LONG SUCCESS INTERNATIONAL (HOLDINGS) LIMITED

百齡國際(控股)有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 8017)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2012

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

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

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

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

* *For identification purpose only*

The Board of Directors (the "Board") of the Company is pleased to announce the audited consolidated financial results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2012, together with the comparative audited figures for the year ended 31 March 2011, as follows:

Consolidated Statement of Comprehensive Income
For the year ended 31 March 2012

	Note	**2012** *HK$'000*	2011 *HK$'000*
Revenue	3	**241,220**	288,970
Cost of sales		**(217,721)**	(262,012)
Gross profit		**23,499**	26,958
Other income and net gains		**34,722**	7,781
Selling expenses		**(882)**	(817)
Administrative expenses		**(67,737)**	(52,018)
Operating loss		**(10,398)**	(18,096)
Finance costs	4	**(23,924)**	(18,129)
Impairment loss on goodwill		**(20,556)**	–
Loss before taxation	5	**(54,878)**	(36,225)
Income tax	6	**3,043**	(267)
Loss for the year from continuing operations		**(51,835)**	(36,492)
Discontinued operations			
Profit for the year from discontinued operations		**–**	8,212
Loss for the year		**(51,835)**	(28,280)

	Note	2012 HK$'000	2011 HK$'000
Other comprehensive income			
Exchange differences on translating foreign operations			
– Exchange difference arising during the year		**18,688**	12,195
– Reclassification adjustments upon disposal of subsidiaries		**–**	(184)
		18,688	12,011
Total comprehensive loss for the year		**(33,147)**	(16,269)
Loss for the year			
Attributable to:			
Owners of the Company		**(42,774)**	(26,870)
Non-controlling interests		**(9,061)**	(1,410)
		(51,835)	(28,280)
Total comprehensive loss for the year			
Attributable to:			
Owners of the Company		**(32,332)**	(18,276)
Non-controlling interests		**(815)**	2,007
		(33,147)	(16,269)
Loss per share attributable to owners of the Company	8		(Restated)
From continuing and discontinued operations			
– Basic (HK cents per share)		**(31.78)**	(35.32)
– Diluted (HK cents per share)		**(31.78)**	(35.32)
From continuing operations			
– Basic (HK cents per share)		**(31.78)**	(46.11)
– Diluted (HK cents per share)		**(31.78)**	(46.11)

Consolidated Statement of Financial Position
As at 31 March 2012

	Note	**2012** **HK$'000**	2011 HK$'000
Non-current assets			
Property, plant and equipment		**228,182**	180,972
Prepaid lease payments		**19,169**	19,081
Goodwill		**116,725**	151,070
Intangible assets		**234,171**	244,445
Available-for-sale financial asset		**180**	180
Derivative financial asset		**19,630**	–
Deposit for acquisition for property, plant and equipment		**73,148**	59,532
Loans receivable		**247**	–
Total non-current assets		**691,452**	655,280
Current assets			
Loans receivable		**5,233**	2,539
Inventories		**40,314**	21,097
Trade receivables	10	**9,190**	11,794
Prepayment, deposits and other receivables		**115,409**	105,066
Pledged bank deposits		**101,727**	45,854
Cash and cash equivalents		**7,938**	24,605
Total current assets		**279,811**	210,955
Current liabilities			
Trade payables	11	**12,165**	19,004
Other payables	11	**82,454**	76,818
Bank acceptance note payables		**156,698**	65,505
Current portion of interest-bearing loans		**83,680**	43,395
Convertible bonds		**–**	16,603
Convertible note		**–**	36,135
Derivative financial liabilities		**–**	49,268
Bond payable		**95,459**	–
Provision for taxation		**899**	884
Total current liabilities		**431,355**	307,612
Net current liabilities		**(151,544)**	(96,657)
Total assets less current liabilities		**539,908**	558,623

	2012	2011
	HK$'000	*HK$'000*
Non-current liabilities		
Interest-bearing loans	**–**	6,922
Deferred tax liabilities	**47,890**	50,022
Total non-current liabilities	**47,890**	56,944
NET ASSETS	**492,018**	501,679
CAPITAL AND RESERVES		
Share capital	**1,572**	104,958
Share premium and reserves	**366,787**	272,247
Equity attributable to owners of the Company	**368,359**	377,205
Non-controlling interests	**123,659**	124,474
TOTAL EQUITY	**492,018**	501,679

Statement of Financial Position
As at 31 March 2012

	Note	2012 HK$'000	2011 HK$'000
Non-current assets			
Interests in subsidiaries		**1**	1
Amounts due from subsidiaries		**499,624**	501,271
Total non-current assets		**499,625**	501,272
Current assets			
Prepayment, deposits and other receivables		**54**	5
Cash and cash equivalents		**2,675**	12,587
Total current assets		**2,729**	12,592
Current liabilities			
Other payables	11	**4,182**	2,329
Convertible bonds		**–**	16,603
Convertible note		**–**	36,135
Derivative financial liabilities		**–**	49,268
Bond payable		**95,459**	–
Interest-bearing loan		**3,000**	–
Total current liabilities		**102,641**	104,335
Net current liabilities		**(99,912)**	(91,743)
Total assets less current liabilities		**399,713**	409,529
Non-current liability			
Amount due to a subsidiary		**37,135**	41,635
Total non-current liabilities		**37,135**	41,635
NET ASSETS		**362,578**	367,894
CAPITAL AND RESERVES			
Equity attributable to owners of the Company			
Share capital		**1,572**	104,958
Share premium and reserves		**361,006**	262,936
TOTAL EQUITY		**362,578**	367,894

Consolidated Statement of Changes in Equity

For the year ended 31 March 2012

	Attributable to owners of the Company											
	Share capital *HK$'000*	Share premium *HK$'000*	Merger reserve *HK$'000*	Exchange reserve *HK$'000*	Share option reserve *HK$'000*	Warrants reserve *HK$'000*	Convertible bonds equity reserve *HK$'000*	Accumulated losses *HK$'000*	Statutory reserve *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total equity *HK$'000*
At 1 April 2010	45,378	201,875	(341)	3,673	13,637	–	7,439	(120,877)	–	150,784	41,711	192,495
Loss for the year	–	–	–	–	–	–	–	(26,870)	–	(26,870)	(1,410)	(28,280)
Other comprehensive income												
Exchange difference arising during the year	–	–	–	8,778	–	–	–	–	–	8,778	3,417	12,195
Reclassification adjustment upon disposal of subsidiaries	–	–	–	(184)	–	–	–	–	–	(184)	–	(184)
Total comprehensive loss for the year	–	–	–	8,594	–	–	–	(26,870)	–	(18,276)	2,007	(16,269)
Issue of shares upon exercise of share options	1,440	7,422	–	–	(2,934)	–	–	–	–	5,928	–	5,928
Placing of new shares	49,500	156,355	–	–	–	–	–	–	–	205,855	–	205,855
Released upon disposal of subsidiaries	–	–	341	–	–	–	–	–	–	341	(389)	(48)
Issue of shares upon acquisition of a new subsidiary	8,640	20,952	–	–	–	–	–	–	–	29,592	–	29,592
Share issuance expenses	–	(3,404)	–	–	–	–	–	–	–	(3,404)	–	(3,404)
Acquisition of a new subsidiary	–	–	–	–	–	–	–	–	–	–	66,056	66,056
Cancellation of convertible bonds	–	–	–	–	–	–	(4,092)	1,117	–	(2,975)	–	(2,975)
Issue of unlisted warrants	–	–	–	–	–	1,500	–	–	–	1,500	–	1,500
Equity-settled share-based payments	–	–	–	–	7,860	–	–	–	–	7,860	–	7,860
Transfer to statutory reserve	–	–	–	–	–	–	–	(792)	792	–	–	–
Contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	–	15,089	15,089
At 31 March 2011	104,958	383,200(#)	–(#)	12,267(#)	18,563(#)	1,500(#)	3,347(#)	(147,422)(#)	792(#)	377,205	124,474	501,679

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

(#) As at 31 March 2012, the aggregate amount of share premium and reserves was HK$366,787,000 (2011: HK$272,247,000).

Notes:

1. GENERAL INFORMATION

Long Success International (Holdings) Limited ("the Company") is an exempted company incorporated in Bermuda with limited liability and its shares are listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of its registered office 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 (i) manufacturing and sales of paper products, (ii) money-lending business and (iii) biodegradable materials manufacturing business.

Basis of preparation

The Group incurred loss for the year ended 31 March 2012 of approximately HK$51,835,000 and as of that date, the Group's and the Company's current liabilities exceeded its current assets by HK$151,544,000 and HK$99,912,000 respectively. In addition, the Company received redemption notice on 17 November 2011 from the noteholder requesting for the redemption of the convertible note with original principal amount of RMB70,000,000 and its accreted portion, together with the accrued but unpaid interest. In accordance with the relevant terms and conditions of the note instrument of the convertible note, the said amount has been due for repayment since December 2011 and remained unsettled up to the date of approval of the financial statements. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's and the Company's ability to continue as a going concern.

The directors of the Company have been taking active steps to improve the liquidity position of the Group. These steps included (1) In relation to redemption of convertible note with original principal amount of RMB70,000,000 and its accreted portion, together with the accrued but unpaid interest, the Company had, subsequent to the reporting period, entered into a subscription agreement with an independent third party for the issuance of convertible bonds with a principal amount of HK$100,000,000 which the proceed is strictly restricted to be used for the redemption of the said convertible note. This subscription agreement was approved by the Company's shareholders at the Company's special general meeting held on 13 June 2012. The subscription is yet to be completed up to the date of approval of the financial statements; (2) one of the substantial shareholders has confirmed his intention and ability to provide continuing financial support to the Group so as to enable it to meet its liabilities as and when they fall due and to carry on its business for the foreseeable future; (3) the directors of the Company are considering various alternatives to strengthen the capital base of the Company through various fund raising exercises, including but not limit to, private placement, open offer or rights issue of new shares of the Company; and (4) the directors of the Company continue to take action to tighten cost controls over various operating expenses, with an aim to attaining profitable and positive cash flow operations.

In light of the measures and arrangements as described above and with reference to a cash flow forecast in relation to the current business and financing plans of the Group, the directors are confident that the Group will have sufficient working capital to meet its financial obligation as and when they fall due. Accordingly, the directors are of the opinion that it is appropriate to prepare the consolidated financial statements on a going concern basis. The consolidated financial statements do not include any adjustments relating to the carrying amount and reclassification of assets and liabilities that might be necessary should the Group be unable to continue as a going concern.

The consolidated financial statements for the year ended 31 March 2012 comprise the Company and its subsidiaries (together referred to as the "Group").

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to the entity. The financial statements are presented in Hong Kong dollars ("HK$"), rounded to the nearest thousand except for loss per share data. Hong Kong dollar is the Company's functional and the Group's presentation currency.

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

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

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

Judgements made by management in the application of HKFRSs that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in the financial statements.

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

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

Amendments to HKFRSs	Improvements to HKFRSs issued in 2010
HKAS 24 (as revised in 2009)	Related Party Disclosures
Amendments to HK(IFRIC) – Int 14	Prepayments of a Minimum Funding Requirement
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments

Except as described below, the application of the new and revised HKFRSs in the current year has had no material effect on the Group's financial performance and positions for the current and prior accounting periods and/or on the disclosures.

Improvements to HKFRSs issued in 2010

Improvements to HKFRSs issued in 2010 omnibus standard introduces a number of amendments to the disclosure requirements in HKFRS 7 Financial instruments: Disclosures. The disclosures about the Group's and the Company's financial instruments have conformed to the amended disclosure requirements. These amendments do not have any material impact on the classification, recognition and measurements of the amounts recognised in the financial statements in the current and previous periods.

HKAS 24 Related Party Disclosures (as revised in 2009)

HKAS 24 (as revised in 2009) has been revised on the following two aspects: (a) HKAS 24 (as revised in 2009) has changed the definition of a related party and (b) HKAS 24 (as revised in 2009) introduces a partial exemption from the disclosure requirements for government-related entities.

The Company and its subsidiaries are not government-related entities. The accounting policy for related parties has been revised to reflect the changes in the definitions of related parties under the revised standard. The adoption of the revised standard did not have any impact on the financial position or performance of the Group.

The Group has not applied any new and revised standard or interpretation that have been issued but are not yet effective for the current accounting period.

3. REVENUE

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

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

	2012	2011
	HK$'000	*HK$'000*
Continuing operations		
Sales of package and paper products	**238,937**	288,237
Sales of biodegradable products	**953**	–
Interest and handling fee income from money-lending operation	**1,330**	733
	241,220	288,970

4. FINANCE COSTS

	2012	2011
	HK$'000	*HK$'000*
Continuing operations		
Interest on bank borrowings wholly repayable within five years	**8,994**	7,469
Interest on promissory notes	**–**	1,995
Imputed interest on convertible bonds	**1,397**	5,407
Interest charged on bond payable	**3,091**	–
Interest charged on convertible note	**10,442**	3,258
Total interest expense on financial liabilities not at fair value through profit or loss	**23,924**	18,129

5. LOSS BEFORE TAXATION

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

	2012	2011
	HK$'000	*HK$'000*
Continuing operations		
Auditor's remuneration		
– Provision for the year	**1,421**	1,562
– (Over)-provision for previous year	**(69)**	–
Costs of inventories sold included in costs of sales	**217,721**	262,012
Amortisation of prepaid lease payments	**551**	480
Amortisation of intangible assets	**19,062**	9,116
Depreciation of property, plant and equipment	**20,509**	16,493
Fair value change on derivative financial asset	**(19,630)**	–
Fair value change on derivative financial liabilities	**(7,400)**	(1,205)
(Gain) on extinguishment of convertible bonds	**–**	(1,268)
Loss on redemption of convertible note	**7,785**	–
Impairment loss on goodwill	**20,556**	–
Impairment loss on property, plant and equipment	**1,031**	–
Loss on disposal of property, plant and equipment	**–**	337
Exchange loss	**1,539**	1,927
Minimum lease payments under operating leases in respect of leased premises	**3,833**	2,315
Staff costs including directors' emoluments		
– Contributions to defined contribution retirement plan	**1,488**	972
– Equity-settled share-based payment expenses	**2,888**	5,319
– Salaries, wages and other benefits	**19,720**	15,731
	24,096	22,022

6. INCOME TAX IN THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

	2012	2011
	HK$'000	*HK$'000*
Continuing operations		
Current tax – provision for current year:		
– Hong Kong	**–**	–
– PRC	**816**	1,231
Current tax – under-provision in previous year:		
– Hong Kong	**10**	–
– PRC	**62**	982
Deferred tax		
– Credited to consolidated statement of comprehensive income during the year	**(3,931)**	(1,946)
	(3,043)	267

No provision for Hong Kong Profits Tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year. Subsidiaries located in the PRC are subject to the PRC Enterprise Income Tax at a rate of 25% (2011: 25%) on their assessable profits. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

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

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

	2012	2011
	HK$'000	*HK$'000*
Loss before taxation	**(54,878)**	(36,225)
Tax at applicable tax rate	**(12,082)**	(6,801)
Tax effect of income not subject to tax	**–**	(1,864)
Tax effect of expenses not deductible for tax	**7,989**	8,038
Under provision in previous years	**72**	982
Tax effect of tax losses not recognised	**978**	52
Others	**–**	(140)
Tax (credit)/expense for the year	**(3,043)**	267

7. DIVIDENDS

No dividend has been paid, declared or recommended for payment by the directors of the Company during the year or since the end of reporting period (2011: Nil).

8. LOSS PER SHARE

For continuing and discontinued operations

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

	2012	2011
	HK$'000	*HK$'000*
Loss attributable to owners of the Company	**(42,774)**	(26,870)

	2012	2011
	'000	*'000*
		(Restated)
Weighted average number of ordinary shares in issue *(Note)*	**134,607**	76,079

The basic and diluted loss per share are the same for years ended 31 March 2012 and 2011 respectively, as the share options, warrants and convertible note/bonds outstanding during the years are anti-dilutive.

From continuing operations

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

	2012	2011
	HK$'000	*HK$'000*
Loss attributable to owners of the Company	**(42,774)**	(26,870)
Less: Profit for the year from discontinued operations	**–**	8,212
Loss for the purposes of basic loss per share from continuing operations	**(42,774)**	(35,082)

	2012	2011
	'000	*'000*
		(Restated)
Weighted average number of ordinary shares in issue *(Note)*	**134,607**	76,079

The basic and diluted loss per share from continuing operations are the same for the years ended 31 March 2012 and 2011 respectively, as the share options, warrants and convertible note/bonds outstanding during the years are anti-dilutive.

From discontinued operations

Basic earnings per share from discontinued operations for the year ended 31 March 2011 is HK10.79 cents (restated) per share based on the profit for the year 2011 from the discontinued operations of HK$8,212,000 and the denominators detailed above.

Diluted earnings per share from discontinued operations for the year ended 31 March 2011 is HK10.63 cents (restated) per share based on the profit for the year 2011 from the discontinued operations of HK$8,212,000 and weighted average number of shares as detailed below:

	2011 *'000* (Restated)
Weighted average number of ordinary shares in issue *(Note)*	76,079
Effect of diluted potential ordinary shares from:	
– share options issued by the Company	222
– warrants issued by the Company	943
Weighted average number of ordinary shares for the purpose of diluted earnings per share *(Note)*	77,244

Note: The weighted average number of ordinary shares for the purposes of calculating basic and diluted earning/loss per share has been retrospectively adjusted for the effect of the share consolidation effective on 6 March 2012.

9. SEGMENT INFORMATION

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

The Group has the following continuing operating segments:

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

(ii) Biodegradable products – manufacturing, processing and sales of biodegradable products; and

(iii) Money-lending business.

In prior years, the Group was involved in the following operating segments which were discontinued during the year ended 31 March 2011. The segment information does not include any amounts for these discontinued operations.

(iv) Information technology – sales and implementation of customised software and related computer equipment, and the provision of computer-related technical support and maintenance services; and

(v) Macau casino junket profit sharing – 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.

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

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

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

	2012	2011
	HK$'000	*HK$'000*
Package and paper products	**238,937**	288,237
Biodegradable products	**953**	–
Interest and handling fee income from money-lending operation	**1,330**	733
	241,220	288,970

(a) Segment results, assets and liabilities

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

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

The measurement used for reporting segment profit is "adjusted operating profit/(loss)". To arrive at "adjusted operating profit/(loss)", the Group's profit/(loss) are further adjusted for items not specifically attributed to individual segments, such as directors' remuneration, impairment loss on goodwill, other income, finance costs and other corporate expenses. Taxation charge is not allocated to reporting segments.

Information regarding the Group's reportable segments as provided to the Group's directors for the purposes of resource allocation and assessment of segment performance for the years ended 31 March 2012 and 2011 is set out below.

Year ended 31 March 2012

Continuing operations

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

Year ended 31 March 2011

Continuing operations

	Paper products *HK$'000*	Biodegradable products *HK$'000*	Money-lending *HK$'000*	Total *HK$'000*
Segment revenue				
Sales to external customers	288,237	–	733	288,970
Segment results	12,475	(10,594)	(689)	1,192
Segment assets	436,356	411,463	4,743	852,562
Segment liabilities	154,886	50,779	103	205,768
Other information				
Interest income	550	–	373	923
Interest expense	7,469	–	–	7,469
Depreciation and amortisation	15,956	9,348	1	25,305
Capital expenditure	72,025	3,412	–	75,437

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

	2012	2011
	HK$'000	*HK$'000*
Continuing operations		
Revenue		
Total reportable segment revenue	**241,220**	288,970
Consolidated revenue	**241,220**	288,970
Loss		
Total reportable segment (loss)/profit derived from the Group's external customers	**(20,220)**	1,192
Finance costs	**(23,924)**	(18,129)
Impairment loss on goodwill	**(20,556)**	–
Other income	**34,722**	7,781
Unallocated corporate expenses	**(24,900)**	(27,069)
Consolidated loss before taxation	**(54,878)**	(36,225)
Assets		
Total reportable segment assets	**966,172**	852,562
Available-for-sale financial assets	**180**	180
Unallocated corporate assets	**4,911**	13,493
Consolidated total assets	**971,263**	866,235
Liabilities		
Total reportable segment liabilities	**325,880**	205,768
Provision for taxation	**899**	884
Deferred tax liabilities	**47,890**	50,022
Convertible bonds	**–**	16,603
Convertible note	**–**	36,135
Derivative financial liabilities	**–**	49,268
Bond payable	**95,459**	–
Unallocated corporate liabilities	**9,117**	5,876
Consolidated total liabilities	**479,245**	364,556

(c) Geographical information

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

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

	2012	2011
	HK$'000	*HK$'000*
Continuing operations		
PRC	**239,890**	288,237
Hong Kong (place of domicile)	**1,330**	733
	241,220	288,970

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

	2012	2011
	HK$'000	*HK$'000*
Continuing operations		
PRC	**670,864**	653,409
Hong Kong	**531**	1,691
	671,395	655,100

(d) Information about major customers

During the year ended 31 March 2012, one customer accounted for approximately HK$28,210,000 (2011: HK$41,179,000) of the Group's revenue, which was attributed to the paper products segment. Save as aforesaid, no other external customers accounted for 10% or more of the Group's revenue for the years ended 31 March 2012 or 2011.

10. TRADE RECEIVABLES

	Group	
	2012	2011
	HK$'000	*HK$'000*
Accounts receivable	**6,719**	8,460
Bank acceptance notes receivable	**2,471**	3,334
Less: Allowance for impairment	**–**	–
	9,190	11,794

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

(a) Age analysis

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

	Group	
	2012	2011
	HK$'000	*HK$'000*
Within three months	**8,687**	11,268
Over three months but within six months	**273**	473
Over six months but within one year	**73**	40
Over one year but within two years	**157**	13
	9,190	11,794

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

(b) Impairment of trade receivables

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

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

	Group	
	2012	2011
	HK$'000	*HK$'000*
At beginning of year	**–**	3,041
Derecognised on disposal of subsidiaries	**–**	(3,041)
At end of year	**–**	–

(c) Trade receivables that are not impaired

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

	Group	
	2012	2011
	HK$'000	*HK$'000*
Past due but not impaired:		
– Less than three months past due	**344**	345
– Over three months but within six months past due	**191**	304
– Over six months past due	**73**	33
– Over 1 year past due	**157**	13
	765	695
Neither past due nor impaired	**8,425**	11,099
	9,190	11,794

Included in the Group's trade receivables as at 31 March 2012 are debtors relate to a number of independent customers that have a good track record with the Group with an aggregate carrying amount of HK$765,000 (2011: HK$695,000) which are past due but not impaired at the end of the reporting period, as the directors have assessed these debtors to be recoverable based on their settlement records. The Group does not hold any collateral over these balances.

11. TRADE PAYABLES AND OTHER PAYABLES

	Group	
	2012	2011
	HK$'000	*HK$'000*
Trade payables	**12,165**	19,004
Other payables		
– Accruals	**20,725**	11,711
– Other payables	**7,549**	12,582
– Deposits received	**1,271**	2,222
– Payable for acquisition of property, plant and equipment	**3,857**	6,010
– Amount due to non-controlling interests	**47,876**	44,159
– Amount due to a director	**1,176**	134
	82,454	76,818

	Company	
	2012	2011
	HK$'000	*HK$'000*
Other payables		
– Accruals	**4,182**	1,248
– Other payables	**–**	1,081
	4,182	2,329

Notes:

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

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

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

	Group	
	2012	2011
	HK$'000	*HK$'000*
Within three months	**4,796**	16,393
Over three months but within six months	**5,777**	1,302
Over six months but within one year	**1,041**	1,028
Over one year but within two years	**551**	281
	12,165	19,004

EXTRACTION OF INDEPENDENT AUDITOR'S REPORT

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2012, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Emphasis of matter in relation to the going concern basis for preparation of financial statements

We draw attention to note 2(b) to the financial statements which indicates that the Group incurred loss of approximately HK$51,835,000 for the year ended 31 March 2012 and as of that date, the Group's and the Company's current liabilities exceeded its current assets by approximately HK$151,544,000 and HK$99,912,000 respectively. In addition, as detailed in note 35 to the financial statements, the Company received redemption notice on 17 November 2011 from the noteholder requesting for the redemption of the convertible note with original principal amount of RMB70,000,000 and its accreted portion, together with the accrued but unpaid interest. In accordance with the relevant terms and conditions of the note instrument of the convertible note, the said amount has been due for repayment since December 2011 and remained unsettled up to the date of approval of the financial statements. These conditions, along with other matters as set forth in note 2(b), indicate the existence of a material uncertainty which may cast significant doubt about the Group's and the Company's ability to continue as a going concern. Notwithstanding the above, the consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the success of the measures as stated in note 2(b) for the Group. Our opinion is not qualified in respect of this matter.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the year under review, the core businesses of the Group comprise the (i) paper manufacturing business; (ii) biodegradable materials manufacturing business; and (iii) money lending services.

(A) Grant of the equity line of credit to the Company

Referring to the announcements of the Company dated 12 September 2011, 16 September 2011, 27 September 2011 and 2 November 2011 and the circular of the Company dated 3 October 2011, the Company entered into the equity line of credit agreement dated 9 September 2011 (as amended and supplemented by two supplemental agreements dated 16 September 2011 and 27 September 2011, respectively) (the "Equity Line of Credit Agreement") with Lyceum Partners LLC (the "Investor"), pursuant to which the Company is granted the option to require the Investor to subscribe for up to an aggregate of 1,000,000,000 shares of the Company (the "Option Shares") if the option structured under the Equity Line of

Credit Agreement is exercised in full. Details of the Agreement are set out in the announcements of the Company dated 12 September 2011, 16 September 2011, 27 September 2011 and 2 November 2011 and the circular of the Company dated 3 October 2011. The shareholders of the Company, at the special general meeting held on 2 November 2011, approved the Equity Line of Credit Agreement and the transactions contemplated thereunder including but not limited to the allotment and issue of the Options Shares as set out in the notice of special general meeting dated 3 October 2011.

(B) Supplementary circular in relation to major transaction

Referring to the announcement of the Company dated 27 September 2011 and 2 November 2011 and the circular of the Company dated 30 September 2011, Fast Rise Development Limited ("Fast Rise"), a wholly-owned subsidiary of the Company, entered into the further supplemental agreement with Mr. Leung Wa (the "Vendor"), the vendor of Ever Stable Holdings Limited ("Ever Stable"), pursuant to which Ever Stable and Guangdong Shangjiu Biodegradable Plastics Company Limited (廣東上九生物降解塑料有限公司, the "PRC Partner") have agreed to deregister the Dongguan Jiu He Bioplastics Company Limited (東莞九禾生物塑料有限公司, "Dongguan Jiu He"). According to the terms and conditions of the equity transfer agreement to be executed by World Champion Investments Limited ("World Champion") and the PRC Partner, the 40% equity interests in Zhongshan Jiu He Bioplastics Company Limited ("Zhongshan Jiu He") held by World Champion as nominee for and on behalf of the PRC Partner shall be transferred to the PRC Partner at a consideration calculated based on 40% of the total paid-up capital of Zhongshan Jiu He as at the date of the equity transfer agreement. After the completion of the equity transfer agreement and the completion of the deregistration of Dongguan Jiu He, World Champion and the PRC Partner shall enter into the capital increase agreement, pursuant to which the total registered capital of Zhongshan Jiu He shall be changed from US$4,000,000 to US$17,000,000, of which the Vendor shall through World Champion contribute US$10,200,000 as registered capital to Zhongshan Jiu He, representing 60% of the total registered capital of Zhongshan Jiu He, and the PRC Partner shall contribute US$6,800,000 as registered capital to Zhongshan Jiu He, representing 40% of the total registered capital of Zhongshan Jiu He. As Dongguan Jiu He will be deregistered, the contractual interests of Dongguan Jiu He under the patent license agreement and master agreement will be transferred to Zhongshan Jiu He, other terms and conditions of the patent license agreement and the master agreement will remain unchanged. Details of the supplementary agreement; the further supplementary agreement; the equity transfer agreement; the capital increase agreement; and the transfer of contractual interests of Dongguan Jiu He under the patent license agreement and master agreement are set out in the announcement of the Company dated 27 September 2011 and the circular of the Company dated 30 September 2011. The shareholders of the Company, at the special general meeting held on 2 November 2011, approved the supplemental agreement, the further supplemental agreement and the transactions contemplated thereunder as set out in the notice of special general meeting dated 30 September 2011. Upon the completion of the deregistration of the Dongguan Jiu He, the equity transfer agreement; the capital increase agreement; and the transfer of contractual interests of Dongguan Jiu He under the patent license agreement and master agreement will be executed.

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

Referring to the announcement of the Company dated 3 October 2011, the Company and the vendor of Mega Bright Investment Development Limited ("Mega Bright") entered into the third confirmation letter (the "Third Confirmation Letter") in relation to the convertible bonds issued under the acquisition agreement, pursuant to which the Company and the vendor of Mega Bright have agreed that (i) the conversion rights attached to the convertible bonds had expired on 29 September 2011 according to the terms and conditions of the convertible bonds; (ii) the principal amount of the convertible bonds of HK$18,000,000 shall remain as the bonds liabilities of the Company and the repayment date of the bonds liabilities shall be adjusted to 31 March 2012 (or such later date as the parties may mutually agree in writing) without interest; and (iii) if Jining Gangning Paper Co. Ltd. ("Jining Gangning") fails to meet the profit guarantee for the financial year 2011, the vendor of Mega Bright shall compensate the Company with the shortfall of the profit guarantee by way of set off against the bonds liabilities up to the amount of HK$18,000,000. Details of the Third Confirmation Letter were set out in the announcement of the Company dated 3 October 2011.

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

(D) Very substantial acquisition and connected transaction

Referring to the announcements of the Company dated 14 October 2011, 26 October 2011, 13 December 2011 and 19 April 2012, a wholly owned subsidiary of the Company (the "Purchaser") has, on 13 October 2011, entered into a sale and purchase agreement (the "Sale and Purchase Agreement") with Wide Fine (Asia) Development Limited (a company beneficially owned by Mr. Wong Kam Leong, a substantial shareholder of the Company and an executive Director) and Gain Concept Industries Limited (an independent third party of the Company) (collectively, the "Vendors") relating to the acquisition of the entire issued share capital of Fame Shine Holdings Limited (the "Target Company") at a consideration of HK$780,000,000, to be payable by the Purchaser to the Vendors in cash and by issue of promissory notes and convertible notes of the Company (the "Proposed Acquisition"). The Purchaser, upon the completion of the Proposed Acquisition, will in turn own 80% of the beneficial interest in Henan Sunrise Silicon Technology Development Company Limited (the "Sunrise Silicon") owned by Star Grace International Limited (the "Star Grace"), a wholly owned subsidiary of the Target Company. Subsequently, the Purchaser, in accordance with the post-completion obligation pursuant to the Sale and Purchase Agreement, agreed to procure Star Grace to inject RMB180,000,000 (equivalent to approximately HK$220,000,000) as registered capital in Sunrise Silicon, such that the Purchaser will ultimately own 90% of the beneficial interest in Sunrise Silicon. On 19 April 2012, the Purchaser and the Vendors mutually agreed to terminate the Sale and Purchase Agreement by entering into the Termination Agreement with immediate effect. The Board of the Company has recently reviewed the latest position of the Proposed Acquisition and evaluated the benefits expected to be brought by the Proposed Acquisition. The Company was not satisfied with the due diligence performed. Further, in view of (i) the decline in the selling price of the metallurgical silicon per tonne; (ii) the keen market competition in the solar energy sector; (iii) the restriction imposed in Europe on imports from the PRC; (iv) the current financial position of the Group; and (v) the difficulties in raising funds to finance the Proposed Acquisition, the Board decided to terminate the Sale and Purchase Agreement. Details of the Sale and Purchase Agreement are set out in the announcements of the Company dated 14 October 2011, 26 October 2011, 13 December 2011 and 19 April 2012.

(E) Subscription for new shares ("subscription")

Referring to the announcement of the Company dated 12 January 2012, the Company entered into a subscription agreement with a subscriber who subscribed for 520,000,000 new shares of HK$0.04 each in the share capital of the Company at a subscription price of HK$0.04 each. The net proceeds from the subscription were approximately HK$19,920,000 and were applied for the acquisition of machineries for the biodegradable materials manufacturing business; the repayment of the interest of the Convertible Notes and general working capital of the Group. Completion of the subscription took place on 13 February 2012.

(F) Share consolidation, capital reduction and capital increase

Referring to the announcement dated 27 January 2012 and circular of the Company dated 10 February 2012, the Company proposed to implement the share consolidation of every twenty (20) issued and unissued Shares of HK$0.04 each in the share capital of the Company into one (1) Consolidated Share of HK$0.80 ("Share Consolidation"). Upon the Share Consolidation becoming effective, the Company proposed to implement the capital reduction involving (i) the reduction of the issued share capital of the Company by cancelling the paid-up capital of the Company to the extent of HK$0.79 on each of the then issued consolidated shares ("Consolidated Shares") such that the par value of each of the issued Consolidated Shares be reduced from HK$0.80 to HK$0.01 ("Capital Reduction"); and (ii) the reduction of the authorised share capital of the Company by reducing the par value of all Consolidated Shares from HK$0.80 each to HK$0.01 each resulting in the reduction of the authorised share capital of the Company from HK$300,000,000 divided into 375,000,000 Consolidated Shares of HK$0.80 each to HK$3,750,000 divided into 375,000,000 new shares ("New Share") of HK$0.01 each. Upon the Share Consolidation and Capital Reduction becoming effective, the Company proposes to implement the capital increase involving the increase of the authorized share capital of the Company from HK$3,750,000 divided into 375,000,000 New Shares of HK$0.01 each to HK$300,000,000 divided into 30,000,000,000 New Shares of HK$0.01 each ("Capital Increase"). Details of the Share Consolidation, Capital Reduction and Capital Increase were set out in the announcement and circular of the Company dated 27 January 2012 and 10 February 2012 respectively. The shareholders of the Company, at the special general meeting held on 5 March 2012, approved the Share Consolidation, Capital Reduction and Capital Increase and the transactions contemplated thereunder as set out in the notice of special general meeting dated 10 February 2012. The Share Consolidation, Capital Reduction and Capital Increase were effective on 6 March 2012.

(G) Issue of convertible bonds

Referring to the announcement dated 3 April 2012 and circular of the Company dated 21 May 2012, the Company entered into the subscription agreement ("Subscription Agreement") with the subscriber, pursuant to which, the subscriber has conditionally agreed to subscribe for the convertible bonds ("Convertible Bonds") in the principal amount of HK$100,000,000 due three years from the closing date with the right to convert the Convertible Bonds into a maximum of 485,242,666 conversion shares ("Conversion Shares") at the conversion price of HK$0.30 ("Conversion Price") (subject to adjustments) per Conversion Share. Assuming full conversion of the Convertible Bonds and all the accrued but unpaid interest of the Convertible Bonds are converted at the Conversion Price, a maximum of 485,242,666 Conversion Shares will be issued by the Company, representing (i) approximately 308.68% of the Company's existing total issued share capital of the Company of 157,197,250 Consolidated Shares as at the date of the Subscription Agreement; and (ii) approximately 75.53% of the Company's total issued share capital as enlarged by the issue of the Conversion Shares of 642,439,916 Shares upon full conversion of the Convertible Bonds. The estimated net proceeds from the issue of the Convertible Bonds (after deduction of all related expenses) of approximately HK$98,000,000 will be used to redeem the convertible notes issued by the Company on 28 December 2010 and the remaining amount will be used as the general working capital of the Group. Details of issue of Convertible Bonds were set out in the announcement and circular of the Company dated 3 April 2012 and 21 May 2012 respectively. The shareholders of the Company, at the special general meeting held on 13 June 2012, approved the issue of Convertible Bonds and the transactions contemplated thereunder as set out in the notice of special general meeting dated 21 May 2012. The issue of Convertible Bonds was still not completed on 29 June 2012.

FINANCIAL REVIEW

REVENUE AND LOSS ATTRIBUTABLE TO SHAREHOLDERS

During the year under review, the Group's revenue was approximately HK$241.22 million, a decrease of 16.52% as compared to last year (2011: HK$288.97 million). The decrease in revenue was mainly due to the paper manufacturing business, which recorded a revenue of HK$238.94 million for the year under review, a decrease of 17.10% as compared to last year. Zhongshan Jiu He started trial production in small scale, so only limited revenue was contributed by the biodegradable materials manufacturing business during the year.

For the year under review, the Group recorded a net loss attributable to owners of the Company of HK$42.77 million as against a net loss of HK$26.87 million in 2011. The net loss was mainly due to the interest expenses on convertible note, bank borrowings and other loans; the amortization of intangible assets; and the impairment of goodwill in relation to the paper manufacturing business.

SEGMENT PERFORMANCE

During the year under review, revenue contributed by the Group's paper manufacturing business, biodegradable materials manufacturing business and provision of money lending services was 99.0%, 0.4% and 0.6% respectively, comparing to 99.7%, 0% and 0.3% respectively in 2011.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

As at 31 March 2012, the Group's cash and bank balances, which were principally Renminbi and Hong Kong dollar denominated, amounted to approximately HK$109.67 million (2011: HK$70.46 million). The Group was not exposed to any substantial risk in foreign exchange fluctuations. In general, the Group mainly used its Renminbi income receipt for operating expenses in the PRC and did not use any financial instruments for hedging purpose.

As at 31 March 2012, the Group had secured bank loans of approximately HK$25.94 million (2011: HK$27.99 million), unsecured bank and other loans of approximately HK$50.56 million (2011: HK$3.57 million) and secured entrustment loan of approximately HK$7.18 million (2011: HK$18.76 million). All borrowings were denominated in Renminbi, except the other loan of approximately HK$3 million was denominated in Hong Kong Dollars. The bank loans of approximately HK$25.94 million and the other loan of approximately HK$3 million had fixed interest rates.

As at 31 March 2012, the Group's gearing ratio, determined as the proportion of net debt to equity derived from the consolidated statement of financial position was approximately 34.80% (2011: 25.46%). The Group continues to monitor its working capital requirement closely with a view to reducing its total borrowings to lower the finance costs and maintain a healthy net gearing ratio of the Group.

During the year under review, the Group financed its operations primarily with internally generated cash flow as well as the funds raised successfully from the Subscription in the amount of approximately HK$19.92 million after expenses. The net proceeds from the Subscription were applied for the acquisition of machineries for the biodegradable materials manufacturing business; the repayment of the interest of the Convertible Notes and general working capital of the Group.

The Group adopted a conservative financial management and treasury policy and will continue to apply such policy in the coming year. The Group will need to raise additional funds for the expansion of paper manufacturing business and biodegradable material manufacturing business. In view of the Group's current liquidity position, the Directors expect the Group will be able to raise sufficient funds to meet its operational and investment needs in the foreseeable future.

CHARGE OF GROUP'S ASSETS

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

As at 31 March 2011, the Group's land use rights and buildings with net carrying values of approximately HK$19.56 million and HK$28.59 million respectively were pledged to secure bank loans of approximately HK$27.99 million. In addition, the Group had restricted bank deposits of approximately HK$45.85 million to secure bank acceptance notes payable of approximately HK$65.51 million arising from normal trade.

FOREIGN CURRENCY EXPOSURE

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

CONTINGENT LIABILITIES

The Group had no material contingent liabilities at 31 March 2012.

EMPLOYEES

As at 31 March 2012, the Group had approximately 185 (2011: 107) employees in Hong Kong and the PRC. The total remuneration to employees, including the executive Directors for the year under review, amounted to approximately HK$24.10 million (2011: HK$22.02 million). Employees in Hong Kong are entitled to provident fund contributions and medical insurance. For employees in the PRC, the Group is required to contribute to state-sponsored retirement plans at certain prescribed rates based on their basic salaries. In addition, the Group provides comprehensive on-the-job training to its employees and sponsors employees who participate in job-related training courses to ensure that their qualifications always meet the changing market standards. The remuneration policy and packages are regularly reviewed by the Board. Apart from provident fund scheme, medical insurance and discretionary bonuses, share options are also awarded to employees according to the assessment of individual performance.

FUTURE PLAN OF CAPITAL INVESTMENTS

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

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

As at 31 March 2012, the following Directors and chief executive of the Company had or were deemed to have interests in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Cap.571 of the Laws of Hong Kong (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the minimum standards of dealings by the Directors as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules:

Long positions in Shares

Name	Type of interest	Number of ordinary shares of the Company	Number of underlying shares of the Company	Total	Percentage of Shareholding
Directors					
Wong Kam Leong	Corporate Interest	30,206,250 *(Note 1)*		30,956,250	19.69%
	Personal Interest		750,000 *(Note 2)*		
Hu Dongguang	Personal Interest	–	750,000 *(Note 2)*	750,000	0.48%
Wu Bingxiang	Personal Interest	–	700,000 *(Note 3)*	700,000	0.45%
Guo Wanda	Personal Interest	–	700,000 *(Note 3)*	700,000	0.45%
Ng Kwok Chu, Winfield	Personal Interest	–	75,000 *(Note 4)*	75,000	0.05%
Ng Chau Tung, Robert	Personal Interest	–	75,000 *(Note 4)*	75,000	0.05%
Tse Ching Leung	Personal Interest	–	85,000 *(Note 5)*	85,000	0.05%
Wang Qingyi	Personal Interest	–	50,000 *(Note 6)*	50,000	0.03%

Notes:

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

2. As at 31 March 2012, 750,000 share options conferring rights to subscribe for 750,000 shares.

3. As at 31 March 2012, 700,000 share options conferring rights to subscribe for 700,000 shares.

4. As at 31 March 2012, 75,000 share options conferring rights to subscribe for 75,000 shares.

5. As at 31 March 2012, 85,000 share options conferring rights to subscribe for 85,000 shares.

6. As at 31 March 2012, 50,000 share options conferring rights to subscribe for 50,000 shares.

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

Save as disclosed above, as at 31 March 2012, none of the Directors of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors to be notified to the Company and the Stock Exchange.

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

The register of substantial shareholders maintained under section 336 of the SFO shows that as at 31 March 2012, the Company had been notified of the following substantial shareholder's interests, being 5% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the Directors and chief executive.

Name	Number of ordinary shares held	Number of underlying shares held	Total	Percentage of shareholding
Wide Fine International Limited *(Note 1)*	12,706,250	–	12,706,250	8.08%
View Good International Limited *(Note 2)*	17,500,000	–	17,500,000	11.13%
Nicky International Limited *(Note 3)*	10,800,000	–	10,800,000	6.87%
Leung Wa *(Note 4)*	11,100,000	–	11,100,000	7.06%

Notes:

1. Wide Fine International Limited is beneficially and wholly owned by Mr. Wong Kam Leong ("Mr. Wong"), an executive Director.

2. View Good International Limited is beneficially and wholly owned by Ms. Tam Sio Wan, the wife of Mr.Wong.

3. Nicky International Limited is beneficially and wholly owned by Mr. Chen Jianqiu and Mr. Leung Wa in equal shares.

4. 10,800,000 out of 11,100,000 shares are attributable by shares held by Nicky International Limited.

Save as disclosed above, no other person had registered an interest or short position in the shares and underlying shares of the Company that was required to be reported pursuant to section 336 of the SFO as at 31 March 2012.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31 March 2012, the Directors were not aware of any business or interest of each Director, management shareholder (as defined in the GEM Listing Rules) and the respective associates of each that competes or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group.

AUDIT COMMITTEE

The Audit Committee currently comprises three independent non-executive Directors, namely Mr. Ng Kwok Chu, Winfield as chairman, Mr. Ng Chau Tung, Robert and Mr. Tse Ching Leung with written terms of reference in compliance with the GEM Listing Rules. The Audit Committee has reviewed the audited financial statements of the Group for the year ended 31 March 2012.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions set out in the Code on Corporate Governance Practices (the "Corporate Governance Code") contained in Appendix 15 of the GEM Listing Rules.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

DIRECTORS SECURITIES TRANSACTIONS

The Company has adopted the required standards of dealings regarding securities transactions by Directors as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specified enquiry with the Directors, all the Directors confirmed that they have complied with the required code of conduct and required standard of dealings.

On behalf of the Board
Wong Kam Leong
Chairman

Hong Kong, 29 June 2012

As at the date of this announcement, the Board comprises five executive directors, namely Mr. Wong Kam Leong, Mr. Wu Shaohong, Mr. Hu Dongguang, Mr. Wu Bingxiang and Dr. Guo Wanda and four independent non-executive directors, namely Mr. Ng Kwok Chu, Winfield, Mr. Ng Chau Tung, Robert, Mr. Tse Ching Leung and Mr. Wang Qingyi.

This announcement will remain on the "Latest Company Announcements" page of the GEM website for 7 days from the date of its publication