows and discount rates adopted. For the year ended 31 March 2009, the Group recognised an impairment loss of HK$2,465,000 (2008: nil) on its property, plant and equipment (see Note 17).

(iv) *Recognition of equity-settled share-based payments*

The Group's directors, employees and consultants have been awarded share options under the Company's share option scheme for their services rendered to the Group. The Company has applied the Black-Scholes option pricing model to determine the grant-date fair values of the options granted. Significant judgement and estimates are required to determine the assumptions input to the Black-Scholes option pricing model, including the risk-free interest rate, the expected volatility and the expected life of the options. Changes in these assumptions could have a material effect on the fair values of the options granted, which in turn could result in a material impact on the share option expense recognised for the year. Further details of the Company's share options and share option expense are set out in Note 28.

6. REVENUE AND SEGMENT INFORMATION

Revenue represents the Group's turnover and comprised:

	2009 *HK$'000*	2008 *HK$'000*
Revenue		
Sale and implementation of customised software and related computer equipment	6,326	15,757
Computer-related technical support and maintenance service income	3,537	3,176
Profits assigned from a junket representative of a casino VIP lounge in Macau	1,019	6,277
Interest income from money lending business	1,896	214
	12,778	25,424
Other income, net		
Gain on disposal of property, plant and equipment	–	41
Interest income, other than that from money lending business	3,853	279
Sundry income	21	57
Realised loss on trading securities	(64)	
Reversal of impairment of trade receivables	–	372
	3,810	749

Primary reporting format – business segments

The Group is organised into the following major business segments:

(i) Sale and implementation of customised software and related computer equipment;

(ii) Provision of computer-related technical support and maintenance services;

(iii) Sharing of profits of a junket representative of a VIP lounge in a casino in Macau, being 0.4% of the rolling turnover generated by that junket representative together with any bonus payable by that casino and/or that VIP lounge to that junket representative; and

(iv) Money lending business.

There are no sales or other transactions between the business segments.

	Customised software and related computer equipment		Computer-related technical support and maintenance		Sharing of profits of a Macau casino junket representative		Money lending business		Total	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue										
Sales to external customers	6,326	15,757	3,537	3,176	1,019	6,277	1,896	214	12,778	25,424
Segment results	(1,938)	(2,841)	(472)	1,527	(35,104)	(28,992)	(2,994)	(115)	(40,508)	(30,421)
Unallocated income									3,810	749
Unallocated expenses									(356)	(11,533)
Finance costs									(5)	(619)
Loss before tax									(37,059)	(41,824)
Income tax expense									(334)	–
Loss for the year									(37,393)	(41,824)
Segment assets	3,009	5,375	79	138	21,102	70,519	43,289	54,025	67,479	130,057
Unallocated assets									47,500	–
Total assets									114,979	130,057
Segment liabilities	6,585	6,513	551	366	1,650	1,286	122	–	8,908	8,165
Unallocated liabilities									1,033	833
Total liabilities									9,941	8,998
Other information										
Depreciation and amortization	37	133	105	28	240	74	29	6	411	241
Capital expenditure	16	1	–	4	1,804	159	4,175	320	5,995	484
Impairment loss on trade receivables	–	–	235	671	–	–	–	–	235	671
Impairment loss on loans receivable	–	–	–	–	–	–	656	–	656	–
Impairment loss on goodwill	–	–	–	–	14,200	33,376	–	–	14,200	33,376
Impairment loss on property, plant and equipment	–	–	–	–	–	–	2,465	–	2,465	–

Secondary reporting format – Geographical segments

The Group mainly operates in Hong Kong, Macau and the People's Republic of China (excluding Hong Kong and Macau) ("PRC"). In presenting information on the basis of geographical segments, segment revenue is analysed based on the geographical location of customers whereas segment assets and capital expenditures are based on geographical location of the assets.

	Revenue from external customers		Segment assets		Capital expenditure	
	2009	**2008**	**2009**	**2008**	**2009**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong	7,586	14,928	45,696	57,625	4,175	317
Macau	1,019	6,277	21,102	70,519	1,804	159
PRC	4,173	4,219	48,181	1,913	16	8
	12,778	25,424	114,979	130,057	5,995	484

7. FINANCE COSTS

	2009	**2008**
	HK$'000	*HK$'000*
Interest on bank loans and overdrafts wholly repayable with five years	–	607
Interest element of finance leases	5	12
	5	619

8. INCOME TAX EXPENSE

Hong Kong profits tax is calculated at 16.5% (2008: 17.5%) of the estimated assessable profit for the year. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

A reconciliation of the theoretical tax benefit (expense) calculated using the statutory tax rate to the actual tax benefit (expense) is as follows:

	2009	**2008**
	HK$'000	*HK$'000*
Loss before tax	(37,059)	(41,824)
Tax benefit calculated at Hong Kong profits tax rate of 16.5% (2008 – 17.5%)	6,115	7,319
Effect of different tax rates in other jurisdictions	17	38
Tax effect of income not subject to tax	490	1,164
Tax effect of expenses not deductible for tax	(6,051)	(7,997)
Tax effect of temporary differences not recognised	15	17
Tax effect of utilisation of tax losses previously not recognised	40	229
Tax effect of tax losses not recognised	(960)	(770)
Tax expense for the year	(334)	–

9. LOSS FOR THE YEAR

Loss for the year is stated after charging (crediting) the following:

	2009 *HK$'000*	2008 *HK$'000*
Auditors' remuneration	610	570
Depreciation on:		
– owned assets	411	199
– leased assets	–	42
	411	241
Impairment losses on:		
– trade receivables	235	671
– loans receivable	656	–
– goodwill	14,200	33,376
– property, plant and equipment	2,465	–
Loss (gain) on disposal of property, plant and equipment	35	(41)
Minimum lease payments under operating leases in respect of leased premises	1,355	1,087
Realised loss from trading securities	64	–
Staff costs including directors' emoluments *(Note 13)*	11,401	17,671

10. LOSS ATTRIBUTABLE TO SHAREHOLDERS

The loss attributable to equity holders of the parent dealt with in the financial statements of the Company for the year ended 31 March 2009 was HK$31,539,000 (2008: HK$45,001,000).

11. DIVIDENDS

No dividend has been paid or declared by the Company during the year or since the balance date (2008: nil).

12. LOSS PER SHARE

	2009 *HK cent*	2008 *HK cent*
Basic and diluted loss per share	(1.37)	(2.10)

The calculations of basic and diluted loss per share are based on:

	2009 *HK$'000*	2008 *HK$'000*
Loss attributable to ordinary equity holders of the parent	(37,604)	(43,710)

	2009 *'000*	2008 *'000*
Shares		
Weighted average number of ordinary shares in issue	2,750,225	2,081,429

The basic and diluted losses per share are the same for the years ended 31 March 2009 and 2008 respectively, as the Company recorded losses attributable to equity holders of the parent and hence, the incremental shares from the assumed exercises of share options and warrants outstanding as at 31 March 2009 and 2008 are not included in calculating the diluted basic loss per share.

13. STAFF COSTS INCLUDING DIRECTORS' EMOLUMENTS

	2009	2008
	HK$'000	*HK$'000*
Salaries and benefits	11,248	17,234
Contributions to defined contribution retirement schemes *(i)*	153	437
	11,401	17,671

Note:

(i) The Group has participated in defined contribution retirement schemes established under Mandatory Provident Fund Ordinance ("MPF Schemes") for its employees in Hong Kong. The assets of the MPF Schemes are held separately from those of the Group in funds under the control of independent trustees. Under the rules of the MPF Schemes, each of the employer and its employees are generally required to make contributions to the schemes at 5% of the employee's relevant monthly income, up to a maximum of HK$1,000 per month.

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

No forfeited contributions were utilised during the year and there were no material forfeitures available to reduce the Group's future contributions at 31 March 2009 and 2008.

14. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(A) Directors' emoluments

The aggregate amounts of emoluments payable to directors of the Company during the year are as follows:

	2009	2008
	HK$'000	*HK$'000*
Fees	840	660
Salaries, allowance and benefits	50	–
Performance related bonus	–	4,654
Employee share option benefits	2,331	294
Retirement scheme contributions	–	–
	3,221	5,608

The remuneration of each individual director is set out below:

	2009				
	Fees	**Salaries, allowance and benefits**	**Performance related bonus**	**Employee share option benefits**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors					
Wong Kam Leong	240	50	–	783	1,073
Li Jie Yi	240	–	–	783	1,023
Yip Wai Ki (appointed on 30 June 2008)	90	–	–	593	683
Hui Siu Lun (resigned on 30 June 2008)	30	–	–	–	30
Independent non-executive directors					
Ng Kwok Chu, Winfield	80	–	–	32	112
Ng Chau Tung, Robert	80	–	–	32	112
Cheng Tze Kit Larry (appointed on 30 June 2008)	80	–	–	108	188
Leung Kar Loon Stanley (resigned on 30 June 2008)	–	–	–	–	–
	840	50	–	2,331	3,221

	2008				
	Fees	**Salaries, allowance and benefits**	**Performance related bonus**	**Employee share option benefits**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors					
Wong Kam Leong	240	–	3,000	–	3,240
Lai Cho Wai (resigned on 29 August 2007) *(i)*	–	–	775	–	775
Ma Chon (resigned on 25 October 2007) *(i)*	–	–	879	–	879
Hui Siu Lun (appointed on 14 September 2007)	80	–	–	98	178
Li Jie Yi (appointed on 15 November 2007)	100	–	–	–	100
Independent non-executive directors					
Ieong Meng Wa (resigned on 29 August 2007) *(i)*	–	–	–	–	–
Ng Kwok Chu, Winfield	80	–	–	49	129
Ng Chau Tung, Robert	80	–	–	49	129
Leung Kar Loon Stanley (appointed on 14 September 2007)	80	–	–	98	178
	660	–	4,654	294	5,608

Note:

(i) Due to the dissatisfactory performance of the Group, during the year ended 31 March 2008, Mr. Lai Cho Wai, Mr. Ma Chon and Mr. Ieong Meng Wa have agreed to waive emoluments in the amounts of HK$525,000, HK$441,000 and HK$50,000 respectively payable to them.

Save for the above, there was no arrangement under which a director waived or agreed to waive any emoluments for the years ended 31 March 2009 and 2008.

(B) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2008: three) directors whose emoluments are reflected in the analysis presented above.

The emoluments payable to the remaining three (2008: two) individuals during the year are as follows:

	2009	**2008**
	HK$'000	*HK$'000*
Salaries, bonus and allowances	1,235	2,384
Employee share options benefits	1,715	441
Retirement scheme contributions	82	29
	3,032	2,854

The emoluments of the three (2008: two) non-director highest paid individuals fell within the following band:

	Number of individuals	
	2009	**2008**
Nil to HK$1,000,000	1	–
HK$1,000,000 – HK$1,500,000	2	2
	3	2

15. INTANGIBLE ASSETS

Group

	Development expenditure *HK$'000*	Software *HK$'000*	Total *HK$'000*
Cost			
At 1 April 2007	8,268	1,300	9,568
Write-off	(8,268)	–	(8,268)
31 March 2008	–	1,300	1,300
Write-off	–	(1,300)	(1,300)
31 March 2009	–	–	–
Accumulated amortisation and impairment			
At 1 April 2007	8,268	1,300	9,568
Write-off	(8,268)	–	(8,268)
At 31 March 2008	–	1,300	1,300
Write-off	–	(1,300)	(1,300)
At 31 March 2009	–	–	–
Carrying amount			
At 31 March 2009	–	–	–
At 31 March 2008	–	–	–

16. GOODWILL

	Group 2009 *HK$'000*	2008 *HK$'000*
Carrying amount at beginning of year	30,000	63,376
Acquisition *(Note 31)*	90	–
Impairment loss recognised	(14,200)	(33,376)
Carrying amount at end of year	15,890	30,000
At 31 March:		
Cost	63,466	63,376
Less: Accumulated impairment	(47,576)	(33,376)
Net carrying amount	15,890	30,000

Impairment test for goodwill

Goodwill has been allocated to the Group's cash-generating units (CGU) identified according to business segments as follows:

	2009	2008
	HK$'000	*HK$'000*
Sharing of profits of a Macau casino junket representative	15,800	30,000
Money lending business *(Note 31)*	90	–
Net carrying amount	15,890	30,000

The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated rates stated below. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

Key assumptions used for value-in-use calculations for the segment of sharing of profits of a Macau casino junket representative are as follows:

	2009	2008
Growth rate	3.00%	3.00%
Discount rate	16.66%	19.79%

The weighted average growth rates used are consistent with the forecasts included in industry reports. The discount rates used are pre-tax and reflect specific risks relating to the gaming segment in Macau.

With the global economic downturn following the financial turmoil in late 2008, Macau's gaming markets have continued to remain stagnant. The directors, by estimating the recoverable amount of the CGU of sharing of profits of a Macau casino junket representative, have determined to write down the goodwill relating to this segment to HK$15,800,000 (2008: HK$30,000,000), and recognise an impairment loss of HK$14,200,000 for the year ended 31 March 2009 (2008: HK$33,376,000).

17. PROPERTY, PLANT AND EQUIPMENT

	Group					
	Leasehold improvements	**Furniture and fixtures**	**Computer equipment**	**Motor vehicles**	**Display gemstones**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost						
At 1 April 2007	512	1,098	2,603	457	–	4,670
Additions	126	14	24	320	–	484
Disposals	–	–	–	(457)	–	(457)
At 31 March 2008 and 1 April 2008	638	1,112	2,627	320	–	4,697
Additions	1,743	46	30	180	3,996	5,995
Disposals	–	–	–	(500)	–	(500)
At 31 March 2009	2,381	1,158	2,657	–	3,996	10,192
Accumulated depreciation and impairment						
At 1 April 2007	497	1,092	2,200	457	–	4,246
Charges for the year	68	3	163	7	–	241
Write-back on disposals	–	–	–	(457)	–	(457)
At 31 March 2008 and 1 April 2008	565	1,095	2,363	7	–	4,030
Charges for the year	217	10	156	28	–	411
Impairment loss recognised	–	–	–	–	2,465	2,465
Write-back on disposals	–	–	–	(35)	–	(35)
At 31 March 2009	782	1,105	2,519	–	2,465	6,871
Carrying amount						
At 31 March 2009	1,599	53	138	–	1,531	3,321
At 31 March 2008	73	17	264	313	–	667

During the year, the Group recognised an impairment loss of approximately HK$2,465,000 (2008: nil) on display gemstones to write down their carrying amount to estimated recoverable amount.

As at 31 March 2009, the carrying amount of property, plant and equipment held under finance leases amounted to nil (2008: HK$144,000).

18. INTERESTS IN SUBSIDIARIES

	Company 2009	2008
	HK$'000	*HK$'000*
Unlisted shares, at cost	63,795	63,795
Due from subsidiaries	75,804	80,009
Due to subsidiaries	(4,417)	(270)
	135,182	143,534
Less: Accumulated impairment losses	(77,202)	(63,002)
	57,980	80,532

The amounts due from and to subsidiaries are unsecured, non-interest bearing and have no fixed repayment term.

The following is a list of the Company's principal subsidiaries as of 31 March 2009:

Name	Place of incorporation and operation	Particulars of issued share capital/ registered capital	Effective equity interest attributable to the Company Directly	Indirectly	Principal Activities
Cherry Oasis (Far East) Limited	Hong Kong	1 ordinary share of HK$1 each	100%	–	Investment holding
Right Gateway Limited	British Virgin Islands	100 ordinary shares of US$1 each	100%	–	Investment holding
Right Idea Investments Limited	British Virgin Islands	100 ordinary shares of US$1 each	–	70%	Sharing of profits of a junket representative of a Macau casino VIP lounge
Success Finance Limited	Hong Kong	10,000 ordinary shares of HK$1 each	–	100%	Money lending business
Glory Smile Enterprises Limited	British Virgin Islands	1 ordinary share of US$1 each	100%	–	Investment holding
Magic Business Solutions Limited	Hong Kong	250,000 ordinary shares of HK$1 each	–	100%	Investment holding
CyberM Information Technology Limited	Hong Kong	700,000 ordinary shares of HK$1 each	–	100%	Sale and implementation of software and hardware equipment
Magic Information Technology Limited	Hong Kong	2 ordinary shares of HK$1 each	–	100%	Sale and implementation of software and hardware equipment

Name	Place of incorporation and operation	Particulars of issued share capital/ registered capital	Effective equity interest attributable to the Company Directly	Indirectly	Principal Activities
MagicPlus Solutions Limited	Hong Kong	750,000 ordinary shares of HK$1 each	–	60%	Lease of software licences, trading of hardware equipment and provision of consultancy services
Mcmanners Management Limited	British Virgin Islands	10,000 ordinary shares of US$1 each	100%	–	Investment holding
CyberM (Guangzhou) Information Technology Limited#	People's Republic of China	HK$1,750,000	–	100%	Sale and implementation of software and hardware equipment
SchoolPlus Limited	Hong Kong	2 ordinary shares of HK$1 each	–	100%	Sale and implementation of software and hardware equipment
Unlimited Solutions Limited	Hong Kong	1 ordinary share of HK$1 each	–	100%	Sale and implementation of software and hardware equipment

wholly-foreign-owned enterprise established in the People's Republic of China.

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.

19. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group		Company	
	2009	**2008**	**2009**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Non-current				
Club membership	180	180	–	–
Current				
Time deposits	32,000	59,000	–	27,000

The time deposits are placed with a VIP lounge of a casino in Macau, have maturity of four months and carry fixed-rate interests at 5% or 8% per annum. Full principal amount will be repaid on maturity dates, subject to renewal at the Group's request. The Group recorded total interest income of HK$3,699,000 (2008: HK$270,000), calculated using the effective interest method, for the year ended 31 March 2009.

20. DEPOSIT FOR ACQUISITION

Deposit of HK$47,500,000 as at 31 March 2009 (2008: nil) represented the refundable deposit paid by the Company under an acquisition agreement dated 10 February 2009 and a supplemental agreement dated 30 March 2009 (together the "Acquisition Agreement") entered into by Glory Smile Enterprises Limited ("Glory Smile"), a wholly-owned subsidiary of the Group, and an unrelated seller. Pursuant to the Acquisition Agreement, Glory Smile agreed to acquire from the seller the entire equity interest in Mega Bright Investment Development Limited ("Mega Bright"), which in turn holds 51% equity interest in Jining Gangning Paper Co., Ltd. ("Jining Gangning") for an aggregate consideration of HK$190 million, payable as follows:

- HK$47,500,000 in cash as a refundable deposit;
- HK$56,000,000 in cash payable within 4 month after the approval of the Acquisition Agreement and the transactions contemplated thereunder at a special general meeting of the Company;
- HK$40,000,000 by issue of convertible bonds ("Convertible Bonds") convertible into 333,333,333 ordinary shares of the Company at a conversion price of HK$0.12 per share by the Company within 1 month upon completion of the Acquisition ("Completion"); and
- HK$46,500,000 by issue of 36-month promissory notes by the Company which bear an interest of 1% above the prime rate as quoted by the Hongkong and Shanghai Banking Corporation Limited within 1 month upon Completion.

Mega Bright is an investment holding company whereas Jining Gangning is principally engaged in paper products manufacturing and sale in the People's Republic of China. However, as at 31 March 2009, Jining Gangning had not carried out substantive operations except that it had entered into certain agreements to purchase property, plant and equipment and inventories. Jining Gangning commenced its business on 10 April 2009.

The Acquisition Agreement constituted a very substantial acquisition of the Company and is subject to various conditions precedent, including but not limited to the approval of the shareholders of the Company. Further details of the Acquisition Agreement were disclosed in the Company's circular dated 14 May 2009.

The Acquisition Agreement was approved by the Company's shareholders at a special general meeting held on 3 June 2009. However, up to the date of the approval of these financial statements, the Acquisition Agreement has not been completed, pending the fulfillment of other conditions precedent.

21. LOANS RECEIVABLE

Loans receivable have arisen from the Group's money lending operations during the year. Interest rates and credit periods are offered based on the assessment of a number of factors including the borrowers' creditworthiness and repayment ability, collaterals as well as the general economic trends.

	Group	
	2009	**2008**
	HK$'000	*HK$'000*
Secured loans receivable	858	1,324
Unsecured loans receivable	8,624	7,403
	9,482	8,727
Less: Allowance for individual impairments	(656)	–
	8,826	8,727

Loans receivable that are determined to be individually impaired as at March 31, 2009 (2008: nil) relates to several independent borrowers who have defaulted payments.

Movements in the allowance for impairments are as follows:

	2009	2008
	HK$'000	*HK$'000*
At beginning of year	–	–
Impairment losses recognised	656	–
At end of year	656	–

Impairment losses in respect of loans receivable are recorded using an allowance account unless the Company considers that the recovery of an amount is remote, in which case, an impairment loss is recognised by directly writing down the carrying amount of the loans receivable.

The Groups holds the second charge on certain properties with an estimated fair value of HK$3,880,000 as at 31 March 2009 (2008: HK$4,218,000) and certain motor vehicles as collaterals over the secured loans receivable.

The loans receivable at the balance sheet dates carry interest at fixed rates and are analysed by the remaining periods to their contractual maturity dates as follows:

	Group	
	2009	2008
	HK$'000	*HK$'000*
Repayable:		
On demand	724	–
Within three months	3,431	8,427
In three to six months	3,495	300
In six months to one year	828	–
In one to two years	348	–
Total	8,826	8,727
Amount classified as current assets	8,478	8,727
Amount classified as non-current assets	348	–

The ageing analysis of past due but not impaired loans receivable is as follows:

	2009	2008
	HK$'000	*HK$'000*
Past due but not impaired:		
– Less than three months past due	270	–
– Over three months but within six months past due	454	–
	724	–
Neither past due nor impaired	8,102	8,727
	8,826	8,727

The past due but not impaired loans receivable as at 31 March 2009 relate to several borrowers. The directors have assessed that no allowance was required for these loans based on the Group's review of the borrowers' creditworthiness and their settlement status subsequent to the balance sheet date.

22. TRADE RECEIVABLES

	Group 2009	Group 2008
	HK$'000	*HK$'000*
Trade receivables	5,662	13,317
Less: Allowance for individual impairments	(2,916)	(2,686)
	2,746	10,631

Trade receivables that are determined to be individually impaired as at 31 March 2009 and 2008 relate to a number of customers who have delayed payments.

The ageing analysis of trade receivables, net of allowance, is as follows:

	Group 2009	Group 2008
	HK$'000	*HK$'000*
Within three months	731	2,775
Over three months but within six months	165	2,623
Over six months but within one year	1,185	3,056
Over one year but within two years	665	2,177
	2,746	10,631

Movements in the allowance for impairments are as follows:

	Group 2009	Group 2008
	HK$'000	*HK$'000*
At beginning of year	2,686	2,387
Impairment losses recognised	235	671
Impairment losses reversed	–	(372)
Amount written off as uncollectible	(5)	–
At end of year	2,916	2,686

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group considers that the recovery of an amount is remote, in which case, an impairment loss is recognised by directly writing down the carrying amount of the trade receivables.

Included in the Group's trade receivables as at 31 March 2009 are debtors with an aggregate carrying amount of HK$1,849,000 (2008: HK$5,441,000) which are past due but not impaired at the balance sheet date, as the directors have assessed that these debtors will be recovered based on their settlement records. The Group does not hold any collateral over these balances.

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

	2009	2008
	HK$'000	*HK$'000*
Past due but not impaired:		
– Less than three months past due	218	3,141
– Over three months but within six months past due	470	123
– Over six months but within one year past due	1,161	785
– Over one year past due	–	1,392
	1,849	5,441
Neither past due nor impaired	897	5,190
	2,746	10,631

Trade receivables that are neither past due nor impaired related to a number of independent customers who have no recent history of default. The Group does not hold any collaterals over these balances.

The Group normally grants its customers credit periods as follows:

(i) 0 to 14 days for sales of goods;

(ii) payment terms as stipulated in respective contracts for development of customised software, sales of related computer equipment, sales and lease of packaged software, the provision of technical support and maintenance services; and

(iii) 6 months for profits assigned from a junket representative of a casino VIP lounge in Macau.

23. PREPAYMENT, DEPOSITS AND OTHER RECEIVABLES

Prepayment, deposits and other receivables are expected to be recovered or recognised as expense within one year. None of these assets is either past due or impaired. Other receivables related to debtors with no recent history of defaults.

24. CASH AND CASH EQUIVALENTS

	Group		Company	
	2009	2008	2009	2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cash at banks and in hand	2,940	14,189	1,136	130
Time deposit with bank	–	5,000	–	–
	2,940	19,189	1,136	130

The time deposit outstanding as at 31 March 2008 had an effective interest rate of 0.5% per annum and a maturity of 1 day.

25. TRADE PAYABLES

The ageing analysis of trade payables is as follows:

	Group	
	2009	**2008**
	HK$'000	*HK$'000*
Within three months	214	906
Over three months but within six months	512	762
Over six months but within one year	345	32
Over one year but within two years	2,158	1,797
	3,229	3,497

26. OBLIGATIONS UNDER FINANCE LEASE

	Minimum lease payments		Present value of minimum Lease payments	
	2009	**2008**	**2009**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Amount payable:				
Within one year	–	40	–	35
Future finance charges	–	(5)	–	–
Present value of lease obligations	–	35	–	35
Amount classified as current liabilities			–	(35)
Amount classified as non-current liabilities			–	–

It is the Group's policy to lease certain of its office equipment under finance leases. The average lease term is 2 years. Interest rates underlying all obligations under finance leases are fixed at the respective contract dates. For the year ended 31 March 2009, the average effective interest rate was 7% (2008: 7%). These leases have no terms of renewal and escalation clauses. No arrangements have been entered into for contingent rental payments.

The Group's obligations under finance leases were secured by the lessor's charge over the leased assets.

27. SHARE CAPITAL

Ordinary shares

	Number of shares		Amount	
	2009	**2008**	**2009**	**2008**
			HK$'000	*HK$'000*
Authorised				
At beginning of year – HK$0.01 (2008: HK$0.1) each	10,000,000,000	1,000,000,000	100,000	100,000
Share Subdivision *(iv)*	–	9,000,000,000	–	–
At end of year – HK$0.01 each	10,000,000,000	10,000,000,000	100,000	100,000
Issued and fully paid				
At beginning of year	2,727,270,684	303,030,000	27,273	30,303
Issue of shares *(i)*	169,232,000	–	1,692	–
Exercise of share options *(ii)*	132,000,000	–	1,320	–
Exercise of warrants	3,479,344	684	35	–
Issue of shares in rights issue *(iii)*	–	303,030,000	–	30,303
Issue of bonus shares *(iii)*	–	303,030,000	–	30,303
Capital Reduction *(iv)*	–	–	–	(81,818)
Issue of shares in open offer *(v)*	–	909,090,000	–	9,091
Issue of bonus shares *(v)*	–	909,090,000	–	9,091
At end of year	3,031,982,028	2,727,270,684	30,320	27,273

Notes:

(i) Pursuant to a subscription agreement dated 24 February 2009, 169,232,000 new ordinary shares in the Company were allotted and issued at HK$0.065 per share in cash.

(ii) During the year, options were exercised to subscribe for 132,000,000 ordinary shares in the Company for an aggregate consideration of approximately HK$5,801,000 of which HK$1,320,000 was credited to share capital and the balance of HK$4,481,000 was credited to the share premium account. Approximately HK$3,157,000 was transferred from share option reserve to share premium.

(iii) Pursuant to the approval of the Company's shareholders at a special general meeting ("SGM") held on 3 August 2007, the Company issued 303,030,000 new shares by way of rights issue at a subscription price of HK$0.13 per rights share ("Rights Shares") on the basis of one Rights Share for every existing share held on 3 August 2007. In conjunction with the rights issue, each of the registered holders of fully-paid Rights Share was issued one bonus share for every Rights Share.

(iv) Pursuant to the approval of the Company's shareholders at the SGM held on 4 January 2008, the Company reduced its paid-up capital by HK$81,818,000 by way of reduction of the nominal value of the then 909,090,000 issued shares of the Company from HK$0.10 to HK$0.01 ("Capital Reduction"). Upon the Capital Reduction becoming effective, each of the Company's 90,910,000 authorised but unissued shares of HK$0.10 each was subdivided into 10 adjusted shares of HK$0.01 each ("Share Subdivision"). The credit of approximately HK$81,818,000 arising from the Capital Reduction has been transferred to the contributed surplus of the Company and part of the contributed surplus has been applied to set off in full against the then accumulated loss of the Company of approximately HK$37,715,000.

(v) Pursuant to the approval of the Company's shareholders at a SGM held on 4 January 2008, the Company issued 909,090,000 new shares ("Offer Shares") at a price of HK$0.11 per Offer Share on the basis of one Offer Share for every existing share held on 20 December 2007. In conjunction with the issue of the Offer Shares, each of the registered holders of fully-paid Offer Shares was issued one Bonus Share for every Offer Share.

Warrants

Pursuant to the approval of the Company's shareholders at the SGM held on 4 January 2008, the Company made a bonus issue of warrants to the shareholders whose names appeared on the register of members of the Company on 20 December 2007 ("Record Date") on the basis of two warrants for every ten existing shares held on the Record Date, resulting in 181,818,000 warrants having been issued. Each warrant entitled the holder thereof to subscribe for one ordinary share of HK$0.01 each immediately following the Share Subdivision discussed in note (iv) above at a subscription price of HK$0.055 per share, payable in cash and subject to adjustment, from 31 January 2008 to 31 January 2009 (both days inclusive).

During the year ended 31 March 2009, 3,479,344 (2008: 684) warrants were exercised at a subscription price of HK$0.055 per share, resulting in the issue of 3,479,344 (2008: 684) ordinary shares of HK$0.01 each. The remaining 178,337,972 (2008: nil) warrants expired on 31 January 2009. As at 31 March 2009, there were no (2008:181,817,316) warrants outstanding.

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

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

The purpose of the Scheme is to enable the Group to provide its participants with incentives or rewards for their contribution to the Group. Under the Scheme, the directors of the Company are authorised to grant options to the participants of the Group including any employee, Director, adviser, consultant, licensors, distributors, suppliers, agents, customers, joint venture partners, strategic partners and services providers to or of any member of the Group whom the Board considers in its sole discretion to subscribe for shares of the Company.

The maximum aggregate number of shares permitted to be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme was 10% of the total number of issued shares of the Company at 30 July 2008, being the date of approval of the refreshment of the maximum limit under the Scheme. As at 31 March 2009, a total of 166,857,722 (2008: 25,303,000) shares were available for issue under the Scheme, which represented approximately 5.5% (2008: 0.93%) of the Company's issued share capital as at 31 March 2009.

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

The board of the Company may at its absolute discretion determine the period during which an option may be exercised, such period is to expire not later than 10 years after the date of the grant of the option. The Scheme does 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 board of the Company at its absolute discretion and will be at least the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheet 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 quotation 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.

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

	2009		2008	
	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	0.061	18,000	–	–
Granted during the year	0.047	492,800	0.061	18,000
Exercised during the year	0.044	(132,000)	–	–
Outstanding at end of year	0.048	378,800	0.061	18,000
Exercisable at end of year	0.048	378,800	0.061	18,000

Details of the share options outstanding under the Scheme are as follows:

Grantee	As at 1 April 2008	Granted during the year	Exercised during the year	As at 31 March 2009	Date of grant (dd/mm/yy)	Exercise period (dd/mm/yy)	Exercise price (HK$)
Directors							
Cheng Tze Kit, Larry	–	4,800,000	–	4,800,000	07/07/08	07/07/08 to 06/07/18	0.036
Hui Siu Lun#	2,000,000	–	–	2,000,000	22/02/08	22/02/08 to 21/02/18	0.062
Leung Kar Loon Stanley#	2,000,000	–	–	2,000,000	20/02/08	20/02/08 to 19/02/18	0.061
Li Jie Yi	–	27,000,000	–	27,000,000	09/05/08	09/05/08 to 08/05/18	0.048
Ng Kwok Chu, Winfield	1,000,000	–	–	1,000,000	20/02/08	20/02/08 to 19/02/18	0.061
Ng Kwok Chu, Winfield	–	1,000,000	–	1,000,000	02/05/08	02/05/08 to 01/05/18	0.049
Ng Chau Tung, Robert	1,000,000	–	–	1,000,000	20/02/08	20/02/08 to 19/02/18	0.061
Ng Chau Tung, Robert	–	1,000,000	–	1,000,000	02/05/08	02/05/08 to 01/05/18	0.049
Wong Kam Leong	–	27,000,000	–	27,000,000	09/05/08	09/05/08 to 08/05/18	0.048
Yip Wai Ki	–	26,000,000	26,000,000	–	07/07/08	07/07/08 to 06/07/18	0.036
Sub-total	6,000,000	86,800,000	26,000,000	66,800,000			
Employees and consultants							
In aggregate	12,000,000	–	–	12,000,000	20/02/08	20/02/08 to 19/02/18	0.061
In aggregate	–	18,000,000	–	18,000,000	02/05/08	02/05/08 to 01/05/18	0.049
In aggregate	–	150,000,000	–	150,000,000	09/05/08	09/05/08 to 08/05/18	0.048
In aggregate	–	160,000,000	54,000,000	106,000,000	17/09/08	17/09/08 to 16/09/18	0.0506
In aggregate	–	52,000,000	52,000,000	–	30/09/08	30/09/08 to 29/09/18	0.041
In aggregate	–	26,000,000	–	26,000,000	31/12/08	30/12/08 to 30/12/18	0.035
Sub-total	12,000,000	406,000,000	106,000,000	312,000,000			
Total	18,000,000	492,800,000	132,000,000	378,800,000			

Grantee	As at 1 April 2007	Granted during the year	Exercised during the year	As at 31 March 2008	Date of grant (dd/mm/yy)	Exercise period (dd/mm/yy)	Exercise price (HK$)
Directors							
Leung Kar Loon Stanley#	–	2,000,000	–	2,000,000	20/02/08	20/02/08 to 19/02/18	0.061
Ng Kwok Chu, Winfield	–	1,000,000	–	1,000,000	20/02/08	20/02/08 to 19/02/18	0.061
Ng Chau Tung, Robert	–	1,000,000	–	1,000,000	20/02/08	20/02/08 to 19/02/18	0.061
Hui Siu Lun#	–	2,000,000	–	2,000,000	22/02/08	22/02/08 to 21/02/18	0.062
Sub-total	–	6,000,000	–	6,000,000			
Employees and consultants							
In aggregate	–	12,000,000	–	12,000,000	20/02/08	20/02/08 to 19/02/18	0.061
Total	–	18,000,000	–	18,000,000			

\# Mr. Hui Siu Lun and Mr. Leung Kar Loon Stanley both resigned as a director of the Company on 30 June 2008. However, both of them have become employees of the Group and continue to be entitled to the share options after their resignation as a director of the Company.

The aggregate fair value of the share options granted during the year ended 31 March 2009 amounted to approximately HK$13,278,000 (2008: HK$882,000), which has fully been recognised as share option expense for the year. The fair values of the share options were estimated as at the date of grant 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	30/09/08	31/12/08
Closing share price at date of grant (HK$)	0.060	0.060	0.048	0.047	0.034	0.042	0.033	0.035
Exercise price (HK$)	0.061	0.062	0.049	0.048	0.036	0.0506	0.041	0.035
Risk-free interest rate per annum	2.42%	2.40%	2.368%	2.373%	3.317%	2.389%	2.568%	1.194%
Expected life of option (years)	5	5	5	5	5	5	5	5
Expected volatility	112%	112%	83%	83%	84%	88%	89%	97%
Expected dividend per annum	–	–	–	–	–	–	–	–
Estimated fair value per share option (HK$)	0.0489	0.0497	0.0318	0.0290	0.0228	0.0263	0.0220	0.0256

Notes:

(i) The risk-free rate was the yield of 5-year Hong Kong Monetary Authority exchange fund notes quoted as at the date of grant.

(ii) The expected life of 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 1250-day (2008: 900-day) historical share prices before the date of grant.

29. RESERVES

(A) 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.

(B) Company

	Share premium	Accumulated losses	Share option reserve	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2007	31,370	(37,715)	–	(6,345)
Issue of shares in rights issue	9,091	–	–	9,091
Issue of bonus share in rights issue	(30,303)	–	–	(30,303)
Capital reduction	44,103	37,715	–	81,818
Issue of shares in open offer	90,909	–	–	90,909
Issue of bonus shares in open offer	(9,091)	–	–	(9,091)
Share issuance expenses	(12,608)	–	–	(12,608)
Equity-settled share-based payment	–	–	882	882
Loss for the year	–	(45,001)	–	(45,001)
At 31 March 2008 and 1 April 2008	123,471	(45,001)	882	79,352
Issue of shares	9,308	–	–	9,308
Share issuance expenses	(74)	–	–	(74)
Exercise of warrants	156	–	–	156
Exercise of share options	7,638	–	(3,157)	4,481
Equity-settled share-based payment	–	–	13,278	13,278
Loss for the year	–	(31,539)	–	(31,539)
At 31 March 2009	140,499	(76,540)	11,003	74,962

30. DEFERRED TAXATION

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

	Group 2009	Group 2008
	HK$'000	*HK$'000*
Tax losses that may be carried forward indefinitely	4,924	3,984
Accelerated tax depreciation	(38)	(80)
Allowance for impairment of trade receivables	481	443
	5,367	4,347

Deferred tax assets have not been recognised in respect of the above temporary differences because it is uncertain that there would be sufficient future taxable profits to utilise the tax benefits from them.

31. BUSINESS COMBINATIONS

(A) Success Finance acquisition

On 16 March 2009, the Group completed the acquisition of the remaining 10% of the issued share capital of its 90%-owned subsidiary, Success Finance Limited ("Success Finance") from the minority shareholders (the "Sellers") for a cash consideration of HK$5,500,000 ("Success Finance Acquisition"). As a result, Success Finance has become a wholly-owned subsidiary of the Group.

The Sellers, being directors of Success Finance, were connected persons of the Company and hence, the Success Finance Acquisition constituted a connected transaction of the Company under the GEM Rules. Further details of the Acquisition were disclosed in the Company's announcement dated 9 March 2009.

The directors of the Company, including the independent non-executive directors, are of the view that the terms of the Success Finance Acquisition are fair and reasonable, on normal commercial terms, and in the ordinary and usual course of business of the Group and the Success Finance Acquisition is in the interests of the Group and shareholders of the Company as a whole.

The net assets acquired and the goodwill arising from the Success Finance Acquisition are as follows:

	Pre-acquisition carrying amount *HK$'000*	**Fair value adjustment** *HK$'000*	**Recognised values on acquisition** *HK$'000*
10% of net assets of Success Finance:			
Property, plant and equipment	400	(247)	153
Available-for-sale financial assets	3,200	–	3,200
Cash and cash equivalents	40	–	40
Loans receivable	936	–	936
Other current assets	1,109	–	1,109
Tax payable	(22)	–	(22)
Other current liabilities	(6)	–	(6)
Net identifiable assets and liabilities	5,657	(247)	5,410
Goodwill *(Note 16)*			90
Total consideration satisfied by cash			5,500

(B) Right Gateway acquisition

On 28 December 2006, the Group completed the acquisition of the entire issued share capital of Right Gateway Limited ("Right Gateway") for an adjusted consideration comprising (i) 50,000,000 shares of the Company (that was issued and allotted and credited as fully paid on 28 December 2006), and (ii) cash of HK$34,877,000 ("Revised Cash Consideration), pursuant to a consideration supplemental agreement dated 21 May 2007. The Revised Cash Consideration was fully settled during the year ended 31 March 2008.

32. COMMITMENTS UNDER OPERATING LEASES

As of 31 March 2009, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	Group	
	2009	**2008**
	HK$'000	*HK$'000*
Within one year	1,488	680
In the second to fifth years inclusive	666	216
Total	2,154	896

33. CONTINGENT LIABILITIES

Before 31 March 2009, a District Court action had been commenced by a customer against a subsidiary of the Group in respect of claims for damages of HK$784,320 and a return of service price of HK$10,080 paid by the customer, and interests thereon, by reason of that subsidiary's repudiatory breach of a certain computer software implementation and maintenance contract and total failure of consideration and/or money had and received.

No settlement has yet been reached for the above litigation and no judgment has yet been made against the above-mentioned subsidiary of Group in respect of the above-mentioned claims. The directors of the Company consider that it is not possible to estimate the eventual outcome of such claims with reasonable certainty at the current stage. Nevertheless, the directors of the Company are of the opinion that the above-mentioned subsidiary of the Group has valid defence and consider the claims mentioned above would not have material adverse impact to the financial position of the Group. Accordingly, no provision has been made for such claims as at 31 March 2009.

34. POST BALANCE SHEET EVENTS

(A) Acquisition of Mega Bright

As discussed in Note 20, at the special general meeting held on 3 June, 2009, an ordinary resolution was passed to approve the Acquisition Agreement in respect of the acquisition of Mega Bright and all the transactions contemplated under the Acquisition Agreement.

(B) Issue of convertible note

On 19 June 2009, the Company entered into a subscription agreement ("Subscription Agreement") with a subscriber pursuant to which the Company has conditionally agreed to issue and the Subscriber has conditionally agreed to subscribe for the Company's convertible note ("Convertible Note") in a principal amount of HK$15,000,000 due one year from the date of issue at a conversion price of HK$0.13 per conversion share, subject to the terms and conditions of the Subscription Agreement.

Assuming full conversion of the Convertible Note at the conversion price of HK$0.13 per conversion share, the Convertible Note will be convertible into 115,384,615 shares of the Company. The estimated net proceeds from the Convertible Note of approximately HK$14,800,000 will be applied towards financing the acquisition of Mega Bright (see Note 20) and as general working capital of the Group.

35. RELATED PARTY TRANSACTIONS

(A) Success Finance acquisition

As discussed in Note 31, on 16 March 2009, the Group acquired the remaining 10% of the issued share capital of its 90%-owned subsidiary, Success Finance, from two minority shareholders, who being directors of Success Finance are connected persons of the Company, for a total cash consideration of HK$5,500,000.

(B) Key Management Compensation

The Company considers that all members of key management consist of directors of the Company. Details of the compensation of directors of the Company are included in Note 14 to the financial statements.

The emoluments of directors are determined by the Remuneration Committee having regard to the performance of individuals and market trends.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(A) 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 stakeholders through the optimisation of the debt and equity balance.

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

The Group monitors capital using a debt to equity ratio derived from the consolidated balance sheets. The following table analyses the Group's capital structure as at 31 March 2009:

	2009	**2008**
	HK$'000	*HK$'000*
Total liabilities	9,941	8,998
Total equity	105,038	121,059
Debt to equity ratio	9.5%	7.4%

(B) Financial risk factors

The Group is exposed to credit, liquidity, interest rate and currency risks arising in the normal course of its businesses.

Theses risks are regularly monitored by the management and limited by the Group's financial management policies and practices described below.

(i) Credit risk

The Group's credit risk is primarily attributable to bank balances, time deposits placed with other entities, trade and loans receivables. Bank balances are deposited with banks of high credit ratings such that the risk of bank failure is minimised. The credit quality of the counterparties regarding time deposits has been assessed with reference to external credit ratings (if available) or historical information about the counterparty default rates. The existing counterparties do not have defaults in the past. As regards loans and trade receivable, the management continuously evaluates the credit worthiness and payment patterns of each borrower or customer and these credit risks are closely monitored on an ongoing basis. At each balance sheet date, the Group reviews the recoverable amount of each individual debt to ensure that adequate impairment losses are made for irrecoverable amounts. Normally the Group does not obtain collateral from customers against trade receivables. In addition, as at 31 March 2009, 91% (2008: 85%) of the loans receivable are unsecured.

The Group has certain concentration risk. As at 31 March 2009, funds in the total sum of HK$32,000,000 (2008: HK$59,000,000) that are not needed for immediate use have been placed as time deposits with a VIP lounge of a casino in Macau. In addition, approximately 61% (2008: 57%) and 90% (2008: 77%) of its trade receivables as at 31 March 2009 was attributable to one single customer and five customers respectively. Furthermore, approximately 23% (2008: 24%) and 63% (2008: 81%) of the Group's loans receivable as at 31 March 2009 was attributable to one single borrower and five borrowers respectively. The management will monitor the level of exposure to ensure that follow-up actions and/or corrective actions will be taken promptly to lower exposure.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

(ii) Liquidity risk

The management regularly monitors current and expected liquidity requirements, to ensure that the Group maintains sufficient reserves of cash meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at the balance sheet date of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates, or if floating, based on rates current at the balance sheet date) and the earliest date of the Group can be required to pay:

	Within 1 year or on demand		**Total**	
	2009	**2008**	**2009**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables	3,229	3,497	3,229	3,497
Finance lease and interest payment	–	40	–	40
	3,229	3,537	3,229	3,537

(iii) Cash flow and fair value interest rate risk

As at 31 March 2009, except for the loans receivable of HK$8,826,000 (2008: HK$8,727,000) held at average effective interest rate of 22% per annum (2008: 15%), and time deposits of HK$32,000,000 in total (2008: HK$64,000,000) held at average effective interest rate of 5% per annum (2008: 5.9%), the Group had no significant interest bearing assets and liabilities.

The effect on the Group's loss or other components of equity would be insignificant if the market interest rates as at 31 March 2009 and 2008 had been higher or lower within a reasonable range with all other variables held constant.

(iv) Foreign currency risk

During the year, the Group had insignificant exposure to foreign currency risk as its business transactions, assets and liabilities were primarily conducted and recorded in the functional currency of the respective entities to which they relate. The Group currently has no particular hedging vehicles to hedge its exposure to foreign exchange risk. However, the management continuously monitors foreign exchange exposure and will consider making use of appropriate hedging measures when the need arises.

As at 31 March 2009 and 2008, the Group did not have significant forecast transactions or recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

(C) Fair value estimation

The directors consider the fair value of cash and bank deposits, trade and other receivables, trade and other payables are not materially different from their carrying amounts because of immediate or short-term maturity of these financial instruments. The directors also consider the carrying amounts of loans receivables, which carry interest rates with reference to the market rates and the specific risks applicable to the borrowers, approximate their fair values.

37. APPROVAL OF ACCOUNTS

These financial statements were approved and authorised for issue by the Company's board of directors on 26 June 2009.

3. UNAUDITED INTERIM RESULT

The following financial information is an extract of the interim report of the Group for the six months ended 30 September 2009.

(i) Condensed Consolidated Income Statement

		Unaudited			
		Six months ended 30 September		Three months ended 30 September	
		2009	**2008**	**2009**	**2008**
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	4	51,196	11,134	50,026	5,589
Other income		913	1,977	513	577
Materials used and work performed and capitalized		(41,709)	(2,893)	(41,449)	(690)
Staff costs		(9,008)	(16,663)	(6,911)	(2,948)
Depreciation of property, plant and equipments		(3,998)	(124)	(3,743)	(57)
Other expenses		(5,621)	(3,272)	(4,484)	(2,164)
Finance costs		(1,458)	(5)	(1,457)	(1)
(Loss)/Profit before tax		(9,685)	(9,846)	(7,505)	306
Income tax expense	5	(551)	(274)	(501)	(207)
(Loss)/Profit for the period		(10,236)	(10,120)	(8,006)	99
Attributable to:					
Equity holders of the parent		(10,937)	(10,415)	(8,661)	(65)
Minority interests		701	295	655	164
		(10,236)	(10,120)	(8,006)	99
Loss per share attributable to ordinary equity holders of the parent	6				
Basic (HK cents per share)		(1.394)	(1.527)	(1.104)	(0.009)
Diluted (HK cents per share)		N/A	N/A	N/A	N/A

(ii) Condensed Consolidated Balance Sheet

	Note	Unaudited 30 September 2009 HK$'000	Audited 31 March 2009 HK$'000
Non-current assets			
Goodwill		69,021	15,890
Land use rights		19,258	–
Property, plant and equipment	8	165,483	3,321
Available-for-sale financial assets	9	180	180
Deposit for acquisition		–	47,500
Loans receivable	11	600	348
Total non-current assets		254,542	67,239
Current assets			
Inventories		33,240	–
Trade receivables	10	2,435	2,746
Loans receivable	11	8,161	8,478
Prepayments, deposits and other receivables		101,847	1,576
Available-for-sale financial assets	9	29,000	32,000
Cash and cash equivalents		2,270	2,940
Total current assets		176,953	47,740
Current liabilities			
Trade payables	12	2,532	3,229
Accruals and other payables		176,981	5,679
Secured bank loan		6,812	–
Convertible notes		13,934	–
Provision for taxation		1,477	1,033
Total current liabilities		201,736	9,941
Net current (liabilities)/assets		(24,783)	37,799
Total assets less current liabilities		229,759	105,038
Non-current liabilities			
Convertible bonds – due after one year		32,094	–
Promissory notes – due after one year		46,500	–
Total non-current liabilities		78,594	–
Net assets		151,165	105,038
Capital and reserves			
Share capital	13	33,778	30,320
Reserves		90,439	74,400
Equity attributable to equity holders of the parent		124,217	104,720
Minority interests		26,948	318
Total equity		151,165	105,038

(iii) Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2008

	Share capital HK$'000	Share premium HK$'000	Merger reserve HK$'000	Exchange reserve HK$'000	Share option reserve HK$'000	Convertible notes reserves HK$'000	Convertible bonds reserves HK$'000	Accumulated losses HK$'000	Total HK$'000	Minority interests HK$'000	Total HK$'000
	Unaudited										
	Attributable to equity holders of the parent										
At 1 April 2008	27,273	123,470	(341)	(29)	882	–	–	(39,313)	111,942	9,117	121,059
Loss for the period	–	–	–	–	–	–	–	(10,415)	(10,415)	295	(10,120)
Share issue expenses	–	(74)	–	–	–	–	–	–	(74)	–	(74)
Exercise of warrants	13	60	–	–	–	–	–	–	73	–	73
Equity-settled share-based payment	–	–	–	–	13,812	–	–	–	13,812	–	13,812
Exchange differences arising on translation of foreign subsidiaries	–	–	–	(339)	–	–	–	–	(339)	–	(339)
At 30 September 2008	27,286	123,456	(341)	(368)	14,694	–	–	(49,728)	114,999	9,412	124,411

For the six months ended 30 September 2009

	Share capital HK$'000	Share premium HK$'000	Merger reserve HK$'000	Exchange reserve HK$'000	Share option reserve HK$'000	Convertible notes reserves HK$'000	Convertible bonds reserves HK$'000	Accumulated losses HK$'000	Total HK$'000	Minority interests HK$'000	Total HK$'000
	Unaudited										
	Attributable to equity holders of the parent										
At 1 April 2009	30,320	140,499	(341)	156	11,003	–	–	(76,917)	104,720	318	105,038
Loss for the period	–	–	–	–	–	–	–	(10,937)	(10,937)	701	(10,236)
Placing of new shares	2,600	7,800	–	–	–	–	–	–	10,400	–	10,400
Issue of shares upon exercise of share options	858	4,680	–	–	–	–	–	–	5,538	–	5,538
Equity-settled share-based payments	–	–	–	–	5,549	–	–	–	5,549	–	5,549
Issue of convertible notes	–	–	–	–	–	1,066	–	–	1,066	–	1,066
Issue of convertible bonds	–	–	–	–	–	–	7,906	–	7,906	–	7,906
Exchange differences arising on translation of foreign subsidiaries	–	–	–	(25)	–	–	–	–	(25)	–	(25)
Equity contribution by minority shareholders	–	–	–	–	–	–	–	–	–	25,929	25,929
At 30 September 2009	33,778	152,979	(341)	131	16,552	1,066	7,906	(87,854)	124,217	26,948	151,165

(iv) Condensed Consolidated Cash Flow Statement

	Unaudited Six months ended 30 September 2009 *HK$'000*	2008 *HK$'000*
Net cash generated from/(used in) operating activities	37,299	(8,084)
Net cash used in investing activities	(161,359)	(5,925)
Net cash generated from/(used in) financing activities	123,415	(103)
Net decrease in cash and cash equivalents	(645)	(14,112)
Cash and cash equivalents at the beginning of period	2,940	19,189
Effect of foreign exchange rate changes	(25)	(339)
Cash and cash equivalents at the end of period	2,270	4,738
Analysis of balances of cash and cash equivalents:		
Cash and bank balances	2,270	4,738

(v) Notes to Unaudited Condensed Consolidated Financial Statements

1. BASIS OF PREPARATION

The condensed consolidated financial statements for the six months ended 30 September 2009 have been prepared in accordance with the Hong Kong Accounting Standard No.34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure requirements of the GEM Listing Rules.

The condensed consolidated financial statements are unaudited but have been reviewed by the audit committee of the Company (the "Audit Committee").

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and method of computation used in the preparation of the unaudited condensed consolidated financial statements are consistent with those applied in the Group's audited financial statements for the year ended 31 March 2009.

3. ADOPTION OF NEW AND REVISED HKFRSs

In the current period, the Group has adopted a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), amendments to Hong Kong Accounting Standards ("HKASs") and Interpretations ("Ints") (hereinafter collectively referred to as "new HKFRSs") issued by the HKICPA that are relevant to the Group and effective for accounting periods beginning on or after 1 April 2009. The adoption of these new HKFRSs did not result in substantial changes to the Group's accounting polices and amounts reported for the current year and prior years.

The Group has not early adopted the new HKFRSs, that have been issued but are not yet effective. The Directors anticipate that the application of the new HKFRSs will have no material impact on the results and financial position of the Group.

4. REVENUE AND SEGMENT INFORMATION

The Group is organized into four major business segments: (i) sale of paper products; (ii) sharing of profits of a junket representative of a VIP lounge of a casino in Macau; (iii) provision of money lending services, and (iv) sale of customized software and related computer equipment and provision of technical support. An analysis of the Group's turnover and segment profit/(loss) by business segments is as follows:

	Unaudited Six months ended 30 September 2009		**Unaudited Six months ended 30 September 2008**	
	Turnover	**Segment Profit/(Loss)**	**Turnover**	**Segment Profit/(Loss)**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Sale of paper products	47,917	1,817	–	–
Profits assigned from a junket representative of a VIP lounge of a casino in Macau	208	208	689	689
Interest income from money lending business	630	(50)	1,229	510
Sale of customized software and related computer equipment and provision of technical support	2,441	(254)	9,216	4,170
	51,196	1,721	11,134	5,369
Other revenue		913		1,977
Unallocated corporate expense		(10,861)		(17,187)
Finance costs		(1,458)		(5)
Loss before tax		(9,685)		(9,846)
Income tax expense		(551)		(274)
Loss for the period		(10,236)		(10,120)

	Unaudited Six months ended 30 September 2009 Turnover	**Unaudited Six months ended 30 September 2008 Turnover**
	HK$'000	*HK$'000*
Hong Kong	2,637	8,401
Macau	208	689
The PRC	48,351	2,044
	51,196	11,134

5. INCOME TAX EXPENSE

Hong Kong profits tax is calculated at 16.5% (2008: 16.5%) of the estimated assessable profit for the period. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

6. LOSS PER SHARE

The calculation of the basic loss per share attributable to ordinary equity holders of the parent is based on the Group's loss attributable to equity holders of the parent for the six months ended 30 September 2009 of approximately HK$10,937,000 (2008: HK$10,415,000) and on the weighted average number of 784,640,605 (2008 as restated: 682,133,571) ordinary shares in issue during the period.

The comparative amount of the basic loss per share for 2008 has been adjusted to reflect the impact of the Share Consolidation effected during the period.

The basic and diluted loss per share are the same for the six months ended 30 September 2009 and 2008, as the Company recorded losses attributable to the equity holders of the parent and hence, the incremental shares from the assumed exercises of share options and warrants outstanding as at 30 September 2009 and 2008 are not included in calculating the diluted basic loss per share.

7. INTERIM DIVIDEND

The board of directors of the Company (the "Board") does not recommend the payment of interim dividend for the period (2008: Nil).

8. PROPERTY, PLANT AND EQUIPMENT

	Unaudited 30 September 2009 *HK$'000*	**Unaudited 30 September 2008** *HK$'000*
Opening net book amount	3,321	667
Relating to acquisition of subsidiaries	165,716	–
Additions	446	4,024
Disposals	–	(180)
Depreciation	(3,998)	(124)
Written back on disposals	–	15
Exchange difference	(2)	–
Closing net book amount	165,483	4,402

9. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Unaudited 30 September 2009 *HK$'000*	Audited 31 March 2009 *HK$'000*
Non-current		
Club membership	180	180
Current		
Time deposits	29,000	32,000

The time deposits have maturity of four months and carry fixed-rate interests at 5% per annum. Full principal amount will be repaid on maturity dates, subject to renewal at the Group's request.

10. TRADE RECEIVABLES

The ageing analysis of trade receivables is as follows:

	Unaudited 30 September 2009 *HK$'000*	Audited 31 March 2009 *HK$'000*
Within three months	107	731
Over three months but within six months	199	165
Over six months but within one year	533	1,185
Over one year but within two years	1,125	665
Over two years but within three years	471	–
	2,435	2,746

The Group normally grants its customers credit periods for sales of goods ranging from 0 to 14 days. Consideration in respect of contracts for development of customized software, sales of related computer equipment, the provision of technical support and maintenance services is payable pursuant to the terms of the respective contracts. The Group generally granted credit period of 6 months to the junket representative of a VIP lounge of a casino in Macau.

11. LOANS RECEIVABLE

Loans receivable have arisen from the Group's money lending operations during the year. The ageing of loans receivable is analysed by the remaining periods to their contractual maturity dates as follows:

	Unaudited 30 September 2009 *HK$'000*	**Audited 31 March 2009** *HK$'000*
On demand	358	724
Within three months	3,312	3,431
In three to six months	4,192	3,495
In six months to one year	299	828
In one to two years	248	348
In two to three years	352	–
Total	8,761	8,826
Amount classified as current assets	8,161	8,478
Amount classified as non-current assets	600	348

12. TRADE PAYABLES

The ageing analysis of trade payables is as follows:

	Unaudited 30 September 2009 *HK$'000*	**Audited 31 March 2009** *HK$'000*
Within three months	447	214
Over three months but within six months	283	512
Over six months but within one year	–	345
Over one year but within two years	–	2,158
Over two years but within three years	1,802	–
	2,532	3,229

13. SHARE CAPITAL

	Number of shares Six months ended 30 September 2009	2008	Amount Six months ended 30 September 2009	2008
	'000	*'000*	*HK$'000*	*HK$'000*
Authorised				
Ordinary shares of HK$0.04 each (2008: HK$0.01 each) *(Note: (i))*	2,500,000	10,000,000	100,000	100,000
Issued and fully paid:				
At beginning of period	3,031,982	2,727,270	30,320	27,273
Exercise of share options	70,798	–	858	–
Exercise of warrants	–	1,307	–	13
Placement of shares	65,000	–	2,600	–
Shares consolidation	(2,323,335)	–	–	–
At end of period	844,445	2,728,577	33,778	27,286

Note:

(i) At the Annual General Meeting of the Company held on 11 August 2009, the resolution in respect of the share consolidation was approved by the shareholders and became effective on 12 August 2009. The effect of share consolidation was every four issued shares of HK$0.01 each were consolidated into one consolidated share of HK$0.04 each ("Adjusted Share"). As a result, the adjusted share capital of the Company became HK$33,778,000 consisting of 844,445,000 ordinary shares of HK$0.04 each.

14. POST BALANCE SHEET EVENTS

There is no significant post balance sheet event for the Half-Yearly period.

4. UNAUDITED THIRD QUARTERLY RESULT

The following financial information is an extract of the third quarterly report of the Group for the three months and nine months ended 31 December 2009.

(i) Condensed Consolidated Income Statements

		Unaudited			
		Nine months ended 31 December		Three months ended 31 December	
		2009	2008	2009	2008
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	4	105,536	13,656	53,655	2,522
Other income		1,278	2,979	365	1,002
Materials used and work performed and capitalized		(87,855)	(4,711)	(46,146)	(1,818)
Staff costs		(9,630)	(18,612)	(622)	(1,949)
Depreciation of property, plant and equipments		(8,913)	(208)	(4,915)	(84)
Other expenses		(8,094)	(5,407)	(2,472)	(2,135)
Finance costs		(4,291)	(7)	(2,833)	(2)
Loss before tax		(11,969)	(12,310)	(2,968)	(2,464)
Income tax expense	5	(1,039)	(385)	(488)	(111)
Loss for the period		(13,008)	(12,695)	(3,456)	(2,575)
Attributable to:					
Equity holders of the parent		(14,386)	(14,405)	(4,133)	(3,990)
Minority interests		1,378	1,710	677	1,415
		(13,008)	(12,695)	(3,456)	(2,575)
Loss per share attributable to ordinary equity holders of the parent	6				
Basic (HK cents per share)		(1.730)	(2.112)	(0.415)	(0.585)
Diluted (HK cents per share)		N/A	N/A	N/A	N/A

(ii) Notes to Unaudited Condensed Consolidated Financial Statements

1. BASIS OF PREPARATION

The condensed consolidated financial statements for the nine months ended 31 December 2009 have been prepared in accordance with the Hong Kong Accounting Standard No.34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure requirements of the GEM Listing Rules.

The condensed consolidated financial statements are unaudited but have been reviewed by the audit committee of the Company (the "Audit Committee").

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and method of computation used in the preparation of the unaudited condensed consolidated financial statements are consistent with those applied in the Group's audited financial statements for the year ended 31 March 2009.

3. ADOPTION OF NEW AND REVISED HKFRSs

In the current period, the Group has adopted a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), amendments to Hong Kong Accounting Standards ("HKASs") and Interpretations ("Ints") (hereinafter collectively referred to as "new HKFRSs") issued by the HKICPA that are relevant to the Group and effective for accounting periods beginning on or after 1 April 2009. The adoption of these new HKFRSs did not result in substantial changes to the Group's accounting policies and amounts reported for the current year and prior years.

The Group has not early adopted the new HKFRSs that have been issued but are not yet effective. The Directors anticipate that the application of the new HKFRSs will have no material impact on the results and financial position of the Group.

4. REVENUE AND SEGMENT INFORMATION

The Group is organized into four major business segments: (i) sale of paper products; (ii) sharing of profits of a junket representative of a VIP lounge of a casino in Macau; (iii) provision of money lending services, and (iv) sale of customized software and related computer equipment and provision of technical support. An analysis of the Group's turnover and segment profit/(loss) by business segments is as follows:

	Unaudited Nine months ended 31 December 2009		**Unaudited Nine months ended 31 December 2008**	
	Turnover	**Segment Profit/(Loss)**	**Turnover**	**Segment Profit/(Loss)**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Sale of paper products	102,312	4,902	–	–
Profits assigned from a junket representative of a VIP lounge of a casino in Macau	219	219	854	854
Interest income from money lending business	853	(264)	1,512	144
Sale of customized software and related computer equipment and provision of technical support	2,152	(833)	11,290	2,540
	105,536	4,024	13,656	3,538
Other revenue		1,278		2,979
Unallocated corporate expense		(12,980)		(18,820)
Finance costs		(4,291)		(7)
Loss before tax		(11,969)		(12,310)
Income tax expense		(1,039)		(385)
Loss for the period		(13,008)		(12,695)

	Unaudited Nine months ended 31 December 2009 Turnover	**Unaudited Nine months ended 31 December 2008 Turnover**
	HK$'000	*HK$'000*
Hong Kong	2,570	8,138
Macau	219	854
The PRC	102,747	4,664
	105,536	13,656

5. INCOME TAX EXPENSE

Hong Kong profits tax is calculated at 16.5% (2008: 16.5%) of the estimated assessable profit for the period. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

6. LOSS PER SHARE

The calculation of the basic loss per share attributable to ordinary equity holders of the parent is based on the Group's loss attributable to equity holders of the parent for the nine months ended 31 December 2009 of approximately HK$14,386,000 (2008: HK$14,405,000) and on the weighted average number of 831,698,802 (2008 as restated: 682,137,234) ordinary shares in issue during the period.

The comparative amount of the basic loss per share for 2008 has been adjusted to reflect the impact of the Share Consolidation (as defined below) effected during the period.

The basic and diluted loss per share are the same for the nine months ended 31 December 2009 and 2008, as the Company recorded losses attributable to the equity holders of the parent and hence, the incremental shares from the assumed exercises of share options and warrants outstanding as at 31 December 2009 and 2008 are not included in calculating the diluted basic loss per share.

7. INTERIM DIVIDEND

The board of directors of the Company (the "Board") does not recommend the payment of interim dividend for the period (2008: Nil).

8. SHARE CAPITAL

	Number of shares Nine months ended 31 December		**Amount Nine months ended 31 December**	
	2009	**2008**	**2009**	**2008**
	'000	*'000*	*HK$'000*	*HK$'000*
Authorised				
Ordinary shares of HK$0.04 each (2008: HK$0.01 each) *(Note: (i))*	2,500,000	10,000,000	100,000	100,000
Issued and fully paid:				
At beginning of period	3,031,982	2,727,270	30,320	27,273
Exercise of share options	91,798	–	1,698	–
Exercise of warrants	–	1,309	–	13
Placement of shares	289,000	–	11,560	–
Shares consolidation	(2,323,335)	–	–	–
At end of period	1,089,445	2,728,579	43,578	27,286

Note:

(i) At the Annual General Meeting of the Company held on 11 August 2009, the resolution in respect of the share consolidation was approved by the shareholders and became effective on 12 August 2009. The effect of the share consolidation was that every four issued and unissued shares of HK$0.01 each were consolidated into one consolidated share of HK$0.04 each ("Adjusted Share"). As a result, the adjusted share capital of the Company became HK$33,778,000 consisting of 844,445,000 ordinary shares of HK$0.04 each.

9. CHANGES IN EQUITY

	Attributable to equity holders of the parent										
	Share capital	Share premium	Merger reserve	Exchange reserve	Share option reserve	Convertible notes reserves	Convertible bonds reserves	Accumulated losses	Total	Minority interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2008	27,273	123,470	(341)	(29)	882	–	–	(39,313)	111,942	9,117	121,059
Loss for the period	–	–	–	–	–	–	–	(14,405)	(14,405)	1,710	(12,695)
Share issue expenses	–	(74)	–	–	–	–	–	–	(74)	–	(74)
Exercise of warrants	13	60	–	–	–	–	–	–	73	–	73
Equity-settled share-based payment	–	–	–	–	13,812	–	–	–	13,812	–	13,812
Exchange differences arising on translation of foreign subsidiaries	–	–	–	(339)	–	–	–	–	(339)	–	(339)
At 31 December 2008	27,286	123,456	(341)	(368)	14,694	–	–	(53,718)	111,009	10,827	121,836
At 1 April 2009	30,320	140,499	(341)	156	11,003	–	–	(76,917)	104,720	318	105,038
Loss for the period	–	–	–	–	–	–	–	(14,386)	(14,386)	1,378	(13,008)
Placing of new shares	11,560	43,140	–	–	–	–	–	–	54,700	–	54,700
Issue of shares upon exercise of share options	1,698	7,382	–	–	–	–	–	–	9,080	–	9,080
Equity-settled share-based payments	–	–	–	–	5,549	–	–	–	5,549	–	5,549
Issue of convertible notes	–	–	–	–	–	1,066	–	–	1,066	–	1,066
Issue of convertible bonds	–	–	–	–	–	–	7,906	–	7,906	–	7,906
Redemption of convertible notes	–	–	–	–	–	(1,066)	–	–	(1,066)	–	(1,066)
Exchange differences arising on translation of foreign subsidiaries	–	–	–	(2)	–	–	–	–	(2)	–	(2)
Equity contribution by minority shareholders	–	–	–	–	–	–	–	–	–	35,279	35,279
At 31 December 2009	43,578	191,021	(341)	154	16,552	–	7,906	(91,303)	167,567	36,975	204,542

5. MATERIAL CHANGES

As at the Latest Practicable Date, the Directors confirm that, save and except for (i) the placing of 159,110,000 new Shares on 10 February 2010; (ii) the placing of 104,390,000 new Shares on 16 April 2010; (iii) the information as contained in the first quarterly report of the Company for the three months ended 30 June 2009; (iv) the information as contained in the interim report of the Company for the six months ended 30 September 2009; and (v) the information as contained in the third quarterly report of the Company for the nine months ended 31 December 2009, there have been no material adverse changes in the financial or trading position of the Group since 31 March 2009, being the date to which the latest published audited consolidated accounts of the Group has been made up.

6. STATEMENT OF INDEBTEDNESS

Debt securities

As at the close of the business on 30 April 2010, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Enlarged Group had outstanding unsecured and interest-free convertible bonds with an aggregate principal amount of HK$40,000,000, convertible at a conversion price of HK$0.48 per share into a maximum of 83,333,333 Shares and maturing on the 2nd anniversary date of their issuance. These convertible bonds were issued by the Company as part of the consideration paid for the very substantial acquisition which was completed on 1 July 2009 and details of which are disclosed in the Company's circular dated 14 May 2009.

Bank or other borrowings and indebtedness

As at the close of the business on 30 April 2010, the Enlarged Group had outstanding: (i) unsecured promissory note of HK$34,500,000, (ii) secured bank loans of approximately HK$26,080,000, (iii) unsecured bank loans of approximately HK$23,080,000, (iv) other unsecured payable of approximately HK$60,576,000 for the acquisition of plant and equipment, and (v) other unsecured loans from unrelated third parties of approximately HK$6,001,000. Among these bank and other borrowings, bank loans of approximately HK$23,080,000 were secured by the Enlarged Group's land use rights and buildings with net carrying values of approximately HK$19,149,000 and HK$36,345,000 respectively. In addition, the Enlarged Group had restricted bank deposits of approximately HK$32,312,000 held to secure bank acceptance notes payable of approximately HK$46,160,000 arising from normal trade.

Contingent liabilities and guarantees

As of the close of business on 30 April 2010, the Enlarged Group had contingent liabilities arising out of an outstanding litigation. A District Court action was commenced by a customer against a subsidiary of the Enlarged Group in respect of claims for damages of HK$784,320 and a return of service price of HK$10,080 paid by the customer, and interests thereon, by reason of that subsidiary's repudiatory breach of a certain computer software implementation and maintenance contract and total failure of consideration and/or money had and received. On 3 December 2008, the subsidiary of the Enlarged Group filed a defence and counterclaim for services provided of HK$76,000 and interest thereon.

No settlement has been reached for the above actions mentioned above up to the Latest Practicable Date and no judgment has yet been made against the above-mentioned subsidiary of the Enlarged Group in respect of these claims. As of the Latest Practicable Date, it is not possible to estimate the eventual outcome of these claims with reasonable certainty at the current stage. The Directors are of the opinion that the above-mentioned subsidiary of the Enlarged Group has valid defence and consider the claims mentioned above would not have material adverse impact on the financial position of the Enlarged Group.

Disclaimer

Save as aforesaid or as otherwise disclosed herein, apart from intra-group liabilities and normal trade payables, the Group did not have, at the close of 30 April 2010, any further debt securities issued and outstanding, or authorized or otherwise created but unissued, or term loans or bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, obligations under hire purchase contracts or finance leases, guarantees, or other material contingent liabilities.

7. WORKING CAPITAL

To finance the cash payment of the Consideration, the Directors plan to raise additional funds of HK$215 million or more by way of issue of shares. The Directors are of the opinion that, subject to a successful fund raising exercise for net proceeds of HK$215 million or more, the Enlarged Group will have sufficient working capital for the purpose of the Acquisition and for its requirements for the next twelve months from the date of this circular.

AGCA CPA Limited
正立會計師事務所有限公司

17 June 2010

The Board of Directors of
Long Success International (Holdings) Limited

Dear Sirs,

We set out below our report on the financial information on Ever Stable Holdings Limited ("**Ever Stable**") and its subsidiary (collectively the "**Target Group**") for the period from 12 November 2009 (date of incorporation of Ever Stable) to 31 March 2010 (the "**Relevant Period**"), prepared on the basis set out in Section II below, for inclusion in the circular of Long Success International (Holdings) Limited ("**Long Success**") dated 17 June 2010 (the "**Circular**") in connection with the proposed acquisition by Long Success of the entire equity interest in Ever Stable (the "**Proposed Acquisition**").

Ever Stable was incorporated with limited liability under the BVI Business Companies Act 2004 in the British Virgin Islands on 12 November 2009. During the Relevant Period and up to the date of this report, the principal activity of Ever Stable is investment holding.

As of 31 March 2010, Ever Stable has direct interest in the following subsidiary:

Name	Registered and paid-up capital	Date and place of establishment and operations	Direct attributable equity interest held by Ever Stable	Principal activities
Dongguan Jiu He Bioplastics Company Limited ("**Jiu He**")	US$1,000,000	11 February 2010 People's Republic of China ("**PRC**")	60%	Development, production and sales of biodegradable materials and related products

During the Relevant Period, Jiu He had no substantive business activities except that it had entered into a patent license agreement dated 21 February 2010 with its 40% minority shareholder, 廣東上九生物降解塑料有限公司 (Guangdong Shangjiu Biodegradable Plastics Company Limited, the "PRC Partner") whereby the PRC Partner has agreed to license the use of two patents registered in the PRC in relation to biodegradable materials and related products to Jiu He over the remaining legal validity period of those patents.

For the purpose of this report, Ever Stable has prepared the consolidated financial statements of the Target Group for the Relevant Period (the "**Underlying Financial Statements**") in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

The financial information set out in this report, including the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement of the Target Group for the Relevant Period, and the balance sheets of the Target Group and Ever Stable as of 31 March 2010, together with the notes thereon (collectively the "**Financial Information**"), has been prepared based on the Underlying Financial Statements.

The director of Ever Stable is responsible for the preparation of the Underlying Financial Statements and the Financial Information, which give a true and fair view. In preparing the Financial Information which gives a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently. It is our responsibility to form an independent opinion, based on our examination, on the Financial Information and to report our opinion to you.

For the purpose of this report, we have carried out an independent audit on the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and such additional procedures as are necessary in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA. No adjustments were considered necessary to adjust the Underlying Financial Statements to conform to the Financial Information.

Opinion

In our opinion, the Financial Information, for the purpose of this report and on the basis of preparation as set out below, gives a true and fair view of the consolidated results and consolidated cash flows of the Target Group for the Relevant Period, and of the states of affairs of the Target Group and Ever Stable as of 31 March 2010.

I. FINANCIAL INFORMATION

A. Consolidated statement of comprehensive income

	Note	Period from 12 November 2009 to 31 March 2010 *HK$'000*
REVENUE	4	–
Administrative expenses		(219)
Loss before tax	5	(219)
Tax	7	–
LOSS FOR THE PERIOD		(219)
OTHER COMPREHENSIVE LOSS:		
Exchange differences on translating foreign operations		(47)
Other comprehensive loss, net of tax		(47)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		(266)
Loss attributable to:		
Equity holders of the parent		(180)
Noncontrolling interests		(39)
		(219)
Total comprehensive loss attributable to:		
Equity holders of the parent		(208)
Noncontrolling interests		(58)
		(266)

B. Balance sheets

		As of 31 March 2010	
		Target Group Consolidated	**Ever Stable Separate**
	Note	*HK$'000*	*HK$'000*
NON-CURRENT ASSETS			
Interest in a subsidiary	9	–	4,659
Total non-current assets		–	4,659
CURRENT ASSETS			
Cash and bank balances		7,737	6
Total current assets		7,737	6
CURRENT LIABILITIES			
Due to a shareholder	10	4,798	4,685
Accrued expenses		100	100
Total current liabilities		4,898	4,785
NET CURRENT ASSETS (LIABILITIES)		2,839	(4,779)
TOTAL ASSETS LESS CURRENT LIABILITIES		2,839	(120)
NET ASSETS/(LIABILITIES)		2,839	(120)
EQUITY/(CAPITAL DEFICIENCY)			
Equity attributable to equity holders of the parent			
Issued share capital	11	1	1
Accumulated losses	12	(180)	(121)
Other components of equity		(28)	–
		(207)	(120)
Noncontrolling interests		3,046	–
TOTAL EQUITY/(CAPITAL DEFICIENCY)		2,839	(120)

C. Consolidated statement of changes in equity

	Attributable to equity holders of the parent					
	Issued share capital	Accumulated losses	Translation of foreign operations	Total	Non-controlling interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Issuance of shares	1	–	–	1	–	1
Capital contribution by a minority shareholder of a subsidiary	–	–	–	–	3,104	3,104
Comprehensive loss for the period	–	(180)	(28)	(208)	(58)	(266)
At 31 March 2010	1	(180)	(28)	(207)	3,046	2,839

D. Consolidated cash flow statement

	Period from 12 November 2009 to 31 March 2010
	HK$'000
OPERATING ACTIVITIES	
Loss before tax	(219)
Increase in accrued expenses	100
Net cash used in operating activities	(119)
INVESTING ACTIVITIES	
Net cash generated from or used in investing activities	–
FINANCING ACTIVITIES	
Loan from a shareholder	4,798
Capital contribution by a minority shareholder of a subsidiary	3,104
Issuance of shares	1
Net cash generated from financing activities	7,903
Net increase in cash and bank balances	7,784
Cash and bank balances, beginning of period	–
Effect on foreign exchange rate changes, net	(47)
CASH AND BANK BALANCES, END OF PERIOD	7,737

II. NOTES TO THE FINANCIAL INFORMATION

1.1 GENERAL INFORMATION

Ever Stable is a private company established in the British Virgin Islands with limited liability. Its registered office is situated at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands.

The principal activity of Ever Stable is investment holding. The principal activities of its subsidiary are set out in Note 9.

1.2 BASIS OF PRESENTATION

The Financial Information set out in this report have been prepared in accordance with HKFRSs which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKAS") and Interpretations ("Ints") issued by the HKICPA. It has been prepared under the historical cost convention. The Financial Information also includes the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

The Financial Information is presented in Hong Kong dollars ("HK$") and values are rounded to the nearest thousand except when otherwise indicated.

1.3 GOING CONCERN BASIS

As of 31 March 2010, Ever Stable had net current liabilities of HK$120,000. Ever Stable's shareholder has agreed to provide continuing financial support, throughout the period up to the completion of the Proposed Acquisition, to Ever Stable to meet its liabilities as and when they fall due and not to demand repayment of any amount owed by Ever Stable until such time as Ever Stable is in a position to repay such amount without impairing its liquidity position. Therefore, the Financial Information has been prepared on a going concern basis which contemplates the realisation of assets and the satisfaction of liabilities in the normal course of business.

Should Ever Stable be unable to continue in business as a going concern, adjustments would have to be made to adjust the values of assets to their recoverable amounts, to reclassify non-current assets and liabilities to current assets and liabilities, and to provide for any further liabilities which might arise. The Financial Information does not include any such adjustments.

1.4 ADOPTION OF NEW AND REVISED HKFRSs

The HKICPA has issued a number of new and revised HKFRSs which are effective for accounting periods beginning on or after 1 April 2009. For the purpose of preparing the Financial Information, the Target Group has adopted all of these new and revised HKFRSs throughout the Relevant Period.

The Target Group has not adopted the following new and revised HKFRSs, which have been issued but not yet effective for the Relevant Period.

Improvements to HKFRSs 2009	Various [1]
HKFRS 1 (Revised)	*First-time Adoption of HKFRSs* [2]
HKFRS 3 (Revised)	*Business Combinations* [2]
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements* [2]
Amendment to HKAS 39	*Financial Instruments: Presentation* – Classification of Rights [2]
HK(IFRIC) – Int 17	*Distribution of Non-cash Assets to Owners* [2]
Amendments to HKFRS 2	*Share-based Payment* – Group Cash-settled Share-based Payment Transactions [3]
HK(IFRIC) – Int 19	*Extinguishing Financial Liabilities with Equity Instruments* [4]
HKAS 24 (Revised)	*Related Party Disclosures* [5]
HKFRS 9	*Financial Instruments* [6]
Improvements to HKFRSs 2010	Various [7]

Notes:

1 Effective for annual periods beginning on or after 1 July 2009 or 1 January 2010, as appropriate
2 Effective for annual periods beginning on or after 1 July 2009
3 Effective for annual periods beginning on or after 1 January 2010
4 Effective for annual periods beginning on or after 1 July 2010
5 Effective for annual periods beginning on or after 1 January 2011
6 Effective for annual periods beginning on or after 1 January 2013
7 Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate

The Target Group is in the process of making an assessment of the impact of the above new and revised HKFRSs. So far, it has concluded that the above new and revised HKFRSs will unlikely have a significant impact on the Target Group's results of operations and financial position.

1.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The consolidated financial statements include Ever Stable and its subsidiary. All intercompany transactions and balances and any unrealised profits arising from intercompany transactions within the Target Group are eliminated on consolidation. The results of a subsidiary are consolidated from the date of acquisition, being the date on which the Target Group obtains control, and continue to be consolidated until the date when such control ceases.

Subsidiary

A subsidiary is an entity in which Ever Stable, directly or indirectly, controls more than half of its voting power or its issued share capital or controls the composition of its board of directors. A subsidiary is considered to be controlled if Ever Stable has the power, directly or indirectly, to govern the financial and operating policies, so as to obtain benefits from its activities. Investment in a subsidiary is stated at cost less accumulated impairment losses in Ever Stable's balance sheet.

Financial instruments

Financial assets and liabilities are recognised when the Target Group becomes a party to the contractual provisions of the instrument.

The Target Group's financial assets mainly include loans and receivables. Loans and receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any impairment losses. Any changes in their values are recognised in the income statement.

Derecognition of financial assets occurs when the rights to receive cash flows from the financial assets expire or are transferred and subsequently all of the risks and rewards of ownership have been transferred.

An assessment for impairment is undertaken at least at each balance sheet date whether or not there is objective evidence that a financial asset or a group of financial assets is impaired. Impairment loss on loans and receivables is recognised when there is objective evidence that the Target Group will not be able to collect all the amounts due to it in accordance with the original terms of the receivables. The amount of the impairment loss is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows.

The Target Group's financial liabilities include amount due to a shareholder and other payables. Financial liabilities are initially recognised at fair value, net of transaction costs incurred and subsequently measured at amortised cost using the effective interest method. Financial liabilities are derecognised when the obligation specified in the contract is discharged or cancelled, or expires.

Provisions

Provisions are recognised when a present obligation has arisen as a result of a past event, and it is probable that a future outflow of resources will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

Revenue

Revenue is measured at the fair value of the consideration received or receivable and, where it is probable that the economic benefits will flow to the Target Group and the revenue and costs incurred or to be incurred in respect of the transaction can be measured reliably.

Income taxes

Income tax expense comprises tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes items of income or expense that are never taxable or deductible.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred taxation liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profits will be available against which deductible temporary differences, and the carryforward of unused tax assets and unused tax losses can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to income statement, except where it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Foreign currencies

This Financial Information is presented in Hong Kong dollar, which is Ever Stable's functional currency. The Target Group's subsidiary prepares its financial statements using its functional currency which is Renminbi ("RMB").

Foreign currency transactions are initially recorded using the functional currency rates ruling at the date of transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates prevailing at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the functional currency rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the functional currency rates at the date when the fair value was determined. Exchange differences arising on settlement of monetary items, and on retranslation of monetary items, are recognised in income statement in the period in which they arise.

The results of foreign operations are translated into Hong Kong dollar at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Balance sheet items are translated into Hong Kong dollar at the exchange rate prevailing at the balance sheet date. The resulting translation differences are recognised directly in a separate component of equity.

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

2. CRITICAL ACCOUNTING JUDGEMENT AND ESTIMATES

Management of the Target Group has not made judgment or estimations that may have a significant effect on the amounts recognised in preparing the accompanying financial statements.

There is no significant risk of key assumptions made by management of the Target Group in preparing the accompanying financial statements concerning the future and other key sources of estimation at the reporting date which will cause an adjustment to the carrying amounts of assets and liabilities within the next financial year.

3. SEGMENT INFORMATION

The Target Group's sole business is development, production and sales of biodegradable materials and related products in the PRC. Hence, the Target Group has only one operating segment. Accordingly, no segment information is presented in accordance with HKFRS 8 "Operating Segments".

4. REVENUE

The Target Group did not generate any revenue during the Relevant Period.

5. LOSS BEFORE TAX

Loss before tax is arrived at after charging:

	Period from 12 November 2009 to 31 March 2010
	HK$'000
Auditors' remuneration	100
Employee benefits expense	–

6. DIRECTOR'S REMUNERATION

No director's remuneration was paid during the Relevant Period. There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Period.

7. TAX

No provision for Hong Kong profits tax and PRC income tax has been made as the Target Group did not generate any assessable or taxable profits arising in Hong Kong or the PRC during the Relevant Period.

A reconciliation of the tax expense/(credit) applicable to loss before tax using the statutory rates for the jurisdictions in which Ever Stable and its subsidiary are domiciled to the actual tax expense at the effective tax rate for the Relevant Period is as follows:

	Period from 12 November 2009 to 31 March 2010
	HK$'000
Loss before tax	(219)
Tax at the statutory tax rates of different jurisdiction	(45)
Expenses not deductible for tax	45
Tax expense at the Target Group's effective tax rate	–

8. LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The consolidated loss attributable to equity holders of the parent include a loss of HK$121,000 for the Relevant Period which has been dealt with in the financial statements of Ever Stable (note 12).

9. INTEREST IN A SUBSIDIARY

	31 March 2010
	HK$'000
Capital contribution, at cost	4,659

Particulars of the subsidiary are as follows:

Name	**Registered and paid-up capital**	**Date and place of establishment and operations**	**Direct attributable equity interest held by Ever Stable**	**Principal activities**
Dongguan Jiu He Bioplastics Company Limited ("**Jiu He**")	US$1,000,000	11 February 2010 People's Republic of China ("**PRC**")	60%	Development, production and sales of biodegradable materials and related products

10. DUE TO A SHAREHOLDER

The amount due to a shareholder is unsecured, interest-free and repayable on demand. The shareholder has agreed not to demand repayment of any amount owed by Ever Stable until such time as Ever Stable is in a position to repay such amount without impairing its liquidity position.

11. SHARE CAPITAL

	31 March 2010
	HK$'000
Authorized:	
50,000 ordinary shares of US$1 each	390
Issued and fully paid:	
100 ordinary shares of US$1 each	1

Ever Stable was incorporated in the British Virgin Islands with an authorised capital of US$50,000, divided into 50,000 ordinary shares of US$1 each. On incorporation, 100 ordinary shares were issued and allotted, for cash at par, to form the capital base of Ever Stable.

12. RESERVES

Target Group

The amounts of the Target Group's reserves and the movements therein for the Relevant Period are presented in the consolidated statement of changes in equity in Section I of this Financial Information.

Ever Stable

	Accumulated losses
	HK$'000
At 12 November 2009 (date of incorporation of Ever Stable)	–
Loss for the period	(121)
As of 31 March 2010	(121)

13. RELATED PARTY TRANSACTION AND COMMITMENTS

On 21 February 2010, Jiu He entered into a patent license agreement ("Patent License Agreement") with its 40% minority shareholder, 廣東上九生物降解塑料有限公司 (Guangdong Shangjiu Biodegradable Plastics Company Limited, the "PRC Partner") whereby the PRC Partner has agreed to license the use of two patents registered in the PRC in relation to biodegradable materials and related products to Jiu He over the remaining legal validity period of those patents. The two patents have validity periods expiring on 15 May 2026 and 17 December 2020, respectively.

Pursuant to the Patent License Agreement, Jiu He shall make one lump sum payment of RMB43,400,000 to the PRC Partner for the full license fee for the entire license period, and the Patent License Agreement shall become valid only from the date of payment of such license fee by Jiu He.

The Patent License Agreement will enable Jiu He to use the knowhow and technology protected by the two patents to manufacture within the PRC biodegradable materials and related products for worldwide sales.

Up to the date of this report, Jiu He has not paid the license fee under the Patent License Agreement to the PRC Partner.

14. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

As of 31 March 2010, the Target Group's financial instruments mainly comprised bank balances and due to a shareholder, the primary purposes of which are to finance the Target Group's capital expenditure requirements. The Target Group does not have written risk management policies and guidelines. The primary risks arising from the Target Group's financial instruments include credit, liquidity, interest rate and foreign currency rates risks which are limited by the Target Group's financial management policies and practices described below.

Credit risk

The Target Group's maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet. The Target Group's credit risk is primarily attributable to cash and bank balances, which amounts were not material as of 31 March 2010, and hence did not expose the Target Group to significant credit risk. None of the Target Group's financial assets are secured by collateral or other credit enhancements.

Interest rate risk

As of 31 March 2010, the Target Group was not exposed to significant interest rate risk, as it had no significant interest-bearing financial assets or financial liabilities. It is considered a reasonably possible change in interest rate in the next twelve months would have an immaterial impact on the Target Group's results and retained earnings. Nor would it have a material impact on the Target Group's other components of equity.

Foreign currency risk

Most of the Target Group's transactions are carried out in RMB which is the functional currency of Jiu He. Furthermore, as of 31 March 2010, the Target Group did not have significant forecast transactions or recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. Accordingly, the Target Group does not consider its foreign currency risk to be significant and does not have any foreign currency hedging policies.

Liquidity risk

The Target Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term. As discussed in note 1.3, the Target Group is expected to be able to meet is liquidity requirement by obtaining the continual financial support from a shareholder.

The following table details the remaining contractual maturities of the Target Group's and Ever Stable's financial liabilities, based on contractual undiscounted payments, and the earliest date of the Target Group can be required to pay:

	As of 31 March 2010	
	Target Group	**Ever Stable**
	On demand	**On demand**
	HK$'000	*HK$'000*
Due to a shareholder	4,798	4,685

Capital management

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

The capital structure of the Target Group primarily consists of equity attributable to equity holders of the parent and debts, which include the amount due to a shareholder.

The Target Group reviews the capital structure and makes changes to it, in light of changes in economic conditions. As a part of this review, the Target Group considers the cost of capital and the risks associated with each class of capital, will balance its overall capital structure through new share issues as well as raising new debts or repayment of existing debts.

15. SUBSEQUENT EVENTS

Operating lease agreement

On 10 May 2010, Jiu He entered into a fifteen-year tenancy agreement with an unrelated third party for factory and staff quarter in the PRC. Pursuant to such tenancy agreement, the Target Group has future aggregate minimum lease payments as follows:

	HK$'000
Payable within:	
– Year ending 31 March 2011	2,423
– Years ending 31 March 2012 through 2015	11,632
– After 31 March 2015	33,673
	47,728

Increase of registered capital of Jiu He

Pursuant to a supplemental agreement dated 22 March 2010, Ever Stable and the PRC Partner have agreed to increase the total investment in Jiu He from US$1,000,000 to US$30,000,000 and to increase its registered capital from US$1,000,000 to US$17,000,000. The increase in the registered capital of Jiu He has been approved by the relevant local PRC government authority on 13 May 2010.

Pursuant to the supplemental agreement, Ever Stable is committed to contributing 60%, or US$9,600,000, of such increased registered capital of Jiu He, by paying up US$1,920,000 (i.e. 20% of the increased capital contribution) to Jiu He on or before 14 August 2010 and US$7,680,000 (i.e. the remaining 80% of the increased capital contribution) on or before 14 November 2010 respectively.

Master supply agreement with the PRC Partner

On 26 May 2010, Jiu He entered into a master agreement ("Master Agreement") with the PRC Partner for the supply of biodegradable materials and related products (the "Products") which will be produced by Jiu He using the knowhow and technology under the patents licensed by the PRC Partner to Jiu He as further discussed in Note 13. Pursuant to the Master Agreement, the PRC Partner shall purchase the Products in such quantities as will be produced by Jiu He for a period of three years from the date that the conditions precedent to the Master Agreement are fulfilled. The Master Agreement is conditional upon: (i) the passing of an ordinary resolution for the approval of the transaction contemplated under the Master Agreement by the independent shareholders of Long Success; (ii) the passing of the resolutions for the approval of the Master Agreement by Jiu He and the PRC Partner respectively; (iii) the completion of the acquisition of the entire equity interest in Ever Stable by Long Success. Under the Master Agreement, the price for the Products shall be determined in accordance with the relevant prevailing market price at the time purchase order is placed by the PRC Partner.

16. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for Ever Stable and its subsidiaries in respect of any period subsequent to 31 March 2010.

Yours faithfully,

AGCA CPA LIMITED
9th Floor, Allied Kajima Building
138 Gloucester Road
Wanchai
Hong Kong

Pang Fung Ming
Practising Certificate number P03124

I. INTRODUCTION TO PRO FORMA FINANCIAL INFORMATION

On 26 March 2010, Far Rise Development Limited, or the Purchaser, a wholly-owned subsidiary of the Company, entered into a share transfer agreement dated 26 March 2010 ("Acquisition Agreement") with Mr. Leung Wa, or the Vendor, for the acquisition ("Acquisition") of the entire equity interest in Ever Stable Holdings Limited ("Ever Stable"), which in turn holds 60% equity interest in Dongguan Jiu He Bioplastics Company Limited, a sino-foreign equity joint venture established in the PRC ("Jiu He", which together with Ever Stable referred to as "Target Group") for a consideration, payable as follows:

- HK$80 million in cash as a refundable deposit ("Refundable Deposit") payable within 2 months from the signing of the Acquisition Agreement;
- HK$80 million in cash ("Second Payment") payable within 2 months after the approval of the Acquisition Agreement and the transactions contemplated thereunder at a special general meeting to be held by the Company;
- HK$55 million in cash ("Third Payment") payable within 2 months from the completion of the Acquisition Agreement ("Completion") and
- Issue and allotment of 216,000,000 shares of the Company to the Vendor or his nominee(s) within 2 months from the Completion.

The following unaudited pro forma statement of financial position of the Enlarged Group has been prepared for the purpose of providing shareholders of the Company with information about the impact of the Acquisition by illustrating how the Acquisition might have affected the financial position of the Group as of 30 September 2009, had the completion of the Acquisition been completed on 30 September 2009.

This unaudited pro forma statement of financial position has been prepared based on a number of assumptions, estimates and uncertainties. It is prepared for illustrative purposes only and, because of its nature, it may not give a true picture of the Enlarged Group's financial position.

The unaudited pro forma statement of financial position of the Enlarged Group has been prepared based on the unaudited consolidated balance sheet of the Group as of 30 September 2009 extracted from the published interim financial report of the Group as of 30 September 2009 as set out in Appendix I to this circular and the audited consolidated balance sheet of Target Group as of 31 March 2010 as extracted from the accountants' report set out in Appendix II to this circular, as if the Acquisition had been completed on 30 September 2009.

II. UNAUDITED PRO FORMA STATEMENT OF FINANCIAL POSITION OF THE ENLARGED GROUP

	The Group as of 30 September 2009	Target Group as of 31 March 2010	Pro forma adjustments		Pro forma combined
	HK$'000	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*
NON-CURRENT ASSETS					
Goodwill	69,021	–	152,879	*(5)*	221,900
Land use rights	19,258	–			19,258
Intangible assets	–	–	49,042	*(3)*	110,753
			61,711	*(5)*	
Property, plant and equipment	165,483	–	3,759	*(2)*	169,242
Available-for-sale financial assets	180	–			180
Loans receivable	600	–			600
Total non-current assets	254,542	–			521,933
CURRENT ASSETS					
Inventories	33,240	–			33,240
Trade receivables	2,435	–			2,435
Loan receivables	8,161	–			8,161
Prepayment, deposits and other receivables	101,847	–			101,847
Available-for-sale financial assets	29,000	–			29,000
Cash and cash equivalents	2,270	7,737	120,721	*(2)*	–
			(49,042)	*(3)*	
			(81,686)	*(4)*	
Total current assets	176,953	7,737			174,683
CURRENT LIABILITIES					
Trade payables	2,532	–			2,532
Accruals and other payables	176,981	100			177,081
Secured bank loans	6,812	–			6,812
Due to a shareholder	–	4,798	74,688	*(2)*	–
			(79,486)	*(7)*	
Convertible notes	13,934				13,934
Provision for taxation	1,477	–			1,477
Bank overdrafts	–	–	133,314	*(4)*	133,314
Total current liabilities	201,736	4,898			335,150
Net current assets/(liabilities)	(24,783)	2,839			(160,467)
Total assets less current liabilities	229,759	2,839			361,466

	The Group as of 30 September 2009	Target Group as of 31 March 2010	Pro forma adjustments		Pro forma combined
	HK$'000	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*
NON-CURRENT LIABILITIES					
Convertible bonds – due after one year	32,094	–			32,094
Promissory notes – due after one year	46,500	–			46,500
Deferred tax liabilities	–	–	15,428	*(5)*	15,428
Total non-current liabilities	78,594	–			94,022
NET ASSETS	151,165	2,839			267,444
CAPITAL AND RESERVES					
Share capital	33,778	1	8,640	*(4)*	42,418
			(1)	*(6)*	
Reserves	90,439	(208)	36,288	*(4)*	126,727
			208	*(6)*	
Equity attributable to equity holders of the parent	124,217	(207)			169,145
Minority interests	26,948	3,046	49,792	*(2)*	98,299
			18,513	*(5)*	
TOTAL EQUITY	151,165	2,839			267,444

Notes to pro forma adjustments

(1) Although the Target Group has not generated any revenue, it has entered into a patent license agreement which will enable the Target Group to use two patents for the development and production of biodegradable materials products. In addition, pursuant to the supplemental agreement dated 22 March 2010, Ever Stable and the PRC Partner as shareholders of Jiu He have agreed to contribute additional capital in Jiu He. As part of the increased capital contribution, the PRC Partner will inject machinery with an aggregate value of RMB3.3 million, which will be used in the production of the biodegradable materials products. Furthermore, Jiu He will hire employees including personnel capable of developing the biodegradable materials products before Completion. Therefore, the Target Group having the intellectual property and human resources needed to develop its products, as well as the machinery required to produce the products would be considered a business under HKFRS 3 (Revised), "Business Combinations". Accordingly, the Acquisition would be accounted for in the pro forma statement using the acquisition method.

(2) Pursuant to the Acquisition Agreement, the Vendor is obligated to procure the increase in the registered capital of Jiu He to not less than US$17,000,000. This pro forma adjustment reflects the increase of US$16,000,000 (approximately HK$124,480,000) in the form of registered capital of Jiu He from US$1,000,000 to US$17,000,000 by way of the following:

i) US$9,600,000 (approximately HK$74,688,000) in cash by Ever Stable as the 60% shareholder of Jie He;

ii) US$5,916,900 (approximately HK$46,033,000) in cash by the PRC Partner as 40% shareholder of Jiu He; and

iii) Machinery with an aggregate value of US$483,100 (approximately HK$3,759,000) by the PRC Partner.

Ever Stable's obligation to inject the US$9,600,000 (HK$74,688,000) as the increased registered capital of Jiu He will be funded by the Vendor in the form of shareholder's loan.

(3) On 21 February 2010, Jiu He entered into a long-term patent license agreement with the PRC Partner in relation to the use of two patents for the development and production of biodegradable materials products. Pursuant to such patent license agreement, Jiu He is obligated to prepay the full license fee of RMB43,400,000 (approximately HK$49,042,000) upon the increase in its registered capital. This pro forma adjustment reflects the payment of such prepaid license fee by Jiu He.

(4) This pro forma adjustment reflects the payment by the Company of the consideration for the Acquisition as follows:

i) HK$215,000,000 in cash, comprising the Refundable Deposit, the Second Payment and the Third Payment; and

ii) Issue and allotment of 216,000,000 shares of the Company, calculated based on the closing price of HK$0.208 of the Company's shares on 30 September 2009 for illustrative purposes.

(5) This pro forma adjustment reflects the fair value adjustment to the assets and liabilities of the Target Group and the goodwill arising on consolidation of the Target Group, calculated as follows:

	Carrying amount	Pro forma adjustment		Fair value adjustments	Fair value
	HK$'000	*HK$'000*	*Notes*	*HK$'000*	*HK$'000*
Intangible assets	–	49,042	*(3)*	61,711	110,753
Property, plant and equipment	–	3,759	*(2)*		3,759
Cash and cash equivalents	7,737	120,721	*(2)*		79,416
		(49,042)	*(3)*		
Accruals	(100)				(100)
Due to shareholder (shareholder's loan)	(4,798)	(74,688)	*(2)*		(79,486)
Deferred tax liabilities	–			(15,428)	(15,428)
Net assets of the Target Group	2,839				98,914
Minority interests	(3,046)	(49,792)	*(2)*	(18,513)	(71,351)
	(207)				27,563
Assignment of shareholder's loan from the Vendor to Long Success					79,486
Net assets acquired					107,049
Consideration for the Acquisition satisfied by:					
Cash					215,000
Issue of 216,000,000 shares of the Company (see Note (4ii))					44,928
Total consideration for the Acquisition					259,928
Goodwill					152,879

A fair value adjustment of HK$61,711,000 has been made to the intangible assets, which consist of the rights to use two patents, in order to restate the intangible assets to their estimated fair value of HK$110,753,000 in aggregate. The fair value of the right to use two patents of HK$110,753,000 was determined based on the valuation report issued by LCH (Asia-Pacific) Surveyors Limited, an independent professional qualified valuer.

Deferred tax has been calculated based on the PRC corporate income tax rate of 25% on the fair value adjustment.

On Completion, the fair value of the identifiable assets and liabilities of the Target Group will be reassessed as of the date of the Completion. As a result, the amount of goodwill may differ from the estimate stated above, which is presented for illustrative purpose only.

(6) This pro forma adjustment reflects the elimination of the share capital and pre-acquisition reserves of the Target Group.

(7) This pro forma adjustment reflects the reclassification of accounts upon Completion, which is expected to have a continuing effect on the Enlarged Group.

III. ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is the text of the accountants' report received from AGCA CPA Limited, the independent reporting accountants, for inclusion in this circular, in respect of the unaudited pro forma financial information of the Enlarged Group as set out in this circular.

AGCA CPA Limited
正立會計師事務所有限公司

17 June 2010

The Board of Directors of
Long Success International (Holdings) Limited

Dear Sirs,

We report on the unaudited pro forma financial information (the "Unaudited Pro Forma Financial Information") of the Group as enlarged upon completion of the Proposed Acquisition (as defined below) set out on pages 106 to 110 in Appendix III to the circular dated 17 June 2010 (the "Circular") of Long Success International (Holdings) Limited (the "Company") (and together with its subsidiaries referred to as the "Group"), in connection with the proposed acquisition (the "Proposed Acquisition") by Long Success of the entire equity interest in Ever Stable Holdings Limited. The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company, solely for illustrative purposes, to provide information about the impact of the Proposed Acquisition by illustrating how the Proposed Acquisition might have affected the financial position of the Group. The basis of preparation of the Unaudited Pro Forma Financial Information is set out on page 106 of the Circular.

Respective Responsibilities of Directors and Reporting Accountants

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with paragraph 7.31(1) of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

It is our responsibility to form an opinion, as required by paragraph 7.31(1) of the GEM Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of Opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 7.31(1) of the GEM Rules.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Enlarged Group as of 30 September 2009 or any future date.

Opinion

In our opinion:

a. the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

b. such basis is consistent with the accounting policies of the Group; and

c. the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 7.31(1) of the GEM Rules.

Yours faithfully,

AGCA CPA Limited
9th Floor, Allied Kajima Building
138 Gloucester Road
Wanchai
Hong Kong

Pang Fung Ming
Practising Certificate number P03124

The following is the text of a report, prepared for inclusion in this circular, from the reporting accountants of Long Success International (Holdings) Limited, GC Alliance Limited, Certified Public Accountants (now known as AGCA CPA Limited).

GC Alliance Limited
Certified Public Accountants
正立會計師事務所有限公司

14 May 2009

The Board of Directors of
Long Success International (Holdings) Limited

Dear Sirs,

We set out below our report on the financial information on Mega Bright Investment Development Limited ("**Mega Bright**") and its subsidiary (collectively the "**Target Group**") for the period from 5 May 2008 (date of incorporation of Mega Bright) to 31 March 2009 (the "**Relevant Period**"), prepared on the basis set out in Section II below, for inclusion in the circular of Long Success International (Holdings) Limited ("**Long Success**") dated 14 May 2009 (the "**Circular**") in connection with the proposed acquisition by Long Success of the entire equity interest in Mega Bright (the "**Proposed Acquisition**").

Mega Bright was incorporated with limited liability in Hong Kong on 5 May 2008. During the Relevant Period and up to the date of this report, the principal activity of Mega Bright is investment holding.

As of 31 March 2009 and the date of this report, Mega Bright has direct interest in the following subsidiary:

Name	Registered and paid up capital	Date and place of establishment and operations	Direct attributable equity interest held by Mega Bright	Principal activities
Jining Gangning Paper Co., Ltd. ("**Jining Gangning**")	US$2,000,000	6 November 2008 The People's Republic of China ("**PRC**")	51%	Manufacturing, processing and sale of packaging and other paper products

During the Relevant Period, Jining Gangning had no substantive business activities except that it entered into an assets transfer agreement dated 16 January 2009 for the purpose of acquiring certain assets, including inventory, production facilities and machinery, and a property lease and purchase agreement dated 16 January 2009 for the purpose of acquiring certain lands and buildings for its paper product manufacturing business. On 10 April 2009, Jining Gangning commenced its paper product manufacturing business.

For the purpose of this report, the directors of Mega Bright have prepared the consolidated financial statements of the Target Group for the Relevant Period (the "**Underlying Financial Statements**") in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

The financial information set out in this report, including the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement of the Target Group for the Relevant Period, and the balance sheets of the Target Group and Mega Bright as of 31 March 2009, together with the notes thereon (collectively the "**Financial Information**"), has been prepared based on the Underlying Financial Statements.

The directors of Mega Bright are responsible for the preparation of the Underlying Financial Statements and the Financial Information, which give a true and fair view. In preparing the Financial Information which gives a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently. It is our responsibility to form an independent opinion, based on our examination, on the Financial Information and to report our opinion to you.

For the purpose of this report, we have carried out an independent audit on the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and such additional procedures as are necessary in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA. No adjustments were considered necessary to adjust the Underlying Financial Statements to conform to the Financial Information.

Opinion

In our opinion, the Financial Information, for the purpose of this report and on the basis of preparation as set out below, gives a true and fair view of the consolidated results and consolidated cash flows of the Target Group for the Relevant Period, and of the states of affairs of the Target Group and Mega Bright as of 31 March 2009.

I. FINANCIAL INFORMATION

A. Consolidated income statement

	Note	Period from 5 May 2008 to 31 March 2009 HK$'000
REVENUE	4	–
Administrative expenses		148
Loss before tax	5	(148)
Tax	7	–
LOSS FOR THE PERIOD		(148)
Attributable to:		
Equity holders of the parent		(75)
Minority interests		(73)
		(148)

B. Balance sheets

		As of 31 March 2009	
		Target Group Consolidated	**Mega Bright Separate**
	Note	*HK$'000*	*HK$'000*
NON-CURRENT ASSETS			
Interest in a subsidiary	9	–	11,456
Plant and equipment	10	124,713	–
Total non-current assets		124,713	11,456
CURRENT ASSETS			
Cash and bank balances		92	57
Total current assets		92	57
CURRENT LIABILITIES			
Due to a shareholder	11	11,529	11,529
Accrued expenses		100	100
Total current liabilities		11,629	11,629
NET CURRENT LIABILITIES		(11,537)	(11,572)
TOTAL ASSETS LESS CURRENT LIABILITIES		113,176	(116)
NON-CURRENT LIABILITIES			
Payable for plant and equipment	12	105,736	–
Total non-current liabilities		105,736	–
NET ASSETS/(LIABILITIES)		7,440	(116)
EQUITY			
Equity attributable to equity holders of the parent			
Issued share capital	13	0	0
Accumulated losses	14	(75)	(116)
Reserves		(66)	–
		(141)	(116)
Minority interests		7,581	–
TOTAL EQUITY/(CAPITAL DEFICIENCY)		7,440	(116)

C. Consolidated statement of changes in equity

	Attributable to equity holders of the parent					
	Issued share capital	**Accumulated losses**	**Exchange fluctuation reserve**	**Total**	**Minority interests**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Issuance of share	0	–	–	–	–	0
Capital contribution by a minority shareholder of a subsidiary	–	–	–	–	7,654	7,654
Exchange difference recognized directly in equity	–	–	(66)	(66)	–	(66)
Loss for the period	–	(75)	–	(75)	(73)	(148)
As of 31 March 2009	0	(75)	(66)	(141)	7,581	7,440

D. Consolidated cash flow statement

	Period from 5 May 2008 to 31 March 2009
	HK$'000
OPERATING ACTIVITIES	
Loss before tax	(148)
Increase in accrued expenses	100
Net cash used in operating activities	(48)
INVESTING ACTIVITIES	
Purchase of plant and equipment	(18,830)
Net cash used in investing activities	(18,830)
FINANCING ACTIVITIES	
Loan from a shareholder	11,529
Capital contribution by a minority shareholder of a subsidiary	7,654
Net cash generated from financing activities	19,183
Net increase in cash and bank balances	305
Cash and bank balances, beginning of period	–
Effect on foreign exchange rate changes, net	(213)
CASH AND BANK BALANCES, END OF PERIOD	92

II. NOTES TO THE FINANCIAL INFORMATION

1.1 BASIS OF PRESENTATION

The Financial Information set out in this report have been prepared in accordance with HKFRSs which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKAS") and Interpretations ("Ints") issued by the HKICPA. It has been prepared under the historical cost convention. The Financial Information also includes the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

The Financial Information is presented in Hong Kong dollars ("HK$") and values are rounded to the nearest thousand except when otherwise indicated.

1.2 GOING CONCERN BASIS

As of 31 March 2009, the Target Group and Mega Bright had net current liabilities of HK$11,537,000 and HK$11,572,000, respectively. Mega Bright's shareholder has agreed to provide continuing financial support, throughout the period up to the completion of the Proposed Acquisition, to Mega Bright to meet its liabilities as and when they fall due and not to demand repayment of any amount owed by Mega Bright until such time as Mega Bright is in a position to repay such amount without impairing its liquidity position. Upon completion of the Proposed Acquisition, Long Success has agreed to provide continuing financial support to Mega Bright. On the other hand, pursuant to a joint venture agreement as amended on 21 March 2009, Mega Bright and a minority shareholder of Jining Gangning have committed to injecting further capital into Jining Gangning to finance its capital expenditure and working capital requirements. The directors of Mega Bright are of the opinion that, taking into account the funding from Mega Bright's shareholder and the minority shareholder of Jining Gangning, the Target Group has sufficient working capital for its present requirement. Therefore, the Financial Information has been prepared on a going concern basis which contemplates the realisation of assets and the satisfaction of liabilities in the normal course of business.

Should the Target Group be unable to continue in business as a going concern, adjustments would have to be made to adjust the values of assets to their recoverable amounts, to reclassify non-current assets and liabilities to current assets and liabilities, and to provide for any further liabilities which might arise. The Financial Information does not include any such adjustments.

1.3 ADOPTION OF NEW AND REVISED HKFRSS

The HKICPA has issued a number of new and revised HKFRSs which are effective for accounting periods beginning on or after 5 May 2008. For the purpose of preparing the Financial Information, the Target Group has adopted all of these new and revised HKFRSs throughout the Relevant Period.

1.4 IMPACT OF HKFRSS ISSUED BUT NOT YET EFFECTIVE

The Target Group has not adopted the following new and revised HKFRSs, which have been issued but not yet effective for the Relevant Period.

HKAS 1 (Revised)	Presentation of Financial Statements [1]
HKAS 23 (Revised)	Borrowing Costs [1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements [2]
HKAS 28	Investments in Associates – Consequential Amendments Arising from Amendments to HKFRS 3 [2]
HKAS 31	Investments in Joint Ventures – Consequential Amendments Arising from Amendments to HKFRS 3 [2]
HKAS 32, HKAS 39 & HKFRS 7 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation [1]

HKAS 39 (Amendment)	Eligible Hedged Items [2]
HKFRS 1 and HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or an Associate [1]
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards [2]
HKFRS 2 (Amendment)	Share-based payment – Vesting Conditions and Cancellations [1]
HKFRS 3 (Revised)	Business Combinations [2]
HKFRS 7 (Amendment)	Improving Disclosure about Financial Instruments [1]
HKFRS 8	Operating Segments [1]
HK(IFRIC) – Int 2 (Amendment)	Members' Shares in Co-operative Entities and Similar Instruments [1]
HK(IFRIC) – Int 9 and HKAS 39 (Amendment)	Reassessment of Embedded Derivatives [6]
HK(IFRIC) – Int 13	Customer Loyalty Programmes [3]
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate [1]
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation [4]
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners [2]
HK(IFRIC) – Int 18	Transfers of Assets from Customers [7]
Improvements to HKFRS	Amendments to HKFRS 5, HKFRS 7, HKAS 1, HKAS 8, HKAS 10, HKAS 16, HKAS 18, HKAS 19, HKAS 20, HKAS 23, HKAS 27, HKAS 28, HKAS 29, HKAS 31, HKAS 34, HKAS 36, HKAS 38, HKAS 39, HKAS 40, HKAS 41 [5]

Notes:

1 Effective for annual periods beginning on or after 1 January 2009
2 Effective for annual periods beginning on or after 1 July 2009
3 Effective for annual periods beginning on or after 1 July 2008
4 Effective for annual periods beginning on or after 1 October 2008
5 Generally effective for annual periods beginning on or after 1 January 2009, except for the amendment to HKFRS 5 which is effective for annual periods beginning on or after 1 July 2009
6 Effective for annual periods beginning on or after 30 June 2009
7 Effective for transfer received on or after 1 July 2009

The Target Group is in the process of making an assessment of the impact of the above new and revised HKFRSs. So far, it has concluded that whilst the adoption of HKAS 1 (Revised) will affect the presentation of owner changes in equity and of comprehensive income, the above new and revised HKFRSs are unlikely to have a significant impact on the Target Group's results of operations and financial position.

1.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The consolidated financial statements include Mega Bright and its subsidiary. All significant intercompany transactions and balances and any unrealised profits arising from intercompany transactions within the Target Group are eliminated on consolidation. The results of a subsidiary are consolidated from the date of acquisition, being the date on which the Target Group obtains control, and continue to be consolidated until the date when such control ceases.

Subsidiary

A subsidiary is an entity in which Mega Bright, directly or indirectly, controls more than half of its voting power or its issued share capital or controls the composition of its board of directors. A subsidiary is considered to be controlled if Mega Bright has the power, directly or indirectly, to govern the financial and operating policies, so as to obtain benefits from its activities. Investment in a subsidiary is stated at cost less accumulated impairment losses in Mega Bright's balance sheet.

Plant and equipment

Plant and equipment are carried at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is calculated using the straight-line method to write off the cost of each asset over its estimated useful life.

Impairment of non-financial assets other than goodwill

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amounts. An impairment loss is charged to income statement in the period in which it arises.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined, had no impairment loss been recognised for the assets in prior years. A reversal of an impairment loss is credited to the income statement in the period in which it arises.

Financial instruments

Financial assets and liabilities are recognised when the Target Group becomes a party to the contractual provisions of the instrument.

The Target Group's financial assets mainly include loans and receivables. Loans and receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any impairment losses. Any changes in their values are recognised in the income statement.

Derecognition of financial assets occurs when the rights to receive cash flows from the financial assets expire or are transferred and subsequently all of the risks and rewards of ownership have been transferred.

An assessment for impairment is undertaken at least at each balance sheet date whether or not there is objective evidence that a financial asset or a group of financial assets is impaired. Impairment loss on loans and receivables is recognised when there is objective evidence that the Target Group will not be able to collect all the amounts due to it in accordance with the original terms of the receivables. The amount of the impairment loss is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows.

The Target Group's financial liabilities include amount due to a shareholder and other payables. Financial liabilities are initially recognised at fair value, net of transaction costs incurred and subsequently measured at amortised cost using the effective interest method. Financial liabilities are derecognised when the obligation specified in the contract is discharged or cancelled, or expires.

Provisions

Provisions are recognised when a present obligation has arisen as a result of a past event, and it is probable that a future outflow of resources will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

Revenue

Revenue is measured at the fair value of the consideration received or receivable and, where it is probable that the economic benefits will flow to the Target Group and the revenue and costs incurred or to be incurred in respect of the transaction can be measured reliably.

Income taxes

Income tax expense comprises tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes items of income or expense that are never taxable or deductible.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profits will be available against which deductible temporary differences, and the carryforward of unused tax assets and unused tax losses can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to income statement, except where it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Foreign currencies

This Financial Information is presented in Hong Kong dollar, which is Mega Bright's functional currency. The Target Group's subsidiary prepares its financial statements using its functional currency which is Renminbi ("RMB"), the lawful currency in the PRC.

Foreign currency transactions are initially recorded using the functional currency rates ruling at the date of transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates prevailing at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the functional currency rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the functional currency rates at the date when the fair value was determined. Exchange differences arising on settlement of monetary items, and on retranslation of monetary items, are recognised in income statement in the period in which they arise.

The results of foreign operations are translated into Hong Kong dollar at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Balance sheet items are translated into Hong Kong dollar at the exchange rate prevailing at the balance sheet date. The resulting translation differences are recognised directly in a separate component of equity.

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

2. CRITICAL ACCOUNTING JUDGEMENT AND ESTIMATES

The Target Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom exactly equal the related actual results. Key assumptions made by the Target Group concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are as follows:

Impairment of plant and equipment

The Target Group assesses whether there is any indication of impairment of its plant and equipment, in accordance with the relevant accounting policies. The recoverable amounts of plant and equipment have been determined based on value in use calculations. These calculations and valuations require the use of judgement and estimates on future operating cash flows and discount rates adopted.

3. SEGMENT INFORMATION

The Target Group's sole business is manufacturing, processing and sale of packaging and other paper products and the Target Group's expenses, results, assets and capital expenditure are principally attributable to one single geographical region, the PRC. Accordingly, no business or geographical segment information is presented in accordance with HKAS 14 "Segment Reporting".

4. REVENUE

The Target Group did not generate any revenue during the Relevant Period.

5. LOSS BEFORE TAX

Loss before tax is arrived at after charging:

	Period from 5 May 2008 to 31 March 2009 *HK$'000*
Auditors' remuneration	100
Employee benefits expense	–

6. DIRECTORS' REMUNERATION

No directors' remuneration was paid during the Relevant Period. There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Period.

7. TAX

No provision for Hong Kong profits tax and PRC income tax has been made as the Target Group did not generate any assessable profits arising in Hong Kong or the PRC during the Relevant Period.

A reconciliation of the tax expense/(credit) applicable to loss before tax using the statutory rates for the jurisdictions in which Mega Bright and its subsidiary are domiciled to the actual tax expense at the effective tax rate for the Relevant Period is as follows:

	Period from 5 May 2008 to 31 March 2009 *HK$'000*
Loss before tax	(148)
Tax at the statutory tax rates of different jurisdiction	(27)
Expenses not deductible for tax	27
Tax expense at the Target Group's effective tax rate	–

8. LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The consolidated loss attributable to equity holders of the parent include a loss of HK$116,000 for the Relevant Period which has been dealt with in the financial statements of Mega Bright (note 14).

9. INTEREST IN A SUBSIDIARY

	31 March 2009 *HK$'000*
Capital contribution, at cost	7,956
Due from subsidiary	3,500
	11,456

Particulars of the subsidiary are as follows:

Name	**Registered and paid up capital**	**Date and place of establishment and operations**	**Direct attributable equity interest held by Mega Bright**	**Principal activities**
Jining Gangning Paper Co., Ltd. ("Jining Gangning")	US$2,000,000	6 November 2008 The People's Republic of China ("PRC")	51%	Manufacturing, processing and sale of packaging and other paper products

10. PLANT AND EQUIPMENT

	Plant and machinery *HK$'000*
Net carrying amount at beginning of Relevant Period	–
Additions	123,745
Exchange realignment	968
Net carrying amount at end of Relevant Period	124,713
As of 31 March 2009:	
Cost	124,713
Accumulated depreciation	–
Net carrying amount	124,713

11. DUE TO A SHAREHOLDER

The amount due to a shareholder is unsecured, interest-free and repayable on demand. The shareholder has agreed not to demand repayment of any amount owed by Mega Bright until such time as Mega Bright is in a position to repay such amount without impairing its liquidity position.

12. PAYABLE FOR PLANT AND EQUIPMENT

Payable for plant and equipment represents the balance of the purchase price payable by the Target Group for the acquisition of certain production facilities and machinery pursuant to an assets transfer agreement dated 16 January 2009. This payable is unsecured, non-interest bearing and repayable on or before the expiry of an 18-month period from 16 January 2009.

The carrying amount of the payable for plant and machinery approximates its fair value, as the effect of amortisation is not material.

13. SHARE CAPITAL

	31 March 2009
	HK$
Authorized:	
10,000 ordinary shares of HK$1 each	10,000
Issued and fully paid:	
1 ordinary shares of HK$1 each	1

Mega Bright was incorporated in Hong Kong with an authorised capital of HK$10,000, divided into 10,000 ordinary shares of HK$1 each. On incorporation, 1 ordinary share was issued and allotted, for cash at par, to form the capital base of Mega Bright.

14. RESERVES

Target Group

The amounts of the Target Group's reserves and the movements therein for the Relevant Period are presented in the consolidated statement of changes in equity in Section I of this Financial Information.

Mega Bright

	Accumulated losses
	HK$'000
As of 5 May 2008 (date of incorporation of Mega Bright)	–
Loss for the period	(116)
As of 31 March 2009	(116)

15. CAPITAL COMMITMENTS

Target Group

	31 March 2009
	HK$'000
Contracted but not provided for:	
Purchase of land use rights in the PRC	19,274
Purchase of buildings in the PRC	43,082
Purchase of machinery in the PRC	109
	62,465

Mega Bright

	31 March 2009
	HK$'000
Contracted but not provided for:	
Capital injection in a subsidiary	31,824

Pursuant to an amended joint venture agreement dated 21 March 2009, Mega Bright and the minority shareholder of Jining Gangning have agreed to increase the registered capital of Jining Gangning from US$2,000,000 to US$10,000,000. A certificate of approval was issued by the relevant PRC government authority on 23 March 2009 in respect of the increase in registered capital of Jining Gangning. Mega Bright is committed to contributing 51%, or US$4,080,000, of such increased registered capital of Jining Gangning. According to the relevant PRC rules and regulations, 20% of the increased registered capital should be paid up within 30 days from the date of the certificate of approval, i.e. on or before 22 April 2009, subject to extension if approved by the PRC government authority. The remaining 80% of the increased capital should be paid up within 2 years from the date of issue of a new business license. Up to the date of this report, Mega Bright has not paid up the increased registered capital of Jining Gangning. Application had been made to the relevant PRC government authority for an extension of time for payment of the increased registered capital and was approved on 29 April 2009. On 29 April 2009, a new certificate of approval was issued to Jining Gangning, thereby extending the time for paying up its increased registered capital up to 28 May 2009.

16. OPERATING LEASE COMMITMENTS

The Target Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of lands payable as follows:

	31 March 2009
	HK$'000
Within one year	37
In the second to fifth years inclusive	150
After five years	17
	204

17. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Target Group's financial instruments mainly comprise bank balances, due to a shareholder and payable for plant and machinery, the primary purposes of which are to finance the Target Group's capital expenditure requirements. The Target Group does not have written risk management policies and guidelines. The primary risks arising from the Target Group's financial instruments are credit, liquidity, interest rate and foreign currency rates risks which are limited by the Target Group's financial management policies and practices described below.

Credit risk

The Target Group's maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet. The Target Group's credit risk is primarily attributable to cash and bank balances, which amounts were not material as of 31 March 2009, and hence did not expose the Target Group to significant credit risk. None of the Target Group's financial assets are secured by collateral or other credit enhancements.

Interest rate risk

As of 31 March 2009, the Target Group was not exposed to significant interest rate risk, as it had no significant interest-bearing financial assets or financial liabilities. It is considered a reasonably possible change in interest rate in the next twelve months would have an immaterial impact on the Target Group's results and retained earnings. Nor would it have a material impact on the Target Group's other components of equity.

Foreign currency risk

Most of the Target Group's transactions are carried out in RMB which is the functional currency of Jining Gangning. Furthermore, as of 31 March 2009, the Target Group did not have significant forecast transactions or recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. Accordingly, the Target Group does not consider its foreign currency risk to be significant and does not have any foreign currency hedging policies.

Liquidity risk

The Target Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term. As discussed in note 1.2, the Target Group will be able to meet is liquidity requirement by obtaining the continual financial support from a shareholder, and further capital will be injected into Jining Gangning by Mega Bright and a minority shareholder to finance Jining Gangning's capital expenditure and working capital requirements.

The following table details the remaining contractual maturities of the Target Group's and Mega Bright's financial liabilities, based on contractual undiscounted payments, and the earliest date of the Target Group can be required to pay:

	Target Group		Mega Bright
	On demand	**1 – 2 years**	**On demand**
	HK$'000	*HK$'000*	*HK$'000*
As of 31 March 2009			
Due to a shareholder *(note 11)*	11,529	–	11,529
Payable for plant and machinery *(note 12)*	–	105,736	–
	11,529	105,736	11,529

Capital management

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

The capital structure of the Target Group primarily consists of equity attributable to equity holders of the parent and debts, which include the amount due to a shareholder and other payables.

The Target Group reviews the capital structure and makes changes to it, in light of changes in economic conditions. As a part of this view, the Target Group considers the cost of capital and the risks associated with each class of capital, will balance its overall capital structure through new share issues as well as raising new debts or repayment of existing debts.

18. SUBSEQUENT EVENTS

On 10 April 2009, Jining Gangning commenced its paper product manufacturing business.

On 16 January 2009, Jining Gangning entered into a property lease and purchase agreement (as amended by a supplemental agreement dated 14 April 2009, "Property Lease and Purchase Agreement") to purchase two parcels of adjoining land and several buildings where its production facilities are situated for an aggregate consideration of RMB55,000,000 (equivalent to approximately HK$62,356,000). On 30 March 2009, the title of one parcel of the land passed from the vendor to Jining Gangning, whilst the title of the other parcel of the land and the property ownership of the buildings passed to Jining Gangning on 3 April 2009 and 17 April 2009 respectively. Based on the advice of a PRC lawyer, the land and buildings were purchased as a whole by Jining Gangning pursuant to the Property Lease and Purchase Agreement, which has not provided for any subdivision. Therefore, it is considered the acquisition of the land and buildings was not completed until the titles and property ownership for all land and buildings covered by the Property Lease and Purchase Agreement have passed to Jining Gangning. Accordingly, the Property Lease and Purchase Agreement was completed on 17 April 2009. The consideration of RMB55,000,000 is payable by Jining Gangning on or before the expiry of an eighteen-month period from the date of the Property Lease and Purchase Agreement.

19. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for Mega Bright and its subsidiaries in respect of any period subsequent to 31 March 2009.

Yours faithfully,

GC ALLIANCE LIMITED
Certified Public Accountants
9th Floor, Allied Kajima Building
138 Gloucester Road
Wanchai
Hong Kong

Pang Fung Ming
Practising Certificate number P03124

1. RESPONSIBILITY STATEMENT

This circular, for which the directors of the issuer collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the issuer. The directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date were; and following Completion will be as follows:

Authorised:		*HK$*
2,500,000,000	Shares of HK$0.04 each	100,000,000
Issued and fully paid or credited as fully paid:		*HK$*
1,397,945,000	Shares of HK$0.04 each as at the Latest Practicable Date	55,917,800
216,000,000	Consideration Shares to be issued	8,640,000
1,613,945,000	Shares in issue after the Completion	64,557,800

Dealings in securities of the Company may be settled through the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited. Investors should seek the advice of their stockbroker or other professional adviser for details of these settlement arrangements and how such arrangements will affect their rights and interests.

All the Shares in issue and the Consideration Shares to be issued shall rank pari passu in all respects with each other including as regards to dividends, voting and return of capital.

The Shares are listed on the Stock Exchange. No part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

There are no arrangements under which future dividends will be waived or agreed to be waived.

Save as disclosed, no share or loan capital of the Company or any member of the Group has been put under option or agreed conditionally or unconditionally to be put under option and no warrant, derivative or conversion right affecting the Shares has been issued or granted or agreed conditionally or unconditionally to be issued or granted.

Share Option Scheme

The Share Option Scheme was approved and adopted by the Shareholders on 21 August 2006. Under the Share Option Scheme, the Directors are authorized to grant options to the participants of the Group, including any employee, director, adviser, consultant, licensors, distributors, suppliers, agents, customers, joint venture partners, strategic partners and services providers to or of any member of the Group whom the Board considers, in its sole discretion, to have contributed to the Group from time to time, to subscribe for Shares. The total number of Shares in respect of which Options may be granted under the Share Option Scheme is not permitted to exceed 10% of the Shares in issue as at the date of the passing of the shareholders' resolution approving the Share Option Scheme or approving refreshment of the scheme limit thereof, without prior approval from the Shareholders. The number of Shares in respect of which Options may be granted to any individual is not permitted to exceed 1% of the issued share capital of the Company for the time being, without prior approval from the Shareholders.

As at the Latest Practicable Date, certain Directors and employees of the Company held Options granted to them under the Share Option Scheme entitling them to subscribe for the Shares, details of which are set out below:

Grantee	Date of grant	Exercise period	Exercise price per share *HK$*	Outstanding as at the Latest Practicable Date
Directors				
Wong Kam Leong	09/05/08	09/05/08 to 08/05/18	0.192	6,750,000
	18/05/09	18/05/09 to 17/05/19	0.168	750,000
	01/09/09	01/09/09 to 31/08/19	0.160	750,000
	30/03/10	30/03/10 to 29/03/20	0.286	3,000,000
Hu Dongguang	30/03/10	30/03/10 to 29/03/20	0.286	11,000,000
Wu Bingxiang	01/09/09	01/09/09 to 31/08/19	0.160	8,200,000
	30/03/10	30/03/10 to 29/03/20	0.286	2,000,000
Zhang Chi	31/12/08	31/12/08 to 30/12/18	0.140	6,500,000
Ng Kwok Chu, Winfield	20/02/08	20/02/08 to 19/02/18	0.244	250,000
	02/05/08	02/05/08 to 01/05/18	0.196	250,000
Ng Chau Tung, Robert	20/02/08	20/02/08 to 19/02/18	0.244	250,000
	02/05/08	02/05/08 to 01/05/18	0.196	250,000
Tse Ching Leung	01/09/09	01/09/09 to 31/08/19	0.160	700,000
				40,650,000

Grantee	Date of grant	Exercise period	Exercise price per share *HK$*	Outstanding as at the Latest Practicable Date
Employees	20/02/08	20/02/08 to 19/02/18	0.244	3,500,000
	22/02/08	22/02/08 to 21/02/18	0.248	500,000
	02/05/08	02/05/08 to 01/05/18	0.196	4,500,000
	09/05/08	09/05/08 to 08/05/18	0.192	507
	18/05/09	18/05/09 to 17/05/19	0.168	750,000
	01/09/09	01/09/09 to 31/08/19	0.160	8,750,000
	30/03/10	30/03/10 to 29/03/10	0.286	5,000,000
				23,000,507
Other Eligible Persons	09/05/08	09/05/08 to 08/05/18	0.192	25,000,000
	17/09/08	17/09/08 to 16/09/18	0.202	13,500,000
	01/09/09	01/09/09 to 31/08/19	0.160	8,000,000
				46,500,000
Total				**110,150,507**

3. DISCLOSURE OF DIRECTORS' INTERESTS

(i) Directors' Interests

As at the Latest Practicable Date, the interests or short positions of the Directors and the chief executive of the Company in the Shares or underlying Shares or debentures of the Company or 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 were required, pursuant to section 352 of the SFO, to be entered in the register of the Company referred to therein or 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 were as follows:

(a) Directors' interests or short positions in the Shares:

Name of directors	Type of interest	Number of ordinary shares in the Company	Percentage of shareholdings
Wong Kam Leong	Corporate interest *(Note 1)*	248,125,000	17.75%
Zhang Chi	Beneficial interest	36,350,000	2.60%

Note:

1. As at the Latest Practicable Date, Wide Fine International Limited ("Wide Fine") is the beneficial owner of 248,125,000 Shares. Mr. Wong Kam Leong is the sole beneficial owner of Wide Fine and is deemed to be interested in the Shares held by Wide Fine.

The interests of the Directors or chief executive of the Company, and their respective associates, in the underlying Shares which may be issued pursuant to exercise of the Options granted to the Directors by the Company are set out in the paragraph headed "Directors' interests in share options of the Company" below.

(b) Directors' interests in share options of the Company

As at the Latest Practicable Date, the interests of the Directors or chief executive of the Company, and their respective associates, in the underlying Shares which may be issued pursuant to exercise of the Options are as follows:

Directors	**Date of grant**	**Exercise period**	**Exercise price per share** *HK$*	**Outstanding as at the Latest Practicable Date**
Wong Kam Leong	09/05/08	09/05/08 to 08/05/18	0.192	6,750,000
	18/05/09	18/05/09 to 17/05/19	0.168	750,000
	01/09/09	01/09/09 to 31/08/19	0.160	750,000
	30/03/10	30/03/10 to 29/03/20	0.286	3,000,000
Hu Dongguang	30/03/10	30/03/10 to 29/03/20	0.286	11,000,000
Wu Bing Xiang	01/09/09	01/09/09 to 31/08/19	0.160	8,200,000
	30/03/10	30/03/10 to 29/03/20	0.286	2,000,000
Zhang Chi	31/12/08	31/12/08 to 30/12/18	0.140	6,500,000
Ng Kwok Chau Winfield	20/02/08	20/02/08 to 19/02/18	0.061	250,000
	02/05/08	02/05/08 to 01/05/18	0.049	250,000
Ng Chau Tung Robert	20/02/08	20/02/08 to 19/02/18	0.061	250,000
	02/05/08	02/05/08 to 01/05/18	0.049	250,000
Tse Ching Leung	01/09/09	01/09/09 to 31/08/19	0.160	700,000
				40,650,000

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning 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 any interests and short positions which he was 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.

(c) Service contracts

None of the Directors had any existing or proposed service contracts with any member of the Enlarged Group or any associated company of the Company which does not expire or is not determinable by the Enlarged Group within one year without payment of compensation, other than statutory compensation as at the Latest Practicable Date.

(d) Competing interest

As at the Latest Practicable Date, in so far as the Directors are aware, none of the Directors or controlling shareholders (as defined in the GEM Listing Rules) or substantial shareholder or any of their respective associates had any interest in a business which competes or is likely to compete with the business of the Group.

(ii) Substantial Shareholders' Interests

So far as is known to the Directors, as at the Latest Practicable Date, the following persons (not being Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO and Section 336 of the SFO, or, who were or were expected, directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Name of substantial Shareholder	Number of ordinary shares of the Company held	Percentage of issued share capital of the Company
Wide Fine International Limited *(Note)*	248,125,000	17.75%

Note: As at the Latest Practicable Date, Wide Fine is the beneficial owner of 248,125,000 Shares. Mr. Wong Kam Leong is the sole beneficial owner of Wide Fine and is deemed to be interested in Shares held by Wide Fine.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other person (other than the Directors and the chief executive of the Company) who had, or was deemed to have, interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO and section 336 of the SFO or, was, directly or indirectly, interested in 10% or more of the nominal value of the issued share capital carrying rights to vote in all circumstances at general meeting of any other member of the Group.

Save as disclosed above, so far as is known to the Directors or the chief executive of the Company, no Director is a director or employee of any company which has an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

4. LITIGATION

The Enlarged Group had the following material outstanding litigations at the Latest Practicable Date:

i. a District Court action was commenced by a customer against a subsidiary of the Group in respect of claims for damages of HK$784,320 and a return of service price of HK$10,080 paid by the customer, and interests thereon, by reason of that subsidiary's repudiatory breach of a certain computer software implementation and maintenance contract and total failure of consideration and/or money had and received. On 3 December 2008, the subsidiary of the Group filed a defence and counterclaim for services provided of HK$76,000 and interest thereon.

ii. a small claims tribunal action was commenced by a customer against a subsidiary of the Group in respect of a claim for refund of HK$30,000 and costs under a certain service agreement.

No settlement has been reached for the above actions mentioned in (i) and (ii) above up to the Latest Practicable Date and no judgment has yet been made against the above-mentioned subsidiary of the Enlarged Group in respect of these claims. As of the Latest Practicable Date, it is not possible to estimate the eventual outcome of these claims with reasonable certainty at the current stage. The Directors are of the opinion that the above-mentioned subsidiary of the Enlarged Group has valid defence and consider the claims mentioned in (i) and (ii) above would not have material adverse impact to the financial position of the Enlarged Group.

Save as disclosed herein, neither the Company nor any other members of the Enlarged Group was engaged in any litigation or arbitration of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Enlarged Group as at the Latest Practicable Date.

5. DIRECTORS' INTEREST IN ASSETS, CONTRACT OR ARRANGEMENT

None of the Directors had any direct or indirect interest in any assets which have been, since 31 March 2009 (being the date to which the latest published audited consolidated financial statements of the Group were made up) and up to the Latest Practicable Date, acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Englarged Group. As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Enlarged Group and subsisting at the Latest Practicable Date which was significant in relation to the business of the Enlarged Group.

6. EXPERTS AND CONSENTS

The followings are the qualifications of the experts who have given opinion and advice, which is contained in this circular:

Name	Qualifications
AGCA CPA Limited	Certified Public Accountants
Guangdong Fasheng Law Firm	Legal advisors to the PRC Laws
LCH (Asia-Pacific) Surveyors Limited	Professional Surveyor
CSC Asia	A corporation licensed under the SFO to carry out type 6 (advising on corporate finance) regulated activities under the SFO

AGCA CPA Limited, Guangdong Fasheng Law Firm, LCH (Asia-Pacific) Surveyors Limited and CSC Asia have given and have not withdrawn their written consent to the issue of this circular with the inclusions of their respective letters and references to their names in the form and context in which they appear.

7. EXPERT'S INTEREST IN ASSETS

As at the Latest Practicable Date, AGCA CPA Limited, Guangdong Fasheng Law Firm, LCH (Asia-Pacific) Surveyors Limited and CSC Asia:

(a) were not interested, directly or indirectly, in any assets which have been acquired or disposed of by or leased to an member of the Enlarged Group or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group since 31 March 2009, being the date to which the latest published audited accounts of the Company were made up; and

(b) did not have any shareholding interest in any member of the Enlarged Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Enlarged Group.

8. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by the members of the Enlarged Group within the two years immediately preceding the Latest Practicable Date:

(a) the letter of confirmation dated 1 June 2010 entered into between the Vendor, the BVI company and the Purchaser in relation to the Acquisition Agreement, whereby the Vendor undertakes to inject such capital into the Joint Venture Company up to an amount of US$17 million and the consideration for the Acquisition includes the purchase of a shareholder's loan has arisen or will arise between the Vendor and the BVI Company;

(b) the Master Agreement;

(c) the Acquisition Agreement;

(d) the Patent Licence Agreement;

(e) the subscription agreement entered into between the Company and Mr. Keung Kam Wing Vincent and Ms. Li Hong and Mr. Peng Hanzhi and Mr. Fan Ming on 16 April 2010, to subscribe for 104,390,000 shares of the Company at an aggregate consideration of HK$22,965,800;

(f) the supplemented agreement entered into between the BVI Company and the PRC Partner dated 22 March 2010 to increase the total investment in Joint Venture Company from US$1 million to US$30 million and to increase its registered capital from US$1 million to US$17 million;

(g) the subscription agreement entered into between the Company and Ms. Li Meilang and Mr. Tong Feng and Ms. Pan Jianling on 10 February 2010, to subscribe for 159,110,000 shares of the Company at an aggregate consideration of HK$35,004,200;

(h) the joint venture agreement entered into between BVI Company and the PRC Partner on 28 December 2009 in relation to the formation of the Joint Venture Company, pursuant to which the PRC Partner and the BVI company agreed to provide the registered capital of US$1 million in the proportion of 40% and 60% respectively;

(i) the subscription agreement entered into between the Company and Wide Fine International Ltd. and Mr. Zhang Chi on 16 November 2009 to subscribe for 70,000,000 shares of the Company at an aggregate consideration of HK$14,000,000;

(j) the subscription agreement entered into between the Company and Mr. Fang Daliang and Ms. Li Meilang and Ms. Li Hong and Mr. Chan Sheung Wai and Mr. Iam Sio Kuan and Mr. Chan Kai Tai on 16 November 2009 to subscribe for 154,000,000 shares of the Company at an aggregate consideration of HK$30,800,000;

(k) the subscription agreement entered into between the Company and More Rich (Asia) Investment Limited and Ms. Liang Xiaomin on 3 August 2009 to subscribe for 260,000,000 shares of the Company at an aggregate consideration of HK$10,400,000;

(l) the subscription agreement entered into between the Company and Mr. Tong Jian on 19 June 2009 to subscribe for convertible note in a principal amount of HK$15,000,000;

(m) the letter of confirmation dated 17 April 2009 entered into between Glory Smile Enterprises Limited, Mr. Chook Hong Shee and Mega Bright Investment Development Limited in relation to the acquisition of 100% equity interest in Mega Bright Investment Development Limited,whereby parties to the share transfer agreement dated 10 February 2009 confirmed with Mega Bright Investment Development Limited that the consideration for the acquisition of the 100% equity interest in Mega Bright Investment Development Limited includes the purchase of a shareholder's loan of approximately HK$11 million;

(n) the assets transfer agreement as supplemented by a supplemental agreement entered into between Jining Gangning Paper Co. Ltd. and a paper manufacturing company situated in Shandong Province in the PRC on 14 April 2009 in relation to the extension of deadline for making payment of the consideration of RMB128,000,000 regarding the acquisition of assets (including inventory, machinery and equipments) to 18 months upon signing of the assets transfer agreement (i.e. 16 July 2010) and the vendor under the assets transfer agreement should be legally deregistered within 18 months upon the completion of the assets acquisition;

(o) the property lease and purchase agreement as supplemented by a supplemental agreement entered into between Jining Gangning Paper Co. Ltd. and an individual investor on 14 April 2009 in relation to the extension of deadline for making payment of the consideration of RMB55,000,000 regarding the acquisition of assets (including land use right and buildings) to 18 months upon signing of the assets transfer agreement (i.e. 16 July 2010);

(p) the supplemental agreement dated 30 March 2009 entered into between Glory Smile Enterprises Limited and Mr. Chook Hong Shee in relation to the acquisition of 100% equity interest in Mega Bright Investment Development Limited;

(q) the amendment agreement dated 21 March 2009 relating to, among other things, the increase of the registered capital and the total investment of the Jining Gangning Paper Co. Ltd., from USD2 million and USD2.8 million respectively, to USD10 million and USD25 million, to be undertaken by the shareholders of the Jining Gangning Paper Co. Ltd. on a pro-rata basis according to their respective shareholding interests; the increase of registered capital to be completed within 2 years after the issuance of the enterprise licence of the Jining Gangning Paper Co. Ltd.;

(r) the sale and purchase agreement entered into between Cherry Oasis (Far East) Limited, a direct wholly-owned subsidiary of the Company, and Mr. Cheung Tze Lin Aston and Mr. Wong Wai Man Raymond on 6 March 2009 in relation to the purchase of 5,500,000 ordinary shares of HK$1.00 each of Success Finance Limited, representing 10% of the issued share capital of Success Finance Limited, at HK$5,500,000;

(s) the subscription agreement entered into between the Company and More Rich (Asia) Investment Limited and Mr. Tong Jian on 24 February 2009 to subscribe for 169,232,000 shares of the Company at an aggregate consideration of HK$11,000,080;

(t) the share transfer agreement dated 10 February 2009 entered into between Glory Smile Enterprises Limited and Mr. Chook Hong Shee in relation to the acquisition of 100% equity interest in Mega Bright Investment Development Limited; and

(u) the joint venture agreement entered into between Jining Haoyoan Paper Co. Ltd. and Mega Bright Investment Development Limited on 23 October 2008 in relation to the formation of the Jining Gangning Paper Co. Ltd.

9. GENERAL

(a) The registered office of the Company is at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda and the head office and principal place of business of the Company is at 26/F, EIB Centre, 40-44 Bonham Strand, Sheung Wan, Hong Kong.

(b) The Company's Hong Kong branch share registrar and transfer office in Hong Kong is Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(c) The qualified accountant and company secretary of the Company is Mr. Yeung Shun Kee, who is an associate member of the Hong Kong Institute of Certified Public Accountants.

(d) The compliance officer of the Company is Mr. Wong Kam Leong, the Chairman of the Company.

(e) The English language text of this circular shall prevail over the Chinese language text in case of inconsistency.

(f) The Company established an audit committee with written terms of reference in compliance with the requirements as set out in Rules 5.28 and 5.33 of the GEM Listing Rules. The primary duties of the audit committee are to review and to provide supervision over the financial reporting process and internal control system of the Group. The audit committee of the Company comprises of the independent non-executive Directors, namely, Mr. Ng Kwok Chu, Winfield, Mr. Ng Chau Tung, Robert, and Mr. Tse Ching Leung. Their particulars are as below:

Mr. Ng Kwok Chu, Winfield

An independent non-executive Director and a member of audit committee of the Company, aged 50, Mr. Ng was appointed by the Company on 3 January 2006. Mr. Ng has over 20 years consumer and commercial finance experiences in the markets of Hong Kong and the People's Republic of China. He is currently the executive director of Sino Prosper State Gold Resources Holdings Ltd., a company listed on the Main Board of the Stock Exchange, and the executive director of China Metal Resources Holdings Limited, a company listed on the GEM Board of the Stock Exchange.

Mr. Ng Chau Tung, Robert

An independent non-executive Director and a member of audit committee of the Company, aged 53, Mr. Ng was appointed by the Company on 3 January 2006. Mr. Ng is currently the chief executive officer of a private company, which mainly involves in financial arrangement of new general energy development and trading. Mr. Ng holds a Bachelor of Business Administration from The Chinese University of Hong Kong. He is also the member of the Institute of Financial Accountant (U.K.) and the Registered Financial Planner. Mr. Ng has over 20 years experience in the banking sector. He was also the chairman of the Hong Kong Equipment Leasing Association, and an independent nonexecutive committee member of the Finance House Association and the Hong Kong Deposit Taking Company Association. Mr. Ng did not hold any directorship in any listed company in the past three years before the date of this circular.

Mr. Tse Ching Leung

An independent non-executive Director and a member of audit committee of the Company, aged 36, Mr. Tse was appointed by the Company on 1 September 2009. Mr. Tse holds an accounting degree in The City University of Hong Kong and has more than 10 years experience in professional auditing, accounting and financial management. He is the financial controller and company secretary of Sau San Tong Holdings Limited, a company listed on GEM of The Stock Exchange of Hong Kong Limited. Mr. Tse is an associate member of Hong Kong Institute of Certified Public Accountants.

10. MATERIAL ADVERSE CHANGE

Saved as disclosed herein, the Directors, as at the Latest Practicable Date, are not aware of any material adverse change in the financial position or trading position of the Group since 31 March 2009, being the date to which the latest published audited consolidated financial statements of the Group were made up.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the place of business of the Company at 26/F, EIB Centre, 40-44 Bonham Strand, Sheung Wan, Hong Kong during office hours from the date of this circular up to the date of the special general meeting of the Company to be held on 5 July 2010 to consider and approve the Acquisition Agreement and the transactions contemplated thereunder and the Continuing Connected Transactions:

(a) the memorandum and articles of association of the Company;

(b) the material contracts referred to in the paragraph headed "Material Contracts" to this Appendix;

(c) the annual reports of the Group for the two years ended 31 March 2009, the interim report for the six months ended 30 September 2009 and the quarterly report for the nine months ended 31 December 2009;

(d) the accountants' report on the Target Group from AGCA CPA Limited, the text of which is set out in Appendix II to this circular;

(e) the report on unaudited pro forma financial information of the Enlarged Group regarding the Acquisition as set out in Appendix III of this circular;

(f) the written consents referred to in paragraph headed "Experts and Consents" to this Appendix; and

(g) the copy of each circular issued pursuant to the requirements set out in Chapters 19 and/or 20 which has been issued since 31 March 2009.

LONG SUCCESS INTERNATIONAL (HOLDINGS) LIMITED
百 齡 國 際（控 股）有 限 公 司*

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

NOTICE IS HEREBY GIVEN that a special general meeting of Long Success International (Holdings) Limited (the "Company") will be held at the Function Room of Macau Jockey Club, 1/F China Merchants Tower, Shun Tak Centre, 200 Connaught Road Central, Hong Kong at 11:00 a.m. on Monday, 5 July 2010 for the purpose of considering, and if thought fit, passing the following resolutions (with or without modifications) as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. "**THAT**

(i) the Acquisition Agreement (as defined in the circular dated 17 June 2010 despatched to the shareholders of the Company (the "Circular")), a copy of which has been produced to this meeting marked "A" and signed by the Chairman hereof for the purpose of identification, and all the transactions contemplated thereunder, including but not limited to the issue of and the issue and allotment of 216,000,000 new shares of the Company at HK$0.3009 each to the Vendor and/or his nominee(s) in partial settlement of the consideration under the Acquisition Agreement, be and are hereby approved, confirmed and ratified; and

(ii) the directors of the Company be and are hereby authorized to sign, execute, perfect, deliver and do all such documents, deeds, acts, matters and things, as the case may be, as they may in their discretion consider necessary desirable or expedient to carry and implement the Acquisition Agreement (as defined in the Circular) and all the transactions contemplated thereunder into full effect."

2. "**THAT**

(i) the Master Agreement (as defined in the Circular) dated 26 May 2010 entered into between the Joint Venture Company (as defined in the Circular) (as the supplier) and the PRC Partner (as defined in the Circular) (as the purchaser) pursuant to which the Joint Venture Company will supply biodegradable materials and its related products to the PRC Partner on an ongoing basis, a copy of which is produced to the meeting marked "A" and initialed by the chairman of the meeting for identification purpose, and the transactions (including the Continuing Connected Transaction (as defined in the Circular)) thereunder be and are hereby confirmed, approved and ratified, and any one director of the Company be and is hereby authorised to take such actions and execute such documents as he may consider necessary or desirable to carry out and complete the transactions thereunder; and

* *for identification purpose only*

(ii) the proposed aggregate Annual Caps (as defined in the Circular) for the supply of the Products (as defined in the Circular) under the Master Agreement for each of the three years: (1) 1st year; (2) 2nd year; and (3) 3rd year are HK$350 million, HK$1,000 million and HK$1,000 million, respectively, be and are hereby approved."

By order of the Board
Long Success International (Holdings) Limited
Wong Kam Leong
Chairman

Hong Kong, 17 June 2010

Notes:

1. Every member entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not be a member of the Company.

2. To be valid, a form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority must be deposited at the branch share registrar of the Company, Computershare Hong Kong Investor Services Limited, the share registrars of the Company in Hong Kong at 17M Floor, Hopewell Centre, 183 Queen's Road Central, Hong Kong not less than 48 hours before the time appointed for the holding of such meeting or any adjournment thereof.

3. A form of proxy for use at the meeting is enclosed. Whether or not you are able to attend the meeting in person, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon.

4. Completion and delivery of the form of proxy will not preclude members from attending and voting in person at the meeting or any adjournment thereof should they so wish, and in such event, the form of proxy will be deemed to be revoked.

5. Where there are joint registered holders of any share(s) of the Company, any one of such joint holders may attend and vote at the meeting, either in person or by proxy, in respect of such share(s) as if he/she were solely entitled thereto, but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present whose name stands first on the register in respect of such share shall alone be entitled to vote in respect thereof.