



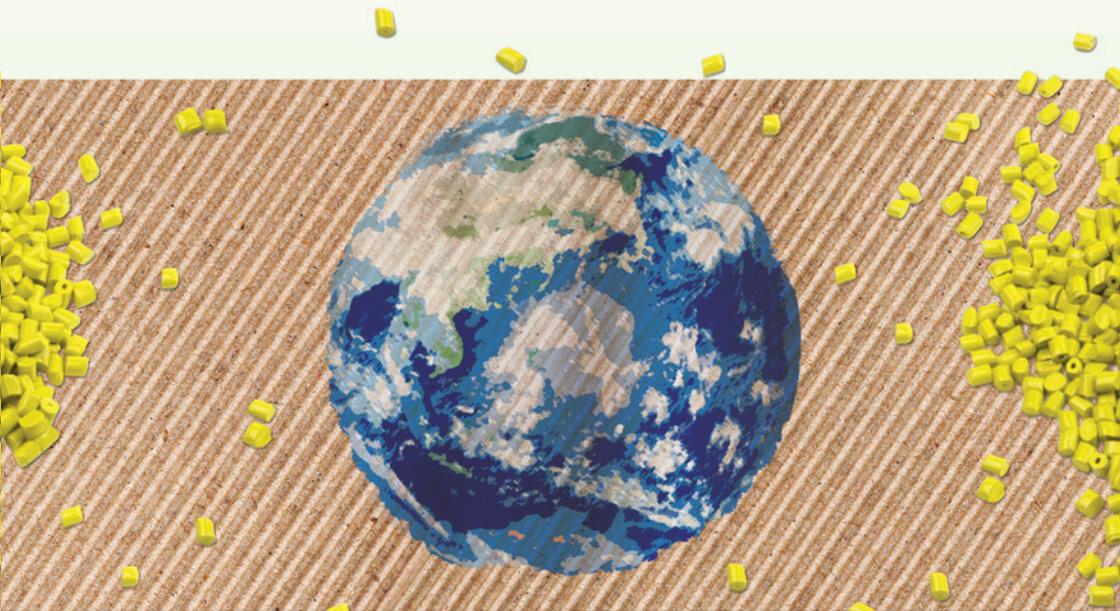
LONG SUCCESS

百齡國際

LONG SUCCESS INTERNATIONAL (HOLDINGS) LIMITED

(incorporated in Bermuda with limited liability)

(Stock Code:8017)



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

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

This report, for which the directors (the "Directors") of Long Success International (Holdings) Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this report 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 report misleading.

INTERIM RESULTS

The unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 September 2012 (the "Reporting Period") together with the comparatives for the corresponding periods in 2011 are as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Unaudited			
		Six months ended		Three months ended	
		30 September	2011	30 September	2011
		2012	2011	2012	2011
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	4	97,543	130,084	48,307	66,715
Cost of sales		(96,168)	(116,478)	(48,383)	(58,643)
Gross profit		1,375	13,606	(76)	8,072
Other income, net		1,169	607	745	207
Selling expenses		(265)	(470)	(197)	(184)
Administrative expenses		(19,337)	(16,155)	(8,947)	(9,386)
Operating loss		(17,058)	(2,412)	(8,475)	(1,291)
Finance costs		(9,064)	(6,795)	(4,380)	(3,674)
Loss before tax		(26,122)	(9,207)	(12,855)	(4,965)
Income tax expense	5	(109)	(385)	-	(278)
Loss for the period		(26,231)	(9,592)	(12,855)	(5,243)
Other comprehensive income					
Exchange differences on translating of foreign operations		(3,134)	9,174	(1,501)	5,031
Total comprehensive loss for the period		(29,365)	(418)	(14,356)	(212)

		Unaudited			
		Six months ended		Three months ended	
		30 September		30 September	
		2012	2011	2012	2011
Note		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loss for the period					
Attributable to:					
	Owners of the Company	(20,179)	(9,008)	(9,841)	(4,862)
	Non-controlling Interests	(6,052)	(584)	(3,014)	(381)
		<u>(26,231)</u>	<u>(9,592)</u>	<u>(12,855)</u>	<u>(5,243)</u>
Total comprehensive loss for the period					
Attributable to:					
	Owners of the Company	(21,912)	(3,808)	(10,671)	(1,646)
	Non-controlling Interests	(7,453)	3,390	(3,685)	1,434
		<u>(29,365)</u>	<u>(418)</u>	<u>(14,356)</u>	<u>(212)</u>
Loss per share attributable to owners of the Company					
	Basic (HK cents per share)	6	<u>(11.830)</u>	<u>(0.3433)</u>	<u>(5.769)</u>
	Diluted (HK cents per share)	6	<u>(11.830)</u>	<u>(0.3433)</u>	<u>(5.769)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Unaudited 30 September 2012 HK\$'000	Audited 31 March 2012 HK\$'000
	Note		
Non-current assets			
Property, plant and equipment	8	220,202	228,182
Prepaid lease payments		18,769	19,169
Goodwill		116,724	116,725
Intangible assets		232,067	234,171
Available-for-sale financial assets	9	180	180
Derivative financial asset		19,630	19,630
Deposit for acquisition for property, plant and equipment		73,103	73,148
Loans receivable	11	323	247
Total non-current assets		<u>680,998</u>	<u>691,452</u>
Current assets			
Inventories		56,822	40,314
Trade receivables	10	4,127	9,190
Loans receivable	11	4,443	5,233
Prepayments, deposits and other receivables		85,570	115,409
Pledged bank deposits		145,079	101,727
Cash and cash equivalents		15,930	7,938
Total current assets		<u>311,971</u>	<u>279,811</u>
Current liabilities			
Trade payables	12	18,915	12,165
Bank acceptable notes payable		222,621	156,698
Other payables		73,873	82,454
Interest-bearing loans		62,372	83,680
Bond payable		100,563	95,459
Provision for taxation		792	899
Total current liabilities		<u>479,136</u>	<u>431,355</u>
Net current liabilities		<u>(167,165)</u>	<u>(151,544)</u>
Total assets less current liabilities		<u>513,833</u>	<u>539,908</u>

	Unaudited 30 September 2012	Audited 31 March 2012
<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current liabilities		
Deferred tax liabilities	47,460	47,890
Total non-current liabilities	47,460	47,890
Net assets	<u>466,373</u>	<u>492,018</u>
Capital and reserves		
Share capital	13 1,882	1,572
Share premium and reserve	348,285	366,787
Equity attributable to owners of the parent	350,167	368,359
Non-controlling interests	116,206	123,659
Total equity	<u>466,373</u>	<u>492,018</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2011

	Unaudited										
	Share capital HK\$'000	Share premium HK\$'000	Exchange reserve HK\$'000	Share option reserve HK\$'000	Warrant reserve HK\$'000	Convertible bonds reserves HK\$'000	Accumulated losses HK\$'000	Statutory reserve HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 1 April 2011	104,968	383,200	12,267	18,563	1,500	3,347	(147,422)	792	377,205	124,474	501,679
Loss for the period	-	-	-	-	-	-	(9,008)	-	(9,008)	(584)	(9,592)
Exchange differences arising on translation of foreign subsidiaries	-	-	5,200	-	-	-	-	-	5,200	3,974	9,174
Total comprehensive income for the period	-	-	5,200	-	-	-	(9,008)	-	(3,808)	3,390	(418)
At 30 September 2011	<u>104,968</u>	<u>383,200</u>	<u>17,467</u>	<u>18,563</u>	<u>1,500</u>	<u>3,347</u>	<u>(156,430)</u>	<u>792</u>	<u>373,397</u>	<u>127,864</u>	<u>501,261</u>

For the six months ended 30 September 2012

	Unaudited										
	Share capital HK\$'000	Share premium HK\$'000	Exchange reserve HK\$'000	Share option reserve HK\$'000	Warrant reserve HK\$'000	Convertible bonds reserves HK\$'000	Accumulated losses HK\$'000	Statutory Reserves HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 1 April 2012	1,572	382,319	22,709	22,130	1,500	-	(62,913)	1,042	368,359	123,659	492,018
Loss for the period	-	-	-	-	-	-	(20,179)	-	(20,179)	(6,052)	(26,231)
Exchange differences arising on translation of foreign subsidiaries	-	-	(1,733)	-	-	-	-	-	(1,733)	(1,401)	(3,134)
Total comprehensive income for the period	-	-	(1,733)	-	-	-	(20,179)	-	(21,912)	(7,453)	(29,365)
Placing of new shares	310	3,409	-	-	-	-	-	-	3,720	-	3,720
At 30 September 2012	<u>1,882</u>	<u>385,728</u>	<u>20,976</u>	<u>22,130</u>	<u>1,500</u>	<u>-</u>	<u>(83,092)</u>	<u>1,042</u>	<u>350,167</u>	<u>116,206</u>	<u>466,373</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited Six months ended 30 September	
	2012 HK\$'000	2011 HK\$'000
Net cash generated from operating activities	67,925	6,154
Net cash (used in) investing activities	(48,145)	(45,136)
Net cash (used in)/generated from financing activities	(12,914)	25,131
Net increase/(decrease) in cash and cash equivalents	6,866	(13,851)
Cash and cash equivalents at the beginning of period	7,938	24,605
Effect of foreign exchange rate changes	1,126	(1,563)
Cash and cash equivalents at the end of period	15,930	9,191
Analysis of balances of cash and cash equivalents:		
Cash and bank balances	15,930	9,191

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The condensed consolidated financial statements for the six months ended 30 September 2012 have been prepared in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure requirements of the GEM Listing Rules.

These condensed consolidated financial statements have been prepared under the historical cost convention.

These condensed consolidated financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand (HK\$'000) except when otherwise stated.

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

The Group incurred unaudited loss for the period ended 30 September 2012 of approximately HK\$20,179,000 and as of that date, the Group's unaudited current liabilities exceeded its current assets by HK\$167,165,000. In addition, the Company received redemption notice on 17 November 2011 from the note holder 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 this report. 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 have been taking active steps to improve the liquidity position of the Group. These steps included (1) the Company had entered into a convertible bonds placing agreement with a placing agent, pursuant to which the placing agent has conditionally agreed to procure, on a best-effort basis, the convertible bonds places to subscribe for the convertible bonds of up to an aggregate principal amount of HK\$100 million to finance the general working capital of the Group; (2) the Company placed 31,000,000 placing shares to an aggregate principal amount of HK\$3.7 million to finance the general working capital of the Group; (3) 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; (4) the Directors are considering various alternatives to strengthen the capital base of the Company through various fund raising exercise, including but not limited to private placement, open offer or right issue of new shares of new shares of the Company; and (5) the Directors 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 described above, 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 these unaudited consolidated financial statements on a going concern basis. These unaudited 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.

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 2012.

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 2012. 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 manages its businesses by divisions, which are organised by a 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 (the "Board"), 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.

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:

	Unaudited Six months ended 30 September 2012		Unaudited Six months ended 30 September 2011	
	Turnover HK\$'000	Segment Profit/ (Loss) HK\$'000	Turnover HK\$'000	Segment Profit/ (Loss) HK\$'000
Sale of paper products	97,222	(4,731)	128,676	5,793
Interest income from money lending business	321	(391)	824	(156)
Sales of biodegradable products	-	(4,832)	584	(2,864)
	97,543	(9,954)	130,084	2,773
Unallocated other revenue		-		74
Unallocated expense		(7,104)		(5,259)
Finance costs		(9,064)		(6,795)
Loss before tax		(26,122)		(9,207)
Income tax expense		(109)		(385)
Loss for the period		(26,231)		(9,592)
			Unaudited Six months ended 30 September 2012	Unaudited Six months ended 30 September 2011
Hong Kong			Turnover HK\$'000	Turnover HK\$'000
The PRC			321	824
			97,222	129,260
			97,543	130,084

5. INCOME TAX EXPENSE

Hong Kong profits tax is calculated at 16.5% (2011: 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 is based on the loss attributable to owners of the Company for the six months ended 30 September 2012 of approximately HK\$20,179,000 (2011: HK\$9,008,000) and the weighted average number of 170,579,764 (2011: 2,623,945,000) ordinary shares in issue during the period. The basic and diluted loss per share are the same for the six months ended 30 September 2012, as the Company recorded losses attributable to the owners of the Company. Hence, the effect of any incremental shares from the assumed exercises of share options, warrants and convertible note outstanding as at 30 September 2012 would be anti-dilutive and was not included in the calculation of diluted loss per share.

7. INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend for the period (2011: Nil).

8. PROPERTY, PLANT AND EQUIPMENT

	Unaudited 30 September 2012 HK\$'000	Unaudited 30 September 2011 HK\$'000
Opening net book amount	228,182	180,972
Additions	4,829	27,739
Disposals	(74)	-
Depreciation	(10,660)	(7,450)
Exchange difference	(2,075)	3,916
Closing net book amount	<u>220,202</u>	<u>205,177</u>

9. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Unaudited 30 September 2012 HK\$'000	Audited 31 March 2012 HK\$'000
Non-current		
Clubs membership	<u>180</u>	<u>180</u>

The unlisted investment represents two clubs membership which do not have quoted market price in an active market and the Directors are of the opinion that the fair value cannot be measured reliably. As a result, the clubs membership are measured at cost less impairment at the end of the reporting period.

10. TRADE RECEIVABLES

The ageing analysis of trade receivables is as follows:

	Unaudited 30 September 2012 HK\$'000	Audited 31 March 2012 HK\$'000
Within three months	4,127	8,687
Over three months but within six months	-	273
Over six months but within one year	-	73
Over one year but within two years	-	157
	<u>4,127</u>	<u>9,190</u>

Trade debtors and bills receivable due within 1 to 3 months from the date of billing.

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 2012 HK\$'000	Audited 31 March 2012 HK\$'000
On demand	3,899	1,027
Within three months	441	836
In three to six months	29	51
In six months to one year	58	3,319
In one to two years	116	247
In two to three years	223	-
Total	4,766	5,480
Amount classified as current assets	(4,443)	(5,233)
Amount classified as non-current assets	323	247

12. TRADE PAYABLES

The ageing analysis of trade payables is as follows:

	Unaudited 30 September 2012 HK\$'000	Audited 31 March 2012 HK\$'000
Within three months	8,178	4,796
Over three months but within six months	10,737	5,777
Over six months but within one year	-	1,041
Over one year but within two years	-	551
	18,915	12,165

13. SHARE CAPITAL

	Number of shares		Amount	
	Six months ended		Six months ended	
	2012	2011	2012	2011
	'000	'000	HK\$'000	HK\$'000
Authorised				
Ordinary shares of HK\$0.01 each (2011: HK\$0.04 each)	30,000,000	7,500,000	300,000	300,000
Issued and fully paid:				
At beginning of period	157,197	2,623,945	1,572	104,958
Placement of shares	31,000	-	310	-
At end of period	188,197	2,623,945	1,882	104,958

14. POST BALANCE SHEET EVENTS

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

The Company will make further announcement on the Winding-up Petition as and when necessary.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the Reporting Period, the Group has been principally engaged in the paper manufacturing business; biodegradable materials manufacturing business, and money lending services.

Paper manufacturing business

In respect of the management of paper manufacturing business, during the Reporting Period, this business segment reported a revenue of approximately HK\$97,222,000 (2011: HK\$128,676,000), representing a decrease of approximately 24.4% as compared with the last corresponding period.



Biodegradable materials manufacturing business

The biodegradable materials manufacturing business of the Group has not generated any revenue for the Reporting Period (2011: HK\$584,000), as it was still under trial operation.



Money lending business

The money lending business reported a revenue of approximately HK\$321,000 (2011: HK\$824,000) during the Reporting Period, representing a decrease of approximately 61.0% as compared with the last corresponding period.

FINANCIAL REVIEW

During the Reporting Period, the Group recorded an unaudited revenue of approximately HK\$97,543,000 (2011: HK\$130,084,000), representing a decrease of approximately 25.0% as compared with the last corresponding period.

Cost of sales for the Reporting Period amounted to approximately HK\$96,168,000 (2011: HK\$116,478,000), representing a decrease of approximately 17.4% as compared with the last corresponding period. This decrease was mainly due to the drop in the sales of package and paper products.

Administrative expenses for the Reporting Period amounted to approximately HK\$19,337,000 (2011: HK\$16,155,000), representing an increase of approximately 19.70% as compared with the last corresponding period. This increase was mainly due to increase in staff costs, professional fee expenses, rental expenses and charges for depreciation.



Finance costs for the Reporting Period was approximately HK\$9,064,000 (2011: HK\$6,795,000), representing an increase of approximately 33.4% as compared with the last corresponding period. The increase was mainly due to the increase in interest expenses on the Group's debts.

The Group recorded a loss attributable to owners of the Company for the Reporting Period of approximately HK\$20,179,000 (2011: HK\$9,008,000). As a result, the basic loss per share of the Company increased from HK0.3433 cent for the six months ended 30 September 2011 to HK11.830 cent for the period under review.



SIGNIFICANT INVESTMENTS AND MATERIAL ACQUISITIONS

(A) Lapse of convertible bonds

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

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

(B) Placing of convertible bonds under specific mandate

Referring to the announcement dated 28 July 2012 and 31 October 2012, and the circular dated 4 September 2012, the Company entered into the convertible bonds placing agreement (the "CB Placing Agreement") with the placing agent (the "Placing Agent") pursuant to which the Placing Agent has conditionally agreed to procure, on a best-effort basis, the convertible bonds placees (the "CB Placees") to subscribe for the convertible bonds (the "CB") of up to an aggregate principal amount of HK\$100 million. Based on the initial conversion price of HK\$0.08 per conversion share (the "CB Conversion Shares"), a maximum number of 1,250,000 CB Conversion Shares will be allotted and issued upon exercise of the conversion rights attached to the CB in full, which represent approximately 795.18% of the existing issued share capital of the Company and approximately 88.83% of the issued share capital of the Company as enlarged by the issue of the CB Conversion Shares. The CB Conversion Shares shall be issued under a specific mandate was approved by the Shareholders at the Special General Meeting on 20 September 2012. The estimated net proceeds from the placing (after deducting related expenses) are estimated to be of approximately HK\$96.45 million. The Company intends to use the net proceeds for the Group's general working capital. The long stop date of the placing agreement was extended to 30 November 2012. Details of CB Placing Agreement was set out in the announcement of the Company dated 28 July 2012 and 31 October 2012, and the circular dated 4 September 2012. The issue of CB was still not completed on the date of this report.

(C) Placing of shares under general mandate

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

OUTLOOK

During the Reporting Period, the Group continued its principal businesses of the paper manufacturing business; biodegradable materials manufacturing business, and money lending services. The Board will continue to adopt a positive yet prudent approach in its investment strategy and will continue to seek other investment opportunities and to explore the feasibility of expansion into other business segments with a view to diversify the Group's business portfolio aiming to enhance the Group's profitability and the shareholders' value in the long run.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

Cash and bank balances as at 30 September 2012 were approximately HK\$161.01 million compared to approximately HK\$109.67 million as at 31 March 2012. The Group was not exposed to any substantial risk in foreign exchange fluctuations. In general, the Group mainly used its Renminbi income receipt for operation expenses in the PRC and did not use any financial instruments for hedging purpose. As at 30 September 2012, the Group had secured bank loans of approximately HK\$32.49 million (31 March 2012: HK\$25.94 million), unsecured bank and other loans of approximately HK\$26.88 million (31 March 2012: HK\$50.56 million) and secured entrustment loan of approximately HK\$3.00 million (31 March 2012: HK\$7.18 million). All borrowings were denominated in Renminbi. As at 30 September 2012, the Group's gearing ratio was 34.94%, based on the total borrowings and bond payable over the equity attributable to equity holders of the Company. Liabilities were generally financed by internal resources of the Group.

CHARGE OF GROUP'S ASSETS

As at 30 September 2012, the Group's land use rights and buildings with net carrying values of approximately HK\$18.77 million and HK\$27.46 million respectively were pledged to secure bank loans of approximately HK\$32.49 million. In addition, the Group had restricted bank deposits of approximately HK\$145.08 million to secure bank acceptance notes payable of approximately HK\$222.62 million arising from normal trade. 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 notes payable of approximately HK\$156.70 million arising from normal trade as at 31 March 2012.

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, purchases, 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

As at 30 September 2012, there were no material contingent liabilities.

EMPLOYEE INFORMATION

As at 30 September 2012, the Group had approximately 176 (2011: 182) employees in Hong Kong and the PRC. The total remuneration to employees, including the executive Directors for the period under review amounted to approximately HK\$5.81 million (2011: HK\$5.60 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 contributions, medical insurance and discretionary bonuses, share options are also awarded to employees according to the assessment of individual performance.

SHARE OPTION SCHEME

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

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

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

Grantee	As at 1 April 2012	Granted during the year	Cancelled/ lapsed/ during the year	Exercised during the year	As at 30 September 2012	Date of grant (dd/mm/yy)	Exercisable period (dd/mm/yy)	Exercise price HK\$
Directors								
Guo Wanda *	700,000	-	-	-	700,000	15/11/10	15/11/10 to 14/11/20	3.32
Hu Dongguang	550,000	-	-	-	550,000	30/03/10	30/03/10 to 29/03/20	5.72
Hu Dongguang	200,000	-	-	-	200,000	15/11/10	15/11/10 to 14/11/20	3.32
Ng Chau Tung, Robert **	12,500	-	-	-	12,500	20/02/08	20/02/08 to 19/02/18	4.88
Ng Chau Tung, Robert **	12,500	-	-	-	12,500	02/05/08	02/05/08 to 01/05/18	3.92
Ng Chau Tung, Robert **	50,000	-	-	-	50,000	15/11/10	15/11/10 to 14/11/20	3.32
Ng Kwok Chu, Winfield **	12,500	-	-	-	12,500	20/02/08	20/02/08 to 19/02/18	4.88
Ng Kwok Chu, Winfield **	12,500	-	-	-	12,500	02/05/08	02/05/08 to 01/05/18	3.92
Ng Kwok Chu, Winfield**	50,000	-	-	-	50,000	15/11/10	15/11/10 to 14/11/20	3.32
Tse Ching Leung	35,000	-	-	-	35,000	01/09/09	01/09/09 to 31/08/19	3.20
Tse Ching Leung	50,000	-	-	-	50,000	15/11/10	15/11/10 to 14/11/20	3.32
Wang Qingyi *	50,000	-	-	-	50,000	15/11/10	15/11/10 to 14/11/20	3.32
Wong Kam Leong	337,500	-	-	-	337,500	09/05/08	09/05/08 to 08/05/18	3.84
Wong Kam Leong	37,500	-	-	-	37,500	18/05/09	18/05/09 to 17/05/19	3.36
Wong Kam Leong	37,500	-	-	-	37,500	01/09/09	01/09/09 to 31/08/19	3.20
Wong Kam Leong	150,000	-	-	-	150,000	30/03/10	30/03/10 to 29/03/20	5.72
Wong Kam Leong	187,500	-	-	-	187,500	15/11/10	15/11/10 to 14/11/20	3.32
Wu Bingxiang ***	410,000	-	-	-	410,000	01/09/09	01/09/09 to 31/08/19	3.20
Wu Bingxiang ***	100,000	-	-	-	100,000	30/03/10	30/03/10 to 29/03/20	5.72
Wu Bingxiang ***	190,000	-	-	-	190,000	15/11/10	15/11/10 to 14/11/20	3.32
Sub-total	<u>3,185,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,185,000</u>			

* Dr. Guo Wanda and Mr. Wang Qingyi retired as Directors on 27 September 2012 and the options will lapse in 3 months after the retirement date.

** Mr. Ng Chau Tung, Robert and Mr. Ng Kwok Chu, Winfield resigned as Directors on 6 October 2012 and the options will lapse in 3 months after the resignation date.

*** Mr. Wu Bingxiang resigned as Director on 29 October 2012 and the options will lapse in 3 months after the resignation date.

Grantee	As at 1 April 2012	Granted during the year	Cancelled/ lapsed during the year	Exercised during the year	As at 30 September 2012	Date of grant (dd/mm/yy)	Exercisable period (dd/mm/yy)	Exercise price HK\$
Other employees and consultants								
In aggregate	175,000	-	-	-	175,000	20/02/08	20/02/08 to 19/02/18	4.88
In aggregate	25,000	-	-	-	25,000	22/02/08	22/02/08 to 21/02/18	4.96
In aggregate	225,000	-	-	-	225,000	02/05/08	02/05/08 to 01/05/18	3.92
In aggregate	1,250,025	-	-	-	1,250,025	09/05/08	09/05/08 to 08/05/18	3.84
In aggregate	37,500	-	-	-	37,500	18/05/09	18/05/09 to 17/05/19	3.36
In aggregate	675,000	-	-	-	675,000	17/09/08	17/09/08 to 16/09/18	4.048
In aggregate	325,000	-	-	-	325,000	31/12/08	31/12/08 to 30/12/18	2.80
In aggregate	437,500	-	-	-	437,500	01/09/09	01/09/09 to 31/08/19	3.20
In aggregate	250,000	-	-	-	250,000	30/03/10	30/03/10 to 29/03/20	5.72
In aggregate	1,575,000	-	-	-	1,575,000	15/11/10	15/11/10 to 14/11/20	3.32
In aggregate	1,000,000	-	-	-	1,000,000	10/01/11	10/01/11 to 09/01/21	3.50
In aggregate	2,100,000	-	-	-	2,100,000	12/07/11	12/07/11 to 11/07/21	3.00
Sub-total	<u>8,075,025</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,075,025</u>			
Total	<u><u>11,260,025</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>11,260,025</u></u>			

DIRECTORS

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

Executive Directors

Mr. Wong Kam Leong	
Mr. Hu Dongguang	
Mr. Wong Chung Yan Sammy	(appointed on 6 October 2012)
Mr. U Keng Tin	(appointed on 6 October 2012)
Mr. Wu Shaohong	(resigned on 15 August 2012)
Mr. Wu Bingxiang	(resigned on 29 October 2012)
Dr. Guo Wanda	(retired on 27 September 2012)

Independent non-executive Directors

Mr. Tse Ching Leung	
Mr. Cheung Tak Ming Paul	(appointed on 6 October 2012)
Mr. Fok Po Tin	(appointed on 2 November 2012)
Mr. Wang Qingyi	(retired on 27 September 2012)
Mr. Ng Kwok Chu, Winfield	(resigned on 6 October 2012)
Mr. Ng Chau Tung, Robert	(resigned on 6 October 2012)
Mr. Ku Ling Yu John	(appointed on 6 October 2012 and resigned on 2 November 2012)

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

As at 30 September 2012, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Long positions in shares and underlying shares of the Company:

Name	Type of interest	Number of ordinary shares of the Company	Number of underlying shares of the Company	Total	Percentage of Shareholding
Directors					
Wong Kam Leong	Corporate Interest	12,706,250 (Note 1)	-	30,956,250	16.45%
	Personal Interest	-	750,000 (Note 2)		
	Spousal Interest	17,500,000 (Note 1)	-		
Wu Shaohong (Note 8)	Corporate Interest	1,440,000 (Note 7)	-	1,440,000	0.77%
Hu Dongguang	Personal Interest	-	750,000 (Note 2)	750,000	0.40%
Wu Bingxiang (Note 9)	Personal Interest	-	700,000 (Note 3)	700,000	0.37%
Guo Wanda (Note 10)	Personal Interest	-	700,000 (Note 3)	700,000	0.37%
Ng Kwok Chu, Winfield (Note 11)	Personal Interest	-	75,000 (Note 4)	75,000	0.04%
Ng Chau Tung, Robert (Note 11)	Personal Interest	-	75,000 (Note 4)	75,000	0.04%
Tse Ching Leung	Personal Interest	-	85,000 (Note 5)	85,000	0.05%
Wang Qingyi (Noted 10)	Personal Interest	-	50,000 (Note 6)	50,000	0.03%

Notes:

1. 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 30 September 2012, 750,000 share options conferring rights to subscribe for 750,000 shares.
3. As at 30 September 2012, 700,000 share options conferring rights to subscribe for 700,000 shares. These share options will lapse in 3 months after Mr. Wu Bingxiang's resignation date and Dr. Guo Wanda's retirement date.
4. As at 30 September 2012, 75,000 share options conferring rights to subscribe for 75,000 shares. These share options will lapse in 3 months after their resignation date.
5. As at 30 September 2012, 85,000 share options conferring rights to subscribe for 85,000 shares.
6. As at 30 September 2012, 50,000 share options conferring rights to subscribe for 50,000 shares. These share options will lapse in 3 months after his retirement date.
7. As at 30 September 2012, Mr. Wu Shaohong ("Mr. Wu") owns 28,800,000 shares through Win Right Holdings Ltd. which is 40% and 60% owned by Mr. Wu and Mr. Liang Yucheng, respectively.
8. Resigned on 15 August 2012.
9. Resigned on 29 October 2012.
10. Retired on 27 September 2012.
11. Resigned on 6 October 2012.

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, none of the Directors and chief executive (including their spouse and children under the age of 18) had any interest in, or had been granted, or exercised, any right to subscribe for the shares of the Company and its associated corporations (within the meaning of the SFO).

Save as disclosed above, none of the Directors, chief executive or their associates had any interests or short position in the securities of the Company or any of its associated corporations as defined in Part XV of the SFO which was discloseable for the period ended 30 September 2012.

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

The register of substantial shareholders maintained under section 336 of the SFO shows that as at 30 September 2012, the Company had been notified of the following substantial shareholders' interests, being 5% or more of the Company's issued share capital.

Long positions in shares of the Company:

Name	Number of ordinary shares held	Number of underlying shares held	Aggregate long positions in shares of the Company	Percentage of shareholding
Wide Fine International Limited (Note 1)	12,706,250	-	12,706,250	6.75%
View Good International Limited (Note 2)	17,500,000	-	17,500,000	9.30%
Nicky International Limited (Note 3)	10,800,000	-	10,800,000	5.74%

Note:

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.

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 30 September 2012.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 30 September 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.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles and has complied with the code provisions as set out in the Corporate Governance Code ("CG Code") contained in Appendix 15 of the GEM Listing Rules throughout the period under review, except for the following deviations:

Code provision A.6.7 of the CG Code provides that the independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Some of the independent non-executive directors of the Company were absent from the last annual general meeting of the Company held on 27 September 2012 and the special general meetings of the Company held on 13 June 2012 and 20 September 2012 respectively, due to their other important engagement at the relevant time.

Code provision D.1.4 of the CG Code provides that the Company should have formal letters of appointment for directors setting out the key terms and conditions of their appointment, while Mr. Wong Kam Leong ("Mr. Wong"), an executive Director, and Mr. Tse Ching Leung ("Mr. Tse"), an independent non-executive Director, have not entered into any service contract or appointment letter with the Company. Mr. Wong and Mr. Tse are subject to retirement by rotation and re-election at the Company's annual general meeting in accordance with the bye-laws of the Company.

Code provision E.1.2 of the CG Code provides that the chairman of the board should attend the annual general meeting. The chairman of the Board was absent from the last annual general meeting of the Company held on 27 September 2012 (the "AGM") due to other personal commitment. However, the chairmen of the audit, remuneration and nomination committees of the Company attended the AGM. The Company's external auditor also attended the AGM to ensure questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor independence could be answered when necessary.

AUDIT COMMITTEE

In compliance with Rules 5.28 to 5.33 of the GEM Listing Rules, the Company has established an audit committee comprising independent non-executive Directors, namely Mr. Cheung Tak Ming Paul, Mr. Fok Po Tin and Mr. Tse Ching Leung. The Group's unaudited results for the six months ended 30 September 2012 have been reviewed by the audit committee. Members of the committee were of the opinion that the preparation of such results complied with the applicable accounting standards, the Stock Exchange and legal requirements and that adequate disclosures had been made.

BOARD PRACTICES AND PROCEDURES

Save as disclosed above, throughout the six months ended 30 September 2012, the Company has complied with Rules 5.34 of the GEM Listing Rules concerning board practices and procedures.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the six months ended 30 September 2012, neither the Company nor any of its holding companies or subsidiaries purchased, sold or redeemed any listed securities of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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 such code of conduct and required standard of dealings throughout the period under review.

On behalf of the Board
Wong Kam Leong
Chairman

13 November 2012, Hong Kong

As at the date hereof, the Board comprises four executive Directors, namely Mr. Wong Kam Leong, Mr. Hu Dongguang, Mr. Wong Chung Yan Sammy, Mr U Keng Tin; and three independent non-executive Directors, namely Mr. Tse Ching Leung, Mr. Cheung Tak Ming Paul and Mr. Fok Po Tin.