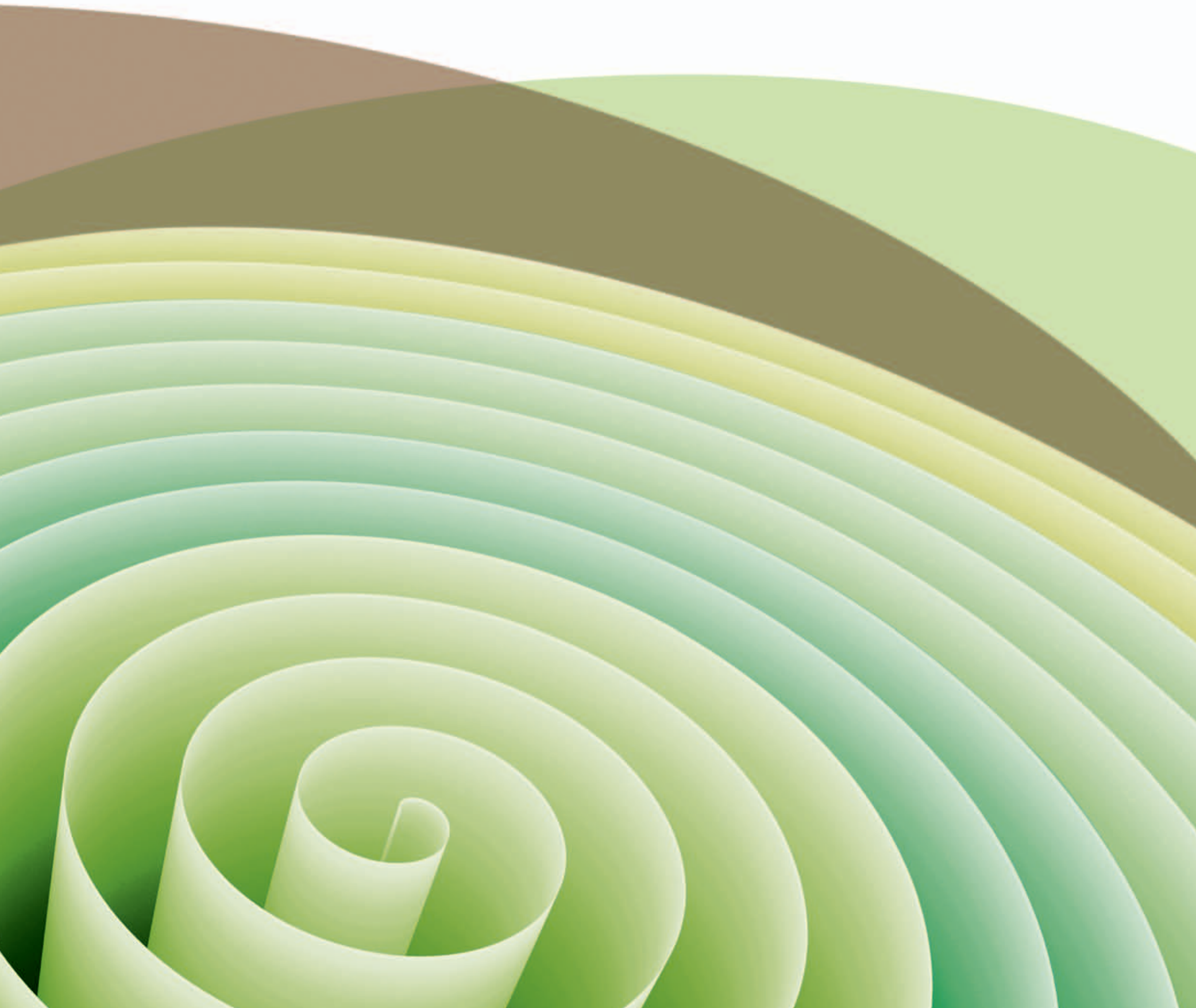
LONG SUCCESS
百齡國際

LONG SUCCESS INTERNATIONAL (HOLDINGS) LIMITED

(incorporated in Bermuda with limited liability)

(Stock Code : 8017)

Annual Report 2013



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

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Corporate Information

DIRECTORS

Executive Directors

Mr. Kaneko Hiroshi *(Chairman)*
Mr. Siu Chi Keung
Mr. Lu Shiyou

Independent Non-Executive Directors

Mr. Ho Lok Cheong
Mr. Tam Yuk Sang, Sammy
Mr. Ng Chi Yeung, Simon

COMPANY SECRETARY

Mr. Wong Wai Leung

COMPLIANCE OFFICER

Mr. Kaneko Hiroshi

AUTHORISED REPRESENTATIVES

Mr. Kaneko Hiroshi
Mr. Siu Chi Keung

AUDIT COMMITTEE

Mr. Tam Yuk Sang, Sammy *(Chairman)*
Mr. Ho Lok Cheong
Mr. Ng Chi Yeung, Simon

NOMINATION COMMITTEE

Mr. Ho Lok Cheong *(Chairman)*
Mr. Tam Yuk Sang, Sammy
Mr. Ng Chi Yeung, Simon

REMUNERATION COMMITTEE

Mr. Ho Lok Cheong *(Chairman)*
Mr. Tam Yuk Sang, Sammy
Mr. Ng Chi Yeung, Simon

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Unit 6, 9/F., Tower A
Hunghom Commercial Centre
39 Ma Tau Wai Road
Hunghom, Kowloon
Hong Kong

BERMUDA PRINCIPAL REGISTRAR

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

HONG KONG BRANCH SHARE REGISTRAR

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

AUDITORS

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

BERMUDA LEGAL ADVISOR

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

PRINCIPAL BANKERS

DBS Bank (Hong Kong) Limited
Chong Hing Bank Limited

STOCK CODE

8017

WEBSITE

http://www.long-success.com

Financial Highlights

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

CONSOLIDATED RESULTS

	For the year ended 31 March				
	2013	2012	2011	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**190,048**	241,220	288,970	159,432	12,778
Loss attributable to owners of the Company	**426,444**	(42,774)	(26,870)	(45,026)	(37,604)

CONSOLIDATED ASSETS AND LIABILITIES

	As of 31 March				
	2013	2012	2011	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**364,596**	971,263	866,235	483,188	114,979
Total liabilities	**(421,592)**	(479,245)	(364,556)	(290,693)	(9,941)
Net (liabilities)/assets	**(56,996)**	492,018	501,679	192,495	105,038

Note: The results of operations of information technology segment and Macau Casino Junket profit sharing segment which was discontinued in 2011 have not been restated or reclassified prior to 2010.

On behalf of the board of directors (the "Board") of the Company and its subsidiaries (collectively, the "Group"), I hereby present to the shareholders the annual report of the Group for the financial year ended 31 March 2013.

FINANCIAL PERFORMANCE

The Group's total revenue for the year ended 31 March 2013 was approximately HK$190.05 million, representing a decrease of 21.21% as compared with that for the year ended 31 March 2012 (2012: HK$241.22 million). The Group's revenue mainly came from paper manufacturing business, which recorded a revenue of HK$183.85 million for the year ended 31 March 2013. During the year under review, the Group recorded a net loss of HK$426.44 million as against a net loss of HK$42.77 million in 2012. The net loss attributable to the shareholders was mainly due to the impairment loss on amounts due from de-consolidated subsidiaries, impairment loss on property, plant and equipment, impairment loss on deposit for acquisition for property, plant and equipment and the impairment loss on deposits to suppliers.

BUSINESS REVIEW

Paper Manufacturing Business

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

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

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

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

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

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

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

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

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

Biodegradable Materials Manufacturing Business

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

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

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

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

PROSPECTS

Jining Gangning has provided a solid and fundamental platform for the Company to continue to integrate and to increase the Group's market share of the paper industry in China.

In view of the current business development, the Company will focus on the manufacturing and development of paper products, despite the fact that the paper industry is under fairly difficult trading environment. In order to enhance the competitiveness of Jining Gangning, we will devote more resources on the research and development of our paper products, offering better quality packaging paper, formwork paper, industrial paper, balance paper and tipping paper products to our customers.

We will make good use of the strategic location of Jining Gangning, which is located in Shandong and is easily accessible by the existing and potential customers.

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

The management of the Company has confidence to continue to obtain benefit and profit from Jining Ganging which is in the interest of the shareholders of the Company.

OUR APPRECIATION

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

Kaneko Hiroshi
Chairman

Hong Kong, 30 June 2013

BUSINESS REVIEW

During the year under review, the Group was mainly engaged in paper manufacturing business. The major events during the year are listed below.

(A) Lapse of convertible bonds

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

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

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

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

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

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

(C) Placing of convertible bonds under specific mandate

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

(D) Placing of shares under general mandate

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

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

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

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

FINANCIAL REVIEW

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

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

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

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

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

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

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

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

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

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

CHARGE OF GROUP'S ASSETS

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

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

FOREIGN CURRENCY EXPOSURE

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

CONTINGENT LIABILITIES

Details of the contingent liabilities are set out in note 41 to the consolidated financial statements.

EMPLOYEES

As at 31 March 2013, the Group had approximately 99 (2012: 185) employees in Hong Kong and the PRC. The total remuneration to employees, including the executive Directors for the year under review, amounted to approximately HK$21.60 million (2012: HK$24.10 million). Employees in Hong Kong are entitled to provident fund contributions and medical insurance. For employees in the PRC, the Group is required to contribute to state-sponsored retirement plans at certain prescribed rates based on their basic salaries. In addition, the Group provides comprehensive on-the-job training to its employees and sponsors employees who participate in job-related training courses to ensure that their qualifications always meet the changing market standards. The remuneration policy and packages are regularly reviewed by the Board. Apart from provident fund scheme, medical insurance and discretionary bonuses, share options are also awarded to employees according to the assessment of individual performance.

FUTURE PLAN OF CAPITAL INVESTMENTS

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

Profile of the Directors are set out as follows:

EXECUTIVE DIRECTORS

Mr. Kaneko Hiroshi, aged 48, has been appointed as the chairman of the Company on 17 April 2013. Mr. Kaneko holds a Master degree of Engineering from Dalian University of Technology, Doctor of Philosophy programs in Fudan University and doctoral degree of the apex science and technology from University of Tokyo. Mr. Kaneko has extensive research experience in the field of environment, development and economic science. He has been engaged in comprehensive utilization of environmental friendly materials and international trade for number of years. Mr. Kaneko is an independent non-executive director of Bao Yuan Holdings Limited (a listed company in Hong Kong).

Mr. Siu Chi Keung, aged 67, has been appointed as an executive director of the Company on 15 January 2013. Mr. Siu has over 30 years of experience in the manufacturing business, in particular, he also possess expertise in running paper and plastic factories in China.

Mr. Lu Shiyou, aged 41, has been appointed as an executive Director of the Company on 15 January 2013. Mr. Lu has over 15 years of experience in the manufacturing business. Mr. Lu is familiar with various operations in particular in parts and components production in China.

INDEPENDENT NON-EXECUTIVE DIRECTORS ("INED")

Mr. Ho Lok Cheong, aged 50, has been appointed as an INED and a member of audit committee and a chairman of nomination committee and remuneration committee of the Company since 18 January 2013. Mr. Ho is a partner of Messrs. Andrew Law & Franki Ho, Solicitors, with particular focusing on corporate commercial, listing, merger & acquisition and commercial litigation works. He graduated from the Chinese University of Hong Kong, major in physics and computer science in 1985. Mr. Ho obtained his law degree from Manchester Metropolitan University of the United Kingdom and finished his Postgraduate Certificate in Law in the University of Hong Kong in 1996. He was then admitted as a solicitor of the High Court of the Hong Kong Special Administrative Region and as a solicitor of England and Wales.

Mr. Ho is an independent non-executive director of Kith Holdings Limited, a company whose shares are listed on the Stock Exchange. He had once been an independent non- executive director of Ngai Lik Industrial Holdings Limited, a company whose shares are listed on the Stock Exchange up to 18 February 2010.

Mr. Tam Yuk Sang, Sammy, aged 49, has been appointed as an INED and a chairman of audit committee and a member of nomination committee and remuneration committee of the Company on 18 January 2013. Mr. Tam graduated from the Hong Kong Polytechnic University and is a fellow member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. He is currently the president of Essentack Limited, a corporate strategy and management advisory company. He is an independent non-executive director of each of KEE Holdings Company Limited, Renheng Enterprise Holdings Limited and Kith Holdings Limited, all companies whose shares are listed on the Stock Exchange. Mr. Tam had once been an independent non-executive director of Ngai Lik Industrial Holdings Limited, a company whose shares are listed on the Stock Exchange, up to 18 February 2010.

Dr. Ng Chi Yeung, Simon, aged 56, has been appointed as an INED and a member of audit committee and remuneration committee of the Company on 8 February 2013. Mr. Ng is a qualified solicitor in Hong Kong, England and Wales, an advocate and solicitor in Singapore, and a barrister in the Australian Capital Territory. Mr. Ng is a consultant of Rowland Chow, Chan & Company, a law firm in Hong Kong. Mr. Ng holds a bachelor degree from the Manchester Metropolitan University in the United Kingdom and a master degree in Chinese and Comparative Law. Mr. Ng also holds a doctor degree in worship studies from the Robert E. Webber Institute for Worship Studies. Mr. Ng is a Part-time Lecturer of the Department of Professional Legal Education of The University of Hong Kong.

Mr. Ng is also an independent non-executive director of another two public listed companies in Hong Kong, namely, Kith Holdings Limited and Winfair Investment Company Limited. He had once been an independent non-executive director of Ngai Lik Industrial Holdings Limited, a public listed company, up to 18 February 2010.

The Directors present their report together with the audited accounts for the year ended 31 March 2013.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The activities of the subsidiaries are set out in note 18 to the consolidated financial statements. An analysis of the Group's performance for the year by business and geographical segments is set out in note 13 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated statement of comprehensive income on pages 37 to 38. The Directors do not recommend the payment of a dividend for the year ended 31 March 2013 (2012: Nil).

RESERVES

Movements in the reserves of the Group and of the Company during the year are set out in note 37 to the consolidated financial statements and in the consolidated statement of changes in equity on pages 42 to 43 respectively.

Details of distributable reserves of the Company as at 31 March 2013 are set out in note 37(viii) to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in note 14 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital are set out in note 36 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

FINANCIAL INFORMATION SUMMARY

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

CONNECTED TRANSACTIONS

Details of the connected transactions entered into by the Company are set out in note 42 to the consolidated financial statements.

Details about other related party transactions undertaken in the normal course of business but not constituting a discloseable connected transaction as defined under the GEM Listing Rules are set out in note 42 to the consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

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

DIRECTORS

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

Executive Directors	
Mr. Kaneko Hiroshi	(appointed on 17 April 2013)
Mr. Siu Chi Keung	(appointed on 15 January 2013)
Mr. Lu Shiyou	(appointed on 15 January 2013)
Mr. Wong Kam Leong	(resigned on 17 April 2013)
Mr. Hu Dongguang	(resigned on 28 February 2013)
Mr. Wong Chung Yan Sammy	(appointed on 6 October 2012 and resigned on 15 January 2013)
Mr. U Keng Tin	(appointed on 6 October 2012 and resigned on 15 January 2013)
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. Ho Lok Cheong	(appointed on 18 January 2013)
Mr. Tam Yuk Sang, Sammy	(appointed on 18 January 2013)
Dr. Ng Chi Yeung, Simon	(appointed on 8 February 2013)
Mr. Fok Po Tin	(appointed on 2 November 2012 and resigned on 5 February 2013)
Mr. Wang Qingyi	(retired on 27 September 2012)
Mr. Cheung Tak Ming Paul	(appointed on 6 October 2012 and resigned on 18 January 2013)
Mr. Ku Ling Yu, John	(appointed on 6 October 2012 and resigned on 2 November 2012)
Mr. Tse Ching Leung	(resigned on 15 January 2013)
Mr. Ng Kwok Chu Winfield	(resigned on 6 October 2012)
Mr. Ng Chau Tung, Robert	(resigned on 6 October 2012)

In accordance with the Bye-Laws of the Company, Mr. Kaneko Hiroshi, Mr. Siu Chi Keung, Mr. Lu Shiyou, Mr. Ho Lok Cheong, Mr. Tam Yuk Sang, Sammy and Dr. Ng Chi Yeung, Simon being the new Directors appointed by the Board, shall retire from office at the forthcoming AGM and, being eligible, offer themselves for re-election at the AGM.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' INTERESTS IN CONTRACTS

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

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

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

Long positions in Shares

Name	Type of interest	Number of ordinary shares of the Company	Number of underlying shares of the Company	Total	Percentage of Shareholding
Directors					
Mr. Wong Kam Leong *(Note 4)*	Corporate Interest	30,206,250 *(Note 1)*		30,956,250	4.51%
	Personal Interest		750,000 *(Note 2)*		
Mr. Lu Shiyou *(Note 5)*	Personal Interest	–	212,500,000	212,500,000	30.99%
Mr. Hu Dongguang *(Note 6)*	Personal Interest	–	750,000 *(Note 2)*	750,000	0.11%
Mr. Tse Ching Leung *(Note 7)*	Personal Interest	–	85,000 *(Note 3)*	85,000	0.01%

Notes:

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

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

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

4. Resigned on 17 April 2013.

5. Appointed on 15 January 2013.

6. Resigned on 28 February 2013.

7. Resigned on 15 January 2013.

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

Save as disclosed above, as at 31 March 2013, none of the Directors of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors to be notified to the Company and the Stock Exchange.

OPTION SCHEMES

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

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

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

Grantee	As at 1 April 2012	Granted during the year	Cancelled/ lapsed during the year	Exercised during the year	As at 31 March 2013	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 Bing Xiang ###	410,000	–	(410,000)	–	–	01/09/09	01/09/09 to 31/08/19	3.20
Wu Bing Xiang ###	100,000	–	(100,000)	–	–	30/03/10	30/03/10 to 29/03/20	5.72
Wu Bing Xiang ###	190,000	–	(190,000)	–	–	15/11/10	15/11/10 to 14/11/20	3.32
Sub-total	3,185,000	–	(1,600,000)	–	1,585,000			

Dr. Guo Wanda and Mr. Wang Qingyi retired as directors of the Company on 27 September 2012 and the options lapsed on 27 December 2012.

Mr. Ng Chau Tong Robert and Mr. Ng Kwok Chu Winfield resigned as directors of the Company on 6 October 2012 and the options lapsed on 6 January 2013.

Mr. Wu Bingxiang resigned as director of the Company on 29 October 2012 and the options lapsed on 29 January 2013.

Mr. Tse Ching Leung resigned as director of the Company on 15 January 2013 and the options will lapse in 3 months after the resignation date.

Mr. Hu Dongguang resigned as director of the Company on 28 February 2013 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 31 March 2013	Date of grant (dd/mm/yy)	Exercisable period (dd/mm/yy)	Exercise price HK$
Other employees and consultants								
In aggregate	175,000	–	(50,000)	–	125,000	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	–	(25)	–	1,250,000	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	–	(37,500)	–	400,000	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	–	(1,400,000)	–	700,000	12/07/11	12/07/11 to 11/07/21	3.00
Sub-total	8,075,025	–	(1,550,025)	–	6,525,000			
Total	11,260,025	–	(3,150,025)	–	8,110,000			

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

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

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

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

MANAGEMENT CONTRACTS

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

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of purchases and sales for the year attributable to the Group's major suppliers and customers are as follows:

Purchases	
— the largest supplier	9.18%
— five largest suppliers combined	27.52%
Sales	
— the largest customer	8.03%
— five largest customers combined	31.41%

None of the Directors, their associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had any interest in the Group's five largest suppliers or customers during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

Report of the Directors

CORPORATE GOVERNANCE

A report on the principle corporate governance practices adopted by the Company is set out on pages 23 to 32 of this report.

AUDIT COMMITTEE

The Audit Committee currently comprises three independent non-executive Directors, namely Mr. Tam Yuk Sang, Sammy as chairman, Mr. Ho Lok Cheong and Mr. Ng Chi Yeung, Simon with written terms of reference in compliance with the GEM Listing Rules. The Audit Committee has reviewed the audited financial statements of the Group for the year ended 31 March 2013. The Audit Committee has discussed the internal control system of the Company and its subsidiaries with the management of the Company and the independent auditors of the Group and has made suggestions on areas where the internal control systems were considered inadequate. Furthermore the Audit Committee has engaged the independent auditors of the Group in March 2013 to review the effectiveness of internal control system of the principal operating paper products segment, Jining Gangning Paper Co, Limited, and the review is still in progress.

BOARD PRACTICES AND PROCEDURES

Save as disclosed above, throughout the year ended 31 March 2013, the Company has complied with Rules 5.34 to 5.45 of the GEM Listing Rules concerning board practices and procedures.

EVENTS AFTER THE REPORTING PERIOD

Details of the events after the reporting period are set out in note 45 to the consolidated financial statements.

AUDITORS

The accounts for the year ended 31 March 2013 have been audited by Crowe Horwath (HK) CPA Limited who will retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Kaneko Hiroshi
Chairman

Hong Kong, 30 June 2013

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

CODE ON CORPORATE GOVERNANCE PRACTICES

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

Code provision A.6.7

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

Deviation

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

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

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

Code provision E.1.2

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

Deviation

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

DIRECTORS SECURITIES TRANSACTIONS

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

BOARD OF DIRECTORS

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

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

Executive Directors
Mr. Kaneko Hiroshi *(Chairman)*
Mr. Siu Chi Keung
Mr. Lu Shiyou

Independent non-executive Directors
Mr. Ho Lok Cheong
Mr. Tam Yuk Sang, Sammy
Dr. Ng Chi Yeung, Simon

Under the Bye-Laws of the Company, Mr. Kaneko Hiroshi, Mr. Siu Chi Keung, Mr. Lu Shiyou, Mr. Ho Lok Cheong, Mr. Tam Yuk Sang, Sammy and Dr. Ng Chi Yeung, Simon being the new Directors appointed by the Board, shall retire from office at the forthcoming AGM and, being eligible, offer themselves for re-election at the AGM.

Detail of backgrounds and qualifications of the Chairman of the Company and the other Directors are set out in pages 13 to 14 of this Annual Report. The Board comprises a balanced composition of executive Directors and independent non-executive Directors who possesses a wide spectrum of relevant skills and experience.

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

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

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

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

Board meetings

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

Name of Directors	Attendance/ Number of meetings
Executive Directors	
Mr. Kaneko Hiroshi (appointed on 17 April 2013)	–
Mr. Wong Kam Leong (resigned on 17 April 2013)	20/22
Mr. Siu Chi Keung (appointed on 15 January 2013)	5/5
Mr. Lu Shiyou (appointed on 15 January 2013)	5/5
Mr. Hu Dongguang (resigned on 28 February 2013)	21/21
Mr. Wong Chung Yan Sammy (appointed on 6 October 2012 and resigned on 15 January 2013)	8/8
Mr. U Keng Tin (appointed on 6 October 2012 and resigned on 15 January 2013)	7/8
Mr. Wu Shaohong (resigned on 15 August 2012)	1/4
Mr. Wu Bingxiang (resigned on 29 October 2012)	6/10
Dr. Guo Wanda (retired on 27 September 2012)	5/8
Independent Non-executive Directors	
Mr. Ho Lok Cheong (appointed on 18 January 2013)	5/5
Mr. Tam Yuk Sang, Sammy (appointed on 18 January 2013)	5/5
Mr. Fok Po Tin (appointed on 2 November 2012 and resigned on 5 February 2013)	3/5
Mr. Wang Qingyi (retired on 27 September 2012)	4/8
Mr. Cheung Tak Ming Paul (appointed on 6 October 2012 and resigned on 18 January 2013)	8/8
Mr. Ku Ling Yu, John (appointed on 6 October 2012 and resigned on 2 November 2012)	1/3
Mr. Tse Ching Leung (resigned on 15 January 2013)	16/17
Mr. Ng Kwok Chu Winfield (resigned on 6 October 2012)	8/9
Mr. Ng Chau Tung, Robert (resigned on 6 October 2012)	8/9
Dr. Ng Chi Yeung, Simon (appointed on 8 February 2013)	1/1

Chairman and Chief Executive Officer

The role of the Chairman of the Company is separated from that of the Chief Executive Officer. Such division of responsibilities allows a balance of power between the Board and the management of the Group, and ensures their independence and accountability.

The Chairman is responsible for providing leadership to the Board of Directors and ensuring that the Board of Directors works effectively. The Chief Executive Officer, assisted by other executive Directors, is responsible for the day-to-day management of the business of the Group, formulation and successful implementation of company policies. He assumes full accountability to the Board for the operations of the Group. Working with the Chairman and the executive management team of each core business division, the Chief Executive Officer ensures smooth operations and development of the Group. He maintains continuing dialogue with the Chairman and all Directors to keep them fully informed of all major business developments and issues. He is also responsible for building and maintaining an effective executive team to support him in his role. Currently, the Company has no chief executive officer after the resignation of Mr. Hu Dongguang on 28 February 2013 and the Board is responsible to play the role of chief executive officer in overseeing the management and development of the Group's business with the assistance of the executive management of each division. The Company is endeavoring to identify suitable candidate to fill the vacancy as soon as possible.

Independent Non-executive Directors

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

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

NOMINATION COMMITTEE

The Board is responsible for the selection and approval of candidates for appointment and the Company has established a nomination committee (the "Nomination Committee") since 9 May 2006 which currently consists of three independent non-executive Directors, namely Mr. Ho Lok Cheong, Mr. Tam Yuk Sang, Sammy and Dr. Ng Chi Yeung, Simon. Mr. Ho Lok Cheong currently presides as chairman of the Nomination Committee. The primary role and function of the Nomination Committee is to make recommendations to the Board on potential candidates to fill vacancies or additional appointment on the Board and senior management. In selecting the suitable candidates, the Board will take into account the qualifications, ability, working experience, leadership and professional ethics of the candidates.

During the year, a total of 3 Nomination Committee meetings were held. Details of the attendance of the Nomination Committee meetings are as follows:

Name of Nomination Committee members	Attendance/ Number of meetings
Mr. Ho Lok Cheong (appointed on 18 January 2013)	–
Mr. Tam Yuk Sang, Sammy (appointed on 18 January 2013)	–
Mr. Fok Po Tin (appointed on 2 November 2012 and resigned on 5 February 2013)	0/1
Mr. Cheung Tak Ming Paul (appointed on 6 October 2012 and resigned on 18 January 2013)	2/2
Mr. Ku Ling Yu, John (appointed on 6 October 2012 and resigned on 2 November 2012)	–
Mr. Tse Ching Leung (resigned on 15 January 2013)	3/3
Mr. Ng Kwok Chu Winfield (resigned on 6 October 2012)	1/1
Mr. Ng Chau Tung, Robert (resigned on 6 October 2012)	1/1
Mr. Ng Chi Yeung, Simon (appointed on 8 February 2013)	–

REMUNERATION COMMITTEE

The Company has established the Remuneration Committee since 9 May 2006 which currently consists of three independent non-executive Directors, namely Mr. Ho Lok Cheong, Mr. Tam Yuk Sang, Sammy and Dr. Ng Chi Yeung, Simon. The Chairman of the Remuneration Committee is Mr. Ho Lok Cheong.

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

During the year, a total of 3 Remuneration Committee meetings were held. Details of the attendance of the Remuneration Committee meetings are as follows:

Name of Remuneration Committee members	Attendance/ Number of meetings
Mr. Ho Lok Cheong (appointed on 18 January 2013)	–
Mr. Tam Yuk Sang, Sammy (appointed on 18 January 2013)	–
Mr. Fok Po Tin (appointed on 2 November 2012 and resigned on 5 February 2013)	0/1
Mr. Cheung Tak Ming Paul (appointed on 6 October 2012 and resigned on 18 January 2013)	2/2
Mr. Ku Ling Yu, John (appointed on 6 October 2012 and resigned on 2 November 2012)	–
Mr. Tse Ching Leung (resigned on 15 January 2013)	3/3
Mr. Ng Kwok Chu Winfield (resigned on 6 October 2012)	1/1
Mr. Ng Chau Tung, Robert (resigned on 6 October 2012)	1/1
Mr. Ng Chi Yeung, Simon (appointed on 8 February 2013)	–

AUDIT COMMITTEE

The Audit Committee currently consists of three independent non-executive Directors, namely, Mr. Tam Yuk Sang, Sammy, Mr. Ho Lok Cheong and Dr. Ng Chi Yeung, Simon. The Chairman of the Audit Committee is Mr. Tam Yuk Sang, Sammy.

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

During the year, the Audit Committee held 5 meetings to review and supervise the financial reporting process and has reviewed the quarterly, interim and annual results of the Group. The Audit Committee was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made. The Audit Committee also carried out and discharged its other duties as set out in the Code.

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

Name of Audit Committee members	Attendance/ Number of meetings
Mr. Ho Lok Cheong (appointed on 18 January 2013)	2/2
Mr. Tam Yuk Sang, Sammy (appointed on 18 January 2013)	2/2
Mr. Fok Po Tin (appointed on 2 November 2012 and resigned on 5 February 2013)	1/1
Mr. Cheung Tak Ming Paul (appointed on 6 October 2012 and resigned on 18 January 2013)	1/1
Mr. Ku Ling Yu, John (appointed on 6 October 2012 and resigned on 2 November 2012)	–
Mr. Tse Ching Leung (resigned on 15 January 2013)	3/3
Mr. Ng Kwok Chu Winfield (resigned on 6 October 2012)	2/2
Mr. Ng Chau Tung, Robert (resigned on 6 October 2012)	2/2
Mr. Ng Chi Yeung, Simon (appointed on 8 February 2013)	1/1

The audited consolidated results of the Group for the year ended 31 March 2013 have been reviewed by the Audit Committee.

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

AUDITORS' REMUNERATION

The amount of fees charged by the auditors generally depends on the scope and volume of the auditors' work. For the year ended 31 March 2013, the total remuneration of the Group's auditor for the statutory audit services is approximately HK$1,350,000 (2012: HK$1,300,000).

COMPANY SECRETARY

During the year ended 31 March 2013, the Company Secretary has duly complied with the relevant professional training requirement under Rule 5.15 of the GEM Listing Rules.

SHAREHOLDERS' RIGHTS

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

The requisition must be duly signed by the requisitionist and must be deposited at the Company's principal place of business in Hong Kong at Unit 6, 9/F., Tower A, Hunghom Commercial Centre, 39 Ma Tau Wai Road, Hunghom, Kowloon, Hong Kong.

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

INVESTOR RELATIONS

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

The 2012 annual general meeting was held on 27 September 2012 and there were two extraordinary general meetings respectively held on 13 June 2012 and 20 September 2012. The attendance record of the Directors at the general meetings is set out below:

Name of Directors	Attendance/ Number of meetings
Executive Directors	
Mr. Kaneko Hiroshi (appointed on 17 April 2013)	–
Mr. Wong Kam Leong (resigned on 17 April 2013)	1/3
Mr. Siu Chi Keung (appointed on 15 January 2013)	–
Mr. Lu Shiyou (appointed on 15 January 2013)	–
Mr. Hu Dongguang (resigned on 28 February 2013)	3/3
Mr. Wong Chung Yan Sammy (appointed on 6 October 2012 and resigned on 15 January 2013)	–
Mr. U Keng Tin (appointed on 6 October 2012 and resigned on 15 January 2013)	–
Mr. Wu Shaohong (resigned on 15 August 2012)	0/1
Mr. Wu Bingxiang (resigned on 29 October 2012)	0/3
Dr. Guo Wanda (retired on 27 September 2012)	1/2
Independent Non-executive Directors	
Mr. Ho Lok Cheong (appointed on 18 January 2013)	–
Mr. Tam Yuk Sang, Sammy (appointed on 18 January 2013)	–
Mr. Fok Po Tin (appointed on 2 November 2012 and resigned on 5 February 2013)	–
Mr. Wang Qingyi (retired on 27 September 2012)	0/2
Mr. Cheung Tak Ming Paul (appointed on 6 October 2012 and resigned on 18 January 2013)	–
Mr. Ku Ling Yu, John (appointed on 6 October 2012 and resigned on 2 November 2012)	–
Mr. Tse Ching Leung (resigned on 15 January 2013)	0/3
Mr. Ng Kwok Chu Winfield (resigned on 6 October 2012)	2/3
Mr. Ng Chau Tung, Robert (resigned on 6 October 2012)	2/3
Dr. Ng Chi Yeung, Simon (appointed on 8 February 2013)	–

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

GOING CONCERN

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

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

The directors are of the opinion that, taking into account the above-mentioned measures, the Group will have sufficient working capital to meet its financial obligation as and when they fall due in the next twelve months from 31 March 2013. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

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

CORPORATE GOVERNANCE FUNCTIONS

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

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

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

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

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

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

INTERNAL CONTROL AND RISK MANAGEMENT

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

The internal control system is reviewed on an ongoing basis by the Audit Committee and the Board in order to make it practical and effective in providing reasonable assurance in relation to protection of material assets and identification of business risks. During the year, the Board has conducted reviews on the internal control systems and the Audit Committee has discussed the internal control system of the Company and its subsidiaries with the management of the Company and the independent auditors of the Group and has made suggestions on areas where the internal control systems were considered inadequate. Furthermore the Audit Committee has engaged the independent auditors of the Group in March 2013 to review the effectiveness of internal control system of the principal operating paper products segment, Jining Gangning Paper Co, Limited, and the review is still in progress.

During the year, the Company was unable to obtain sufficient controls on operations and financial reporting over the PRC subsidiaries of the biodegradable products business segment (PRC Subsidiaries), due to the resignation of a number of key management staff in the PRC Subsidiaries and the unwillingness of the holders of non-controlling interests who are managing the PRC Subsidiaries. The Board considered it more appropriate to deconsolidate the PRC Subsidiaries for the current year in view of the above, despite the deconsolidation is not in compliance with the Hong Kong Accounting Standard 27 (Revised) "Consolidated and Separate Financial Statements". Full details are also provided in Note 2(b) of the consolidated financial statements.

Crowe Horwath™

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

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77 Leighton Road,
Causeway Bay, Hong Kong

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

We were engaged to audit the consolidated financial statements of Long Success International (Holdings) Limited ("the Company") and its subsidiaries (together "the Group") set out on pages 37 to 128 which comprise the consolidated and company statements of financial position as at 31 March 2013, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

BASIS FOR DISCLAIMER OF OPINION

1. De-consolidation of subsidiaries

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

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

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

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

2. Alleged financial guarantee agreement

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

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

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

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

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

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

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

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

DISCLAIMER OF OPINION

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

EMPHASIS OF MATTER IN RELATION TO THE PENDING LITIGATION

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

Crowe Horwath (HK) CPA Limited
Certified Public Accountants
Hong Kong, 30 June 2013

Lau Kwok Hung
Practising Certificate No.: P04169

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2013

	Note	2013 HK$'000	2012 HK$'000
Revenue	4	**190,048**	241,220
Cost of sales		**(213,192)**	(217,721)
Gross (loss)/profit		**(23,144)**	23,499
Other income and net gains	5	**16,783**	34,722
Selling expenses		**(762)**	(882)
Administrative expenses		**(39,318)**	(66,706)
Operating loss		**(46,441)**	(9,367)
Finance costs	6	**(10,696)**	(23,924)
Impairment loss on amounts due from De-consolidated Subsidiaries		**(265,649)**	–
Impairment loss on goodwill	16	**(24,559)**	(20,556)
Impairment loss on property, plant and equipment	14	**(91,926)**	(1,031)
Impairment loss on prepaid lease payments	15	**(1,074)**	–
Impairment loss on deposit for acquisition for property, plant and equipment		**(60,939)**	–
Impairment loss on deposits to suppliers		**(33,035)**	–
Net loss on de-consolidation of subsidiaries	40	**(10,223)**	–
Loss before taxation	7	**(544,542)**	(54,878)
Income tax	8	**4,595**	3,043
Loss for the year		**(539,947)**	(51,835)
Other comprehensive (loss)/income			
Exchange differences on translating operations outside Hong Kong			
— Reclassification adjustments upon de-consolidation of subsidiaries		**(9,449)**	–
— Exchange difference arising during the year		**832**	18,688
		(8,617)	18,688
Total comprehensive loss for the year		**(548,564)**	(33,147)
Loss for the year			
Attributable to:			
Owners of the Company		**(426,444)**	(42,774)
Non-controlling interests		**(113,503)**	(9,061)
		(539,947)	(51,835)

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2013

	Note	2013 HK$'000	2012 HK$'000
Total comprehensive loss for the year			
Attributable to:			
Owners of the Company		**(434,812)**	(32,332)
Non-controlling interests		**(113,752)**	(815)
		(548,564)	(33,147)
Loss per share attributable to owners of the Company	12		
— Basic (HK cents per share)		**(198.30)**	(31.78)
— Diluted (HK cents per share)		**(198.30)**	(31.78)

The notes on pages 46 to 128 form part of these financial statements.

Consolidated Statement of Financial Position

As at 31 March 2013

	Note	2013 HK$'000	2012 HK$'000
Non-current assets			
Property, plant and equipment	14	**96,480**	228,182
Prepaid lease payments	15	**17,702**	19,169
Goodwill	16	**90**	116,725
Intangible assets	17	**–**	234,171
Available-for-sale financial asset	19	**180**	180
Derivative financial asset	20	**–**	19,630
Deposits for acquisition of property, plant and equipment	21	**12,209**	73,148
Loans receivable	22	**–**	247
Total non-current assets		**126,661**	691,452
Current assets			
Loans receivable	22	**–**	5,233
Inventories	23	**47,646**	40,314
Trade receivables	24	**16,902**	9,190
Prepayments, deposits and other receivables	25	**2,597**	115,409
Pledged bank deposits	29	**156,051**	101,727
Cash and cash equivalents	27	**14,739**	7,938
Total current assets		**237,935**	279,811
Current liabilities			
Trade payables	28	**17,066**	12,165
Other payables	28	**41,403**	82,454
Bank acceptance notes payable	29	**231,227**	156,698
Current portion of interest-bearing loans	30	**97,150**	83,680
Convertible bonds	32	**29,923**	–
Derivative financial liabilities	32	**759**	–
Bond payable	33	**–**	95,459
Current tax payable		**–**	899
Total current liabilities		**417,528**	431,355
Net current liabilities		**(179,593)**	(151,544)
Total assets less current liabilities		**(52,932)**	539,908
Non-current liability			
Deferred tax liabilities	31(a)	**4,064**	47,890
Total non-current liabilities		**4,064**	47,890
NET (LIABILITIES)/ASSETS		**(56,996)**	492,018

Consolidated Statement of Financial Position

As at 31 March 2013

	Note	2013 HK$'000	2012 HK$'000
CAPITAL AND RESERVES			
Share capital	36	**6,857**	1,572
Share premium and reserves		**(11,917)**	366,787
Equity attributable to owners of the Company		**(5,060)**	368,359
Non-controlling interests		**(51,936)**	123,659
TOTAL EQUITY		**(56,996)**	492,018

Approved and authorised for issue by the board of directors on 30 June 2013.

Kaneko Hiroshi
Director

Siu Chi Keung
Director

The notes on pages 46 to 128 form part of these financial statements.

Statement of Financial Position

As at 31 March 2013

	Note	2013 HK$'000	2012 HK$'000
Non-current assets			
Interests in subsidiaries	18	**1**	1
Amounts due from subsidiaries	26(a)	**40,616**	499,624
Total non-current assets		**40,617**	499,625
Current assets			
Prepayments, deposits and other receivables	25	**18**	54
Cash and cash equivalents	27	**304**	2,675
Total current assets		**322**	2,729
Current liabilities			
Other payables	28	**7,553**	4,182
Convertible bonds	32	**29,923**	–
Derivative financial liabilities	32	**759**	–
Bond payable	33	**–**	95,459
Interest-bearing loans	30	**–**	3,000
Total current liabilities		**38,235**	102,641
Net current liabilities		**(37,913)**	(99,912)
Total assets less current liabilities		**2,704**	399,713
Non-current liabilities			
Amount due to a subsidiary	26(b)	**–**	37,135
Deferred tax liabilities	31(a)	**4,064**	–
Total non-current liabilities		**4,064**	37,135
NET (LIABILITIES)/ASSETS		**(1,360)**	362,578
CAPITAL AND RESERVES			
Equity attributable to owners of the Company			
Share capital	36	**6,857**	1,572
Share premium and reserves	37	**(8,217)**	361,006
TOTAL EQUITY		**(1,360)**	362,578

Approved and authorised for issue by the board of directors on 30 June 2013.

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

The notes on pages 46 to 128 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 March 2013

		Attributable to owners of the Company											
	Note	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Exchange reserve HK$'000	Share option reserve HK$'000	Warrants reserve HK$'000	Convertible bonds equity reserve HK$'000	Accumulated losses HK$'000	Statutory reserve HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 April 2011		104,958	383,200	–	12,267	18,563	1,500	3,347	(147,422)	792	377,205	124,474	501,679
Loss for the year		–	–	–	–	–	–	–	(42,774)	–	(42,774)	(9,061)	(51,835)
Exchange difference arising during the year		–	–	–	10,442	–	–	–	–	–	10,442	8,246	18,688
Total comprehensive loss for the year		–	–	–	10,442	–	–	–	(42,774)	–	(32,332)	(815)	(33,147)
Placing of new shares	36(b)(i)	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	34	–	–	–	–	3,567	–	–	–	–	3,567	–	3,567
Capital reduction	36(b)(ii)	(124,186)	–	124,186	–	–	–	–	–	–	–	–	–
Transfer	36(b)(ii)	–	–	(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

The notes on pages 46 to 128 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 March 2013

		Attributable to owners of the Company											
	Note	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Exchange reserve HK$'000	Share option reserve HK$'000	Warrants reserve HK$'000	Convertible bonds equity reserve HK$'000	Accumulated losses HK$'000	Statutory reserve HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 April 2012		1,572	382,319	-	22,709	22,130	1,500	-	(62,913)	1,042	368,359	123,659	492,018
Loss for the year		-	-	-	-	-	-	-	(426,444)	-	(426,444)	(113,503)	(539,947)
Reclassification adjustments upon de-consolidation of subsidiaries	40	-	-	-	(9,449)	-	-	-	-	-	(9,449)	-	(9,449)
Exchange difference arising during the year		-	-	-	1,081	-	-	-	-	-	1,081	(249)	832
Total comprehensive loss for the year		-	-	-	(8,368)	-	-	-	(426,444)	-	(434,812)	(113,752)	(548,564)
Issuance of convertible bonds, net of issuance expenses	32	-	-	-	-	-	-	40,375	-	-	40,375	-	40,375
Deferred tax liability on recognition of equity components of convertible bonds	31(a)	-	-	-	-	-	-	(6,662)	-	-	(6,662)	-	(6,662)
Placing of new shares	36(b)(iii)	410	7,006	-	-	-	-	-	-	-	7,416	-	7,416
Share issuance expenses		-	(146)	-	-	-	-	-	-	-	(146)	-	(146)
De-consolidation of subsidiaries	40	-	-	-	-	-	-	-	-	-	-	(61,843)	(61,843)
Conversion of convertible bonds	36(b)(iv)	4,875	28,683	-	-	-	-	(13,148)	-	-	20,410	-	20,410
Lapse of shares option and warrants		-	-	-	-	(6,122)	(1,500)	-	7,622	-	-	-	-
At 31 March 2013		6,857	417,862 (#)	– (#)	14,341 (#)	16,008 (#)	– (#)	20,565 (#)	(481,735) (#)	1,042 (#)	(5,060)	(51,936)	(56,996)

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

The notes on pages 46 to 128 form part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 March 2013

	Note	2013 HK$'000	2012 HK$'000
Operating activities			
Loss for the year		**(539,947)**	(51,835)
Adjustments for:			
Unrealised exchange loss		**–**	1,614
Net loss on de-consolidation of subsidiaries	40	**10,223**	–
Income tax (credit)	8	**(4,595)**	(3,043)
Equity-settled share-based payment expenses	34	**–**	3,567
Finance costs	6	**10,696**	23,924
Amortisation of prepaid lease payments	15	**507**	551
Amortisation of intangible assets	17	**–**	19,062
Depreciation of property, plant and equipment	14	**23,237**	20,509
Impairment loss on prepaid lease payments	15	**1,074**	–
Impairment loss on property, plant and equipment	14	**91,926**	1,031
Impairment loss on trade receivables	24(b)	**753**	–
Impairment loss on other receivables		**1,478**	–
Impairment loss on loan receivables	22	**4,141**	–
Impairment loss on goodwill	16	**24,559**	20,556
Impairment loss on amounts due from De-consolidated Subsidiaries		**265,649**	–
Impairment loss on deposit for acquisition for property, plant and equipment		**60,939**	–
Impairment loss on deposits to suppliers		**33,035**	–
Loss on redemption of convertible note		**–**	7,785
Fair value change on derivative financial liabilities		**(9,856)**	(7,400)
Fair value change on derivative financial asset		**–**	(19,630)
Interest income, other than that from money-lending operation		**(3,264)**	(1,574)
Imputed interest on receivable		**–**	(6,061)
Write down of inventories		**13,251**	–
Waiver of bond payable		**(2,459)**	–
Operating cash flows before working capital changes		**(18,653)**	9,056
(Increase) in inventories		**(20,859)**	(19,217)
(Increase)/decrease in trade receivables		**(8,469)**	2,604
Decrease/(increase) in loans receivable		**1,339**	(2,941)
Decrease/(increase) in prepayments, deposits and other receivables		**19,052**	(2,746)
Increase in bank acceptance notes payable		**–**	91,193
Increase/(decrease) in trade payables		**5,157**	(6,839)
Increase in other payables		**9,209**	7,789
Cash (used in)/generated from operations		**(13,224)**	78,899
Interest paid		**(6,742)**	(14,470)
Income tax paid		**(174)**	(873)
Net cash (used in)/generated from operating activities		**(20,140)**	63,556

Consolidated Statement of Cash Flows

For the year ended 31 March 2013

	Note	2013 HK$'000	2012 HK$'000
Investing activities			
Interest received, other than that from money-lending operation		**3,264**	1,574
Deposits paid for acquisition of property, plant and equipment		**(11,956)**	(13,616)
Net cash outflow from de-consolidation of subsidiaries	40	**(3,253)**	–
Purchase of property, plant and equipment		**(6,931)**	(63,605)
Net cash (used in) investing activities		**(18,876)**	(75,647)
Financing activities			
Proceeds from issue of shares		**7,416**	20,800
Share issuance expenses		**(146)**	(881)
Increase in pledged bank deposits		**–**	(55,873)
Settlement of bond payable		**(93,000)**	–
Increase in bank acceptance notes payable		**20,205**	–
Proceeds from bank borrowings		**121,181**	72,352
(Repayment of)/proceeds from other loan		**(3,000)**	3,000
Proceeds from issue of convertible bonds		**97,369**	–
Repayment of interest-bearing loans		**(104,951)**	(44,306)
Net cash generated from/(used in) financing activities		**45,074**	(4,908)
Net increase/(decrease) in cash and cash equivalents		**6,058**	(16,999)
Cash and cash equivalents at the beginning of the year		**7,938**	24,605
Effect of foreign exchange rate changes		**743**	332
Cash and cash equivalents at the end of the year	27	**14,739**	7,938

The notes on pages 46 to 128 form part of these financial statements.

1. GENERAL INFORMATION

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Adoption of Hong Kong Financial Reporting Standards

Except for the matters regarding the de-consolidation of subsidiaries as mentioned in note 2(b) below, these financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange. A summary of the significant accounting policies adopted by the Group is set out below.

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

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 March 2013 comprise the Company and its subsidiaries other than those de-consolidated (together referred to as the "Group").

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). These financial statements are presented in Hong Kong dollars ("HK$"), rounded to the nearest thousand except for loss per share data. Hong Kong dollar is the Company's functional and the Group's presentation currency.

The measurement basis used in the preparation of the financial statements is the historical cost basis except the derivative financial instruments which are stated at their fair value as explained in the accounting policies set out below.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

Judgements made by management in the application of HKFRSs that have a significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 44.

Going concern

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

De-consolidation of subsidiaries

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

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

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

As mentioned in note 45(iii) to the consolidated financial statements, the Company has commenced legal proceedings on 13 June 2013 against Mr. Leung Wa (梁華), the vendor in the Company's acquisition of 100% equity interest in Ever Stable Holdings Limited, which owned 60% equity interest in Dongguan Jiu He Bioplastics Company Limited (東莞九禾生物塑料有限公司) for breach of the acquisition agreement and the supplemental agreements.

(c) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment. Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Subsidiaries and non-controlling interests (Continued)

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the owners of the Company. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance (effective from 1 April 2010 onwards). Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position.

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

(d) Business combinations

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Business combinations (Continued)

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

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

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

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

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

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

The policy described above is applied to all business combinations that take place on or after 1 April 2010.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see note 2(d)) less accumulated impairment losses, if any.

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

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

On the disposal of a cash generating unit during the year, any attributable amount of goodwill is included in the calculation of the profit or loss on disposal.

(f) Property, plant and equipment

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

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis.

Depreciation is calculated on the straight-line basis to write off the cost of each asset less residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	5%
Plant and machinery	$6\,^2/_3$%–10%
Leasehold improvements	10% or over the lease term whichever is shorter
Furniture and fixtures	10%–25%
Computer equipment	10%–25%
Motor vehicles	10%–25%

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Property, plant and equipment (Continued)

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

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

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

Construction in progress includes property, plant and equipment in the course of construction for production or for own use purpose. Construction in progress is carried at cost less any identified impairment loss. Construction in progress is classified to other appropriate categories of property, plant and equipment when completed and ready for the assets' intended use. Depreciation of these assets which will take place on the same basis as other property assets commences when the assets are ready for their intended use.

(g) Intangible assets

Intangible assets acquired in a business combination and with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

Right to use of patents	10–15 years

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Leased assets

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

(i) Classification of assets leased to the Group

Assets held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exceptions:

— land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

(ii) Operating lease charges

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

The cost of acquiring land held under an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised on a straight-line basis over the period of the lease term except where the asset is classified as an investment property.

(i) Impairment of assets

(i) Impairment of investments in equity securities and other receivables

Investments in equity securities and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

— significant financial difficulty of the debtor;

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Impairment of assets (Continued)

(i) Impairment of investments in equity securities and other receivables (Continued)

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

If any such evidence exists, any impairment loss is determined and recognised as follows:

— For investments in subsidiaries, the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 2(i)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 2(i)(ii).

— For unquoted equity securities carried at cost, impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities are not reversed.

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

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

— For available-for-sale securities which are stated at fair value, when a decline in the fair value has been recognised in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised in other comprehensive income shall be reclassified from equity to profit or loss as a reclassification adjustment even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised in other comprehensive income.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Impairment of assets (Continued)

(i) Impairment of investments in equity securities and other receivables (Continued)

— (Continued)

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

(ii) Impairment of other assets

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

— property, plant and equipment;

— prepaid lease payments;

— intangible assets;

— deposit for acquisition for property, plant and equipment; and

— goodwill.

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

— Calculation of recoverable amount

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Impairment of assets (Continued)

(ii) Impairment of other assets (Continued)

— Recognition of impairment losses

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

— Reversals of impairment losses

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

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

(j) Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(k) Trade and other receivables

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

(l) Available-for-sale investment

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Interest-bearing borrowings

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

(n) Trade and other payables

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

(o) Cash and cash equivalents

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

(p) Convertible bonds/notes

(i) Convertible notes that contain an equity component

Convertible notes that can be converted into equity share capital at the option of the holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component.

At initial recognition the liability component of the convertible notes is measured as the present value of the future interest and principal payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities that do not have a conversion option. Any excess of proceeds over the amount initially recognised as the liability component is recognised as the equity component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method. The equity component is recognised in the convertible bonds equity reserve until either the note is converted or redeemed.

If the note is converted, the convertible bonds equity reserve, together with the carrying amount of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the note is redeemed, the convertible bonds equity reserve is released directly to accumulated losses.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Convertible bonds/notes (Continued)

(ii) Other convertible notes

Convertible notes which do not contain an equity component are accounted for as follows:

At initial recognition the derivative component of the convertible notes is measured at fair value and presented as part of derivative financial instruments (see note 2(q)). Any excess of proceeds over the amount initially recognised as the derivative component is recognised as the liability component. Transaction costs that relate to the issue of the convertible note are allocated to the liability and derivative components in proportion to the allocation of proceeds. The portion of the transaction costs relating to the liability component is recognised initially as part of the liability. The portion relating to the derivative component is recognised immediately in profit or loss.

The derivative component is subsequently remeasured in accordance with note 2(q). The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method.

If the note is converted, the carrying amounts of the derivative and liability components are transferred to share capital and share premium as consideration for the shares issued. If the note is redeemed, any difference between the amount paid and the carrying amounts of both components is recognised in profit or loss.

(q) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period, the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

(r) Financial guarantee contract liabilities

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specific debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of obligation under the contract, as determined in accordance with HKAS37: *Provisions, Contingent Liabilities and Contingent Assets*; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the revenue recognition policy.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Employee benefits

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

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

(ii) Share-based payments

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

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

(iii) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(t) Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income/a deduction from the carrying amount of the relevant asset in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Income tax

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

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

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Income tax (Continued)

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

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

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

  — the same taxable entity; or

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

(v) Provision and contingent liabilities

(i) Contingent liabilities assumed in business combinations

Contingent liabilities assumed in a business combination which are present obligations at the date of acquisition are initially recognised at fair value, provided the fair value can be reliably measured. After their initial recognition at fair value, such contingent liabilities are recognised at the higher of the amount initially recognised, less accumulated amortisation where appropriate, and the amount that would be determined in accordance with note 2(v)(ii). Contingent liabilities assumed in a business combination that cannot be reliably fair valued or were not present obligations at the date of acquisition are disclosed in accordance with note 2(v)(ii).

(ii) Other provisions and contingent liabilities

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Revenue recognition

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

(i) Sale of goods

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

(ii) Service income

Service income is recognised when services are provided.

(iii) Interest income from money-lending operation

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

(x) Translation of foreign currencies

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

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

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

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in an operation outside Hong Kong, or a disposal involving loss of control over a subsidiary that includes an operation outside Hong Kong, or a disposal involving loss of significant influence over an associate that includes an operation outside Hong Kong), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(y) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(z) Related parties

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(aa) Segment reporting

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

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

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

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

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

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

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 46).

4. REVENUE

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

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

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

5. OTHER INCOME AND NET GAINS

	2013 HK$'000	2012 HK$'000
Other income		
Interest income, other than that from money-lending operation	**3,264**	1,574
Imputed interest on receivable	**–**	6,061
Total interest income on financial assets not at fair value through profit or loss	**3,264**	7,635
Waiver of bond payable	**2,459**	–
Government grants	**787**	–
Sundry income	**417**	57
	6,927	7,692
Net gains		
Fair value change on derivative financial asset	**–**	19,630
Fair value change on derivative financial liabilities	**9,856**	7,400
	9,856	27,030
	16,783	34,722

6. FINANCE COSTS

	2013 HK$'000	2012 HK$'000
Interest on bank borrowings wholly repayable within five years	**6,742**	8,994
Interest charged on bond payable	**–**	3,091
Imputed interest on convertible bonds	**3,954**	1,397
Interest charged on convertible note	**–**	10,442
Total interest expense on financial liabilities not at fair value through profit or loss	**10,696**	23,924

7. LOSS BEFORE TAXATION

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

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

8. INCOME TAX IN THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

	2013 HK$'000	2012 HK$'000
Current tax — provision for current year:		
— Hong Kong	–	–
— PRC	–	816
Current tax — (over)/under-provision in previous year:		
— Hong Kong	–	10
— PRC	108	62
— Macau	(833)	–
Deferred tax		
— Credited to consolidated statement of comprehensive income during the year (note 31(a))	(3,870)	(3,931)
	(4,595)	(3,043)

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

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

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

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

9. LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

The loss attributable to owners of the Company dealt with in the financial statements of the Company for the year ended 31 March 2013 was HK$425,331,000 (2012: HK$28,802,000).

10. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

Directors' emoluments disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

	2013 **HK$'000**	2012 HK$'000
Fees	**1,454**	1,725
Salaries, allowances and other benefits	**107**	408
Contributions to retirement benefits schemes	**5**	–
	1,566	2,133

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

(a) Directors' emoluments (Continued)

2013

	Fees HK$'000	Salaries, allowance and other benefits HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
Executive directors				
Siu Chi Keung (Appointed on 15 January 2013)	77	–	–	77
Lu Shiyou (Appointed on 15 January 2013)	77	–	–	77
Wong Chung Yan, Sammy (Appointed on 6 October 2012 and resigned on 15 January 2013)	60	–	–	60
U Keng Tin (Appointed on 6 October 2012 and resigned on 15 January 2013)	60	–	–	60
Wong Kam Leong (Resigned on 17 April 2013)	360	70	–	430
Hu Dongguang (Resigned on 28 February 2013)	360	37	–	397
Wu Bingxiang (Resigned on 29 October 2012)	57	–	5	62
Guo Wanda (Retired on 27 September 2012)	118	–	–	118
Wu Shaohong (Resigned on 15 August 2012)	–	–	–	–
Independent non-executive directors				
Tam Yuk Sang, Sammy (Appointed on 18 January 2013)	37	–	–	37
Ho Lok Cheong (Appointed on 18 January 2013)	41	–	–	41
Ng Chi Yeung, Simon (Appointed on 8 February 2013)	26	–	–	26
Fok Po Tin (Appointed on 2 November 2012 and resigned on 5 February 2013)	21	–	–	21
Cheung Tak Ming, Paul (Appointed on 6 October 2012 and resigned on 18 January 2013)	20	–	–	20
Ku Ling Yu, John (Appointed on 6 October 2012 and resigned on 2 November 2012)	–	–	–	–
Tse Ching Leung (Resigned on 15 January 2013)	60	–	–	60
Ng Kwok Chu, Winfield (Resigned on 6 October 2012)	40	–	–	40
Ng Chau Tung, Robert (Resigned on 6 October 2012)	40	–	–	40
Wang Qingyi (Retired on 27 September 2012)	–	–	–	–
	1,454	107	5	1,566

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

(a) Directors' emoluments (Continued)

2012

	Fees HK$'000	Salaries, allowance and other benefits HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
Executive directors				
Wong Kam Leong (Resigned on 17 April 2013)	360	335	–	695
Wu Shaohong (Appointed on 15 December 2011 and resigned on 15 August 2012)	105	–	–	105
Wu Bingxiang (Resigned on 29 October 2012)	293	15	–	308
Hu Dongguang (Resigned on 28 February 2013)	487	58	–	545
Guo Wanda (Retired on 27 September 2012)	240	–	–	240
Non-executive director				
Zhang Chi (Resigned on 29 April 2011)	–	–	–	–
Independent non-executive directors				
Ng Kwok Chu, Winfield (Resigned on 6 October 2012)	80	–	–	80
Ng Chau Tung, Robert (Resigned on 6 October 2012)	80	–	–	80
Tse Ching Leung (Resigned on 15 January 2013)	80	–	–	80
Wang Qingyi (Retired on 27 September 2012)	–	–	–	–
	1,725	408	–	2,133

During the year, no emoluments were paid or payable by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office (2012: Nil). During the year, two directors have agreed to waive emoluments of HK$281,667 (2012: HK$Nil).

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

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2012: two) directors whose emoluments are reflected in the analysis presented above.

The emoluments paid and payable to the remaining three (2012: three) individuals for the year ended 31 March 2013 are as follows:

	2013 HK$'000	2012 HK$'000
Salaries, bonus and allowances	1,101	284
Employee share options benefits	–	2,888
Retirement scheme contributions	54	–
	1,155	3,172

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

	Number of individuals	
	2013	2012
Nil to HK$1,000,000	3	1
HK$1,000,001–HK$1,500,000	–	2
	3	3

11. DIVIDENDS

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

12. LOSS PER SHARE

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

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

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

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

13. SEGMENT INFORMATION

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

The Group has the following operating segments:

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

(ii) Biodegradable products — manufacturing, processing and sales of biodegradable products (subsidiaries under this operating segment had been de-consolidated in the current year — note 40); and

(iii) Money-lending business.

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

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

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

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

(a) Segment results, assets and liabilities

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

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

13. SEGMENT INFORMATION (CONTINUED)

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

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

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

Year ended 31 March 2013

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

13. SEGMENT INFORMATION (CONTINUED)

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

Year ended 31 March 2012

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

13. SEGMENT INFORMATION (CONTINUED)

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

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

13. SEGMENT INFORMATION (CONTINUED)

(c) Geographical information

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

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

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

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

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

(d) Information about major customers

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

14. PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings	Plant and machinery	Leasehold improvements	Furniture and fixtures	Computer equipment	Motor vehicles	Display gemstones	Construction in progress	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cost									
At 1 April 2011	45,568	155,952	2,958	844	65	2,390	3,996	5,063	216,836
Additions	–	58,508	1,732	429	75	5	–	703	61,452
Transfer	–	1,767	3,518	–	538	–	–	(5,823)	–
Exchange realignment	1,695	6,613	254	23	10	89	–	106	8,790
At 31 March 2012	47,263	222,840	8,462	1,296	688	2,484	3,996	49	287,078
At 1 April 2012	47,263	222,840	8,462	1,296	688	2,484	3,996	49	287,078
Additions	269	2,487	410	35	30	–	–	1,541	4,772
De-consolidation of subsidiaries (note 40)	–	(19,085)	(3,639)	(339)	(619)	(429)	–	(49)	(24,160)
Disposals	–	–	(531)	–	–	–	–	–	(531)
Exchange realignment	86	390	1	1	–	4	–	2	484
At 31 March 2013	47,618	206,632	4,703	993	99	2,059	3,996	1,543	267,643
Accumulated depreciation and impairment									
At 1 April 2011	4,175	26,241	2,445	428	53	57	2,465	–	35,864
Charges for the year	2,191	16,975	742	109	45	447	–	–	20,509
Impairment loss recognised in profit or loss	–	–	–	–	–	–	1,031	–	1,031
Exchange realignment	190	1,238	50	3	1	10	–	–	1,492
At 31 March 2012	6,556	44,454	3,237	540	99	514	3,496	–	58,896
At 1 April 2012	6,556	44,454	3,237	540	99	514	3,496	–	58,896
Charges for the year	2,245	19,579	949	94	8	362	–	–	23,237
Eliminated on de-consolidation of subsidiaries (note 40)	–	(2,188)	(220)	(18)	(32)	(133)	–	–	(2,591)
Written back on disposals	–	–	(531)	–	–	–	–	–	(531)
Impairment loss recognised in profit or loss	12,418	79,073	–	319	–	116	–	–	91,926
Exchange realignment	25	197	–	1	–	3	–	–	226
At 31 March 2013	21,244	141,115	3,435	936	75	862	3,496	–	171,163
Carrying amount									
At 31 March 2013	26,374	65,517	1,268	57	24	1,197	500	1,543	96,480
At 31 March 2012	40,707	178,386	5,225	756	589	1,970	500	49	228,182

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Notes:

(i) As of 31 March 2013, the Group's buildings with a total carrying amount of approximately HK$25,514,000 (2012: HK$28,137,000) were pledged as security against the Group's bank loans (see note 30).

(ii) The Group's buildings are situated on leasehold land held on medium-term leases in the PRC.

(iii) During the year, the paper products segment incurred loss. The Group carried out a review of the recoverable amount of the property, plant and equipment under this segment. The review led to the recognition of an impairment losses on buildings, plant and machinery, furniture and fixtures and motor vehicles of HK$12,418,000, HK$79,073,000, HK$319,000 and HK$116,000 respectively, which have been recognised in profit or loss. The recoverable amount of the relevant assets has been determined on the basis of fair value less costs to sell with reference to valuation reports prepared by LCH (Asia Pacific) Surveyors Limited, an independent qualified professional valuer.

(iv) In the year 2012, impairment losses of approximately HK$1,031,000 were recognised in respect of display gemstones of the money-lending segment as a result of an impairment assessment. The recoverable amount was based on the display gemstone's fair value less costs to sell, determined by reference to recent market prices. The impairment losses have been recognised in profit or loss.

15. PREPAID LEASE PAYMENTS

The Group

	HK$'000
Cost	
At 1 April 2011	20,520
Exchange realignment	781
At 31 March 2012	21,301
At 1 April 2012	21,301
Exchange realignment	38
At 31 March 2013	21,339
Accumulated amortisation and impairment	
At 1 April 2011	959
Amortisation for the year	551
Exchange realignment	62
At 31 March 2012	1,572
At 1 April 2012	1,572
Amortisation for the year	507
Impairment loss recognised in profit or loss	1,074
Exchange realignment	6
At 31 March 2013	3,159
Carrying amount	
At 31 March 2013	18,180
At 31 March 2012	19,729

15. PREPAID LEASE PAYMENTS (CONTINUED)

	2013 HK$'000	2012 HK$'000
Analysed for reporting purposes as:		
Current assets included in other receivables (note 25(a))	**478**	560
Non-current assets	**17,702**	19,169
	18,180	19,729

Notes:

(i) The Group's prepaid lease payments represent land use rights in the PRC under medium-term leases.

(ii) As of 31 March 2013 and 2012, all of the Group's land use rights were pledged as security against bank loans (note 30).

(iii) During the year, the Group carried out a review of the recoverable amount of the prepaid lease payments. The review led to the recognition of an impairment loss of HK$1,074,000, which have been recognised in profit or loss. The recoverable amount of the relevant assets has been determined on the basis of fair value less costs to sell with reference to valuation reports prepared by LCH (Asia Pacific) Surveyors Limited, an independent qualified professional valuer.

16. GOODWILL

The Group

	HK$'000
Cost	
At 1 April 2011	151,070
Adjustment arising from contingent consideration (note 16(a))	(19,456)
Exchange realignment	5,667
At 31 March 2012	137,281
At 1 April 2012	137,281
De-consolidation of subsidiaries (notes 40 and 16(b))	(92,120)
Exchange realignment	81
At 31 March 2013	45,242
Accumulated impairment	
At 1 April 2011	–
Impairment loss recognised in profit or loss (note 16(b))	20,556
At 31 March 2012	20,556
At 1 April 2012	20,556
Impairment loss recognised in profit or loss (note 16(b))	24,559
Exchange realignment	37
At 31 March 2013	45,152
Carrying amount	
At 31 March 2013	90
At 31 March 2012	116,725

16. GOODWILL (CONTINUED)

(a) Adjustment on goodwill

The amounts represented adjustments on the cost of acquisition of the entire equity interest in Mega Bright Investment Development Limited (the "Mega Bright Acquisition") in relation to the profit guarantee given by the vendor.

The vendor of the Mega Bright Acquisition has undertaken to provide profit guarantees to a 51%-owned subsidiary, namely, Jining Gangning Paper Company Limited (濟寧港寧紙業有限公司) ("Jining Gangning") which shall have a profit after taxation of not less than RMB60,000,000 for each of the two years ended 31 December 2010 and 31 December 2011. If Jining Gangning failed to meet the aforesaid profit guarantees for any of the two years ended 31 December 2010 and 31 December 2011, the vendor shall pay the Group a compensation equivalent to 51% of the shortfall for that year.

The audited profits after tax of Jining Gangning for the financial year ended 31 December 2010 was approximately RMB4,320,000. Since the guaranteed profit was not met, the vendor is obliged to compensate the Group an amount equals to 51% of the shortfall which was approximately RMB28,397,000.

Pursuant to a confirmation letter dated 31 March 2011, the Group agreed that an amount of HK$22,000,000 of the shortfall under the profit guarantee shall be compensated by way of cancellation of convertible bonds with principal amount of HK$22,000,000 (note 32(i)) held by the vendor. The remaining balance of the shortfall was aggregated into the profit guarantee without interest, for the financial year ended 31 December 2011.

The audited profits after tax of Jining Gangning for the financial year ended 31 December 2011 was approximately RMB2,026,000. Since the guaranteed profit was not met, the vendor is obliged to compensate the Group an amount equals to 51% of the shortfall which was RMB29,567,000. Pursuant to a confirmation letter dated 29 March 2012, the Group agreed that an amount of HK$18,000,000 of the shortfall under the profit guarantee shall be compensated by way of cancellation of convertible bonds held by the vendor (note 32(i)).

The total shortfall under the profit guarantee for the financial years ended 31 December 2010 and 2011 was approximately RMB57,964,000 (equivalent to approximately HK$71,602,000) and the total remaining shortfall under the profit guarantee not compensated was approximately HK$31,602,000.

On 29 March 2012, the directors of the Company negotiated with the vendor for the treatment of the remaining balance of the shortfall under the profit guarantee as Jining Gangning's profits after tax for the financial years ended 31 December 2010 and 2011 were considered by both parties to be affected by the increase in the price of raw materials due to the reduction and withdrawal of government subsidies, the reduction and withdrawal of commission income, the increase in price of electricity and the cost of steam generation (the "Profit Reduction Factors"). The Company and the vendor agreed that the Profit Reduction Factors are force majeure events. The directors of the Company agreed that the Profit Reduction Factors together, caused a decrease in aggregate profit after taxation of approximately RMB47,851,000, of which, 51%, amounting to approximately RMB24,404,000 (equivalent to approximately HK$30,146,000), should be attributable to the Group (the "Profit Reduction"). As a result, the directors of the Company considered that the total remaining shortfall under the profit guarantee after deduction of the Profit Reduction was approximately HK$1,456,000.

16. GOODWILL (CONTINUED)

(a) Adjustment on goodwill (Continued)

Adjustment on goodwill of HK$19,456,000 represents compensation for the shortfall of guaranteed profit of HK$18,000,000 and the write-off of the remaining shortfall of HK$1,456,000 as mentioned above.

On 28 June 2012, the Group executed a confirmation letter with the vendor and agreed the amount of Profit Reduction to be approximately RMB24,404,000 (equivalent to approximately HK$30,146,000) and the total remaining shortfall under the profit guarantee to be approximately HK$31,602,000. The remaining balance of approximately HK$1,456,000 shall be payable by the vendor within one month from the date of the confirmation letter.

(b) Impairment tests for goodwill

Goodwill has been allocated for impairment testing purposes to the following cash-generating units:

— Paper products operation
— Money-lending operation
— Biodegradable products operation (for 2012)

The carrying amount of goodwill has been allocated to the Group's cash-generating units (CGU) identified according to the Group's operating segments as follows:

		Group	
		2013	2012
		HK$'000	HK$'000
Paper products operation	(i)	**–**	24,515
Biodegradable products operation	(i)	**–**	92,120
Money-lending operation	(ii)	**90**	90
		90	116,725

Subsidiaries of the biodegradable products operation were de-consolidated during the year. As a result, the allocated goodwill of HK$92,120,000 was also de-consolidated (note 40).

16. GOODWILL (CONTINUED)

(b) Impairment tests for goodwill (Continued)

(i) Paper products operation and biodegradable products operation

The recoverable amounts of these CGU are determined based on value in use calculations and with reference to valuation reports prepared by LCH (Asia-Pacific) Surveyors Limited, an independent qualified professional valuer. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The estimated growth rate for the paper products segment and biodegradable products segment are based on the historical Consumer Price Index of the PRC for which the directors considered does not exceed the long-term average growth rate for such industry.

Key assumptions used for value in use calculations are as follows:

	Biodegradable products operation		Paper products operation	
	2013	2012	**2013**	2012
Growth rate	**N/A**	3%	**3%**	3%
Discount rate	**N/A**	25.73%	**15.91%**	22.00%

Weighted average cost of capital has been adopted to estimate the discount rates and to arrive at the opportunity cost of capital of equity funds (i.e., cost of equity). The valuer has adopted the market-derived discount rate by the Capital Asset Pricing Model by using market data of other listed companies with a similar business.

As a result of the decrease in revenue of the paper products operation, the carrying amount of the CGU relating to paper products operation was determined to be higher than its recoverable amount and an impairment loss of HK$24,559,000 (2012: HK$20,556,000) was recognised. The impairment loss was allocated fully to goodwill and is presented on the face of consolidated statement of comprehensive income.

(ii) Money-lending operation

The directors considered the recoverable amount of the CGU of money-lending operation was above the carrying amount of the CGU for both years.

17. INTANGIBLE ASSETS

The Group

	HK$'000
Cost	
At 1 April 2011	253,780
Exchange realignment	9,439
At 31 March 2012 and 1 April 2012	263,219
De-consolidation of subsidiaries (note 40)	(263,219)
At 31 March 2013	–
Accumulated amortisation	
At 1 April 2011	9,335
Charge for the year	19,062
Exchange realignment	651
At 31 March 2012 and 1 April 2012	29,048
De-consolidation of subsidiaries (note 40)	(29,048)
At 31 March 2013	–
Carrying amount	
At 31 March 2013	–
At 31 March 2012	234,171

Intangible assets represent two patents for the right to use intellectual property in relation to biodegradable materials licensed by a non-controlling shareholder of the PRC Subsidiaries pursuant to the patent licence agreement for the development and production of biodegradable products.

These patents have finite useful lives and are amortised on a straight-line basis over 10 to 15 years, being the term of the patent use right or the operating period as per business licence of the relevant subsidiaries, whichever is a shorter period. The amortisation charge for the year is included in "administrative expenses" in the consolidated statement of comprehensive income. The carrying amounts of the two patents as at 31 March 2012 will be amortised over the remaining useful lives of 14 years and 9 years.

17. INTANGIBLE ASSETS (CONTINUED)

Impairment tests for intangible assets for 2012

The recoverable amounts of the intangible assets as at 31 March 2012 were determined based on value in use calculations and with reference to valuation reports prepared by LCH (Asia-Pacific) Surveyors Limited, an independent qualified professional valuer. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using an estimated growth rate of 3% which is based on the historical Consumer Price Index of the PRC for which the directors considered does not exceed the long-term average growth rate for such industry. The cash flows are discounted using a discount rate of 27.12%. The discount rate are pre-tax and reflect specific risks relating to the relevant industry.

18. INTERESTS IN SUBSIDIARIES

	Company	
	2013	2012
	HK$'000	HK$'000
Unlisted investments, at cost	**1**	1
Less: Accumulated impairment losses	**–**	–
	1	1

The following is a list of the Group's principal subsidiaries as of 31 March 2013:

Name	Place of incorporation and operation	Particulars of issued share capital/ registered capital	Proportion of equity interest attributable to the Company Directly	Indirectly	Principal activities
Cherry Oasis (Far East) Limited (iii)	Hong Kong	1 ordinary share of HK$1	100%	–	Investment holding
Success Finance Limited (iii)	Hong Kong	55,000,000 ordinary shares of HK$1 each	–	100%	Money-lending business
Glory Smile Enterprises Limited (iii)	British Virgin Islands	1 ordinary share of US$1	100%	–	Investment holding
Mega Bright Investment Development Limited (iii)	Hong Kong	1 ordinary share of US$1	–	100%	Investment holding
Jining Gangning Paper Company Limited (ii)	People's Republic of China ("PRC")	Registered capital of US$20,947,600	–	51%	Manufacturing, processing and sales of paper products
Fast Rise Development Limited (iii)(v)	British Virgin Islands	1 ordinary share of US$1	100%	–	Investment holding

18. INTERESTS IN SUBSIDIARIES (CONTINUED)

Name	Place of incorporation and operation	Particulars of issued share capital/ registered capital	Proportion of equity interest attributable to the Company Directly	Indirectly	Principal activities
Ever Stable Holdings Limited (iii)(v)	British Virgin Islands	100 ordinary shares of US$1 each	–	100%	Investment holding
World Champion Investments Limited (iii)(v)	Hong Kong	1 ordinary share of HK$1	–	100%	Investment holding
Dongguan Jiu He Bioplastics Company Limited (ii)(v)	PRC	Paid up capital of US$3,440,474	–	60%	Development, production and sales of biodegradable resin and related products
Zhongshan Jiu He Bioplastics Company Limited (iv)(v)	PRC	Paid up capital of US$1,924,653	–	60%	Development, production and sales of biodegradable resin and related products
Jewel Star Global Limited (iii)	British Virgin Islands	100 ordinary shares of US$1 each	100%	–	Investment holding
Beauty Ocean Trading Limited (iii)	British Virgin Islands	100 ordinary shares of US$1 each	–	100%	Trading of electronic products
Wider Enterprises Limited (iii)	Hong Kong	1 Ordinary share of HK$1	–	100%	Trading of electronic products

Notes:

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

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

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

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

(v) Subsidiaries that were deconsolidated during the year 2013.

19. AVAILABLE-FOR-SALE FINANCIAL ASSET

	Group 2013 HK$'000	2012 HK$'000
Non-current		
Club membership, at cost	**180**	180

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

20. DERIVATIVE FINANCIAL ASSET

The derivative financial asset of the Group represents the profit guarantee (the "Profit Guarantee") provided to the Group by the vendor in respect of the acquisition of the entire equity interest in Ever Stable Holdings Limited ("Ever Stable"). Under the profit guarantees, the total profit after taxation of Ever Stable's non-wholly-owned subsidiaries, Dongguan Jiu He Bioplastics Company Limited (東莞九禾生物塑料有限公司) ("Dongguan Jiu He") and Zhongshan Jiu He Bioplastics Company Limited (中山九禾生物塑料有限公司) ("Zhongshan Jiu He") would not be less than HK$60,000,000, HK$80,000,000 and HK$100,000,000 for the years ending 31 December 2012, 2013 and 2014 respectively. The accounting standards to be adopted for calculating the profit under the profit guarantee shall be based on generally accepted accounting principles in the PRC. If Dongguan Jiu He and Zhongshan Jiu He failed to meet the aforesaid profit for any of the three years ending 31 December 2014, the vendor shall pay the Group a compensation equivalent to 60% of the shortfall for that year. If Dongguan Jiu He and Zhongshan Jiu He incurred a loss for any of the three years ending 31 December 2014, the vendor shall pay the Group a compensation equivalent to 60% of the loss for that year plus a compensation of 60% of the shortfall in the guaranteed profit for that year. The Group has the right to choose the way of settlement of the compensation.

The Profit Guarantee represents a right to the return of previously transferred consideration for the acquisition of Ever Stable (the "Ever Stable Acquisition") when the specified conditions are met and hence constitutes a contingent consideration arrangement to be accounted for as a financial asset at fair value through profit or loss in accordance with HKFRS 3 (Revised) and HKAS 39.

The fair value of the Profit Guarantee as at 31 March 2012 was determined to be approximately HK$19,630,000 by reference to a valuation performed by LCH (Asia-Pacific) Surveyors Limited, an independent qualified professional valuer. The valuation is based on financial budget plans approved by management for 2012, 2013 and 2014. Accordingly, a fair value gain on the derivative financial asset of HK$19,630,000 was recognised in profit or loss during the year ended 31 March 2012.

As mentioned in note 2(b) to the consolidated financial statements, Fast Rise Development Limited, the immediate holding company of Ever Stable was de-consolidated as from 1 April 2012. As a result, the derivative financial asset of HK$19,630,000 was also de-consolidated (note 40).

21. DEPOSITS FOR ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

In the current year, deposit of HK$12,209,000 represents the deposit paid by the Company's subsidiary for the acquisition of plant and equipment for the paper manufacturing business in Jining, Shandong Province, PRC. In the year 2012, deposit of HK$73,148,000 represented the deposits paid by the Company's subsidiaries for the acquisition of land in Jining, Shandong Province, PRC for the expansion of its paper manufacturing business and the acquisition of plant and equipment for the biodegradable manufacturing business in Zhongshan, Guangdong Province, PRC.

During the current year, the deposit for acquisition of land in Jining Shandong Province, PRC, was impaired since the current directors of the Company cannot assess the recoverability of the deposit paid as the date for the fulfillment of the remaining payment obligation under the sales and purchase agreement has expired and no completion has taken place by the Company's subsidiary due to shortfall of additional cash flow to settle the remaining outstanding balance of HK$16,043,000.

22. LOANS RECEIVABLE

Loans receivable related to the Group's money-lending operation during the year. Interest rates and credit periods are offered based on the assessment of a number of factors including the borrowers' creditworthiness and repayment ability, collaterals as well as the market trends and conditions.

	Group	
	2013	2012
	HK$'000	HK$'000
Secured loans receivable	**3,750**	284
Unsecured loans receivable	**–**	5,356
	3,750	5,640
Less: Allowance for impairment	**(3,750)**	(160)
	–	5,480

At 31 March 2012, the Group holds the title of certain marketable securities with a total fair value of HK$211,200 as collaterals for the secured loans receivable. The Group has absolute right to dispose of those securities for the repayment of the loan advanced if the borrowers default payment.

(a) Maturity analysis

As at 31 March 2012, the loans receivable carry effective interest ranging from 12.68% to 38% per annum and are analysed by the remaining periods of their contractual maturity dates as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Repayable:		
— On demand	**–**	1,027
— Within three months	**–**	836
— In three to six months	**–**	51
— In six months to one year	**–**	3,319
— In one to two years	**–**	247
Total	**–**	5,480
Amount classified as current assets	**–**	(5,233)
Amount classified as non-current assets	**–**	247

22. LOANS RECEIVABLE (CONTINUED)

(b) Impairment of loans receivable

Loans receivable of HK$3,750,000 that are determined to be individually impaired as at 31 March 2013 (2012: HK$160,000) relates to several borrowers who have defaulted in payments.

During the year ended 31 March 2013, loan receivable of HK$4,141,000 was impaired. The impaired receivables were due from customers with financial difficulties.

Movements in the allowance for impairment are as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
At beginning of year	**160**	656
Provision for impairment	**4,141**	–
Loans receivable written off	**(551)**	(496)
At end of year	**3,750**	160

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

(c) Loans receivable that are not impaired

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

	Group	
	2013	2012
	HK$'000	HK$'000
Past due but not impaired:		
— Less than three months	**–**	622
— Over 1 year	**–**	405
	–	1,027
Neither past due nor impaired	**–**	4,453
	–	5,480

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to several borrowers. The directors have assessed that no allowance was required for these loans based on the Group's review of the borrowers' creditworthiness and their settlement status subsequent to the end of the reporting period.

23. INVENTORIES

	Group 2013 HK$'000	2012 HK$'000
Raw materials	**16,588**	21,646
Work-in-progress	**1,208**	1,921
Finished goods	**29,850**	16,747
	47,646	40,314

The analysis of the amount of inventories recognised as an expense is as follows:

	Group 2013 HK$'000	2012 HK$'000
Carrying amount of inventories sold	**199,941**	217,721
Write down of inventories	**13,251**	–
	213,192	217,721

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

24. TRADE RECEIVABLES

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

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

24. TRADE RECEIVABLES (CONTINUED)

(a) Age analysis

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

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

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

(b) Impairment of trade receivables

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

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

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

24. TRADE RECEIVABLES (CONTINUED)

(c) Trade receivables that are not impaired

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

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

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

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group 2013 HK$'000	Group 2012 HK$'000
Prepayments, deposits and other receivables (note 25(a))	**2,597**	61,394
Receivable from vendor of Ever Stable Acquisition (note 25(b))	**–**	52,559
Contingent consideration receivable (note 16(a))	**–**	1,456
	2,597	115,409

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (CONTINUED)

Notes:

(a) Prepayments, deposits and other receivables represents:

	Group	
	2013	2012
	HK$'000	HK$'000
Prepayments, deposits and other receivables		
— Current portion of prepaid lease payment (note 15)	**478**	560
— Deposits to suppliers	**1,782**	55,112
— Deposits for rental and utilities	**173**	1,209
— Prepayments	**94**	1,080
— Other receivables	**70**	3,433
	2,597	61,394

	Company	
	2013	2012
	HK$'000	HK$'000
Prepayments, deposits and other receivables		
— Prepayments	**18**	33
— Other receivables	**–**	21
	18	54

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

(ii) Impairment loss on deposits to suppliers was made by the reason that the amount is long outstanding.

(b) Receivable from the vendor in relation to the acquisition of Ever Stable arose as a result of the vendor's undertaking as shareholder of Ever Stable to guarantee and procure the contribution of up to 60% of the proposed aggregate paid-up capital of Ever Stable's non-wholly-owned subsidiaries, Dongguan Jiu He and Zhongshan Jiu He of not less than US$17,000,000 in total on or before 30 June 2013. As of 31 March 2013, the vendor of Ever Stable contributed US$3,423,000 (2012: US$3,423,000) (approximately equivalent to HK$26,659,000 (2012: HK$26,659,000)) into Dongguan Jiu He and Zhongshan Jiu He. Accordingly, the vendor had outstanding commitment to contribute an additional amount of US$6,777,000 (2012: US$6,777,000) (approximately equivalent to HK$52,559,000 (2012: HK$52,559,000)) to the capital of Dongguan Jiu He and Zhongshan Jiu He.

As mentioned in note 2(b) to the consolidated financial statements, Fast Rise Development Limited, the immediate holding company of Ever Stable was de-consolidated as from 1 April 2012. As a result, the receivable from the vendor of HK$52,559,000 was also de-consolidated (note 40).

In the current year, the directors of the Company had lost contact with the vendor and, as mentioned in note 45(iii) to the consolidated financial statements, the Group had initiated legal proceedings against the vendor for the amount due by him following the acquisition of Ever Stable.

26. AMOUNTS DUE FROM SUBSIDIARIES/AMOUNT DUE (TO) A SUBSIDIARY

(a) Amounts due from subsidiaries

	Company	
	2013	2012
	HK$'000	HK$'000
Amounts due from subsidiaries	**454,228**	499,624
Less: Impairment loss	**(413,612)**	–
	40,616	499,624

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

The amounts due from subsidiaries that were de-consolidated during the year were fully impaired as the directors, to the best of their knowledge and belief, consider that the amounts were not recoverable. The directors consider that the recoverable amounts of the amounts due by subsidiaries other than those being de-consolidated were below their carrying amounts because of the net liabilities position as at 31 March 2013. Accordingly, impairment loss has been recognised.

(b) Amount due to a subsidiary is unsecured and non-interest-bearing. The amount is not repayable within one year.

27. CASH AND CASH EQUIVALENTS

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash at banks and in hand	**14,739**	7,938	**304**	2,675

At the end of the reporting period, the cash and bank balances of the Group, which are denominated in Renminbi ("RMB"), amounted to approximately HK$13,891,000 (2012: HK$1,795,000). RMB is not freely convertible into other currencies. However, under PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

The interest rates on the cash at bank and deposits with banks ranged from 0.01% to 0.35% (2012: 0.01% to 3.30%) per annum.

28. TRADE PAYABLES AND OTHER PAYABLES

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

	Company	
	2013	2012
	HK$'000	HK$'000
Other payables		
— Accruals	**3,503**	4,182
— Other payables	**4,000**	–
— Amount due to a director	**50**	–
	7,553	4,182

Notes:

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

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

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

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

29. PLEDGED BANK DEPOSITS AND BANK ACCEPTANCE NOTES PAYABLE

As at 31 March 2013, bank acceptance notes payable with maturity within six months were secured by the Group's pledged bank deposits of HK$154,378,000 (2012: HK$101,727,000) and the guarantee issued by one of the directors of Jining Gangning and his spouse together with another director of Jining Gangning, a customer and certain independent third parties. The pledged bank deposits will be released upon the settlement of the relevant bank acceptance notes payable.

As of 31 March 2013, the Group's bank deposits of approximately HK$1,673,000 (2012: HK$Nil) were pledged as security against the Group's import loan (note 30).

The Company's subsidiary Jining Gangning and certain of its suppliers entered into financing arrangements with certain PRC banks by issuing bank acceptance notes. Under these arrangements, Jining Gangning would instruct the PRC banks to issue bank acceptance notes to its suppliers. The PRC banks would require Jining Gangning to pledge bank deposits of 60% to 70% of the face value of the bank acceptance notes issued. The suppliers eventually remitted the proceeds back to Jining Gangning or returned to Jining Gangning the bank acceptance notes after endorsement.

30. INTEREST-BEARING LOANS

	Group			
	Effective interest rate	**2013 HK$'000**	Effective interest rate	2012 HK$'000
Entrustment loan (note 30(i))	**N/A**	**–**	23.14%	7,180
Unsecured bank loans (note 30(ii))	**7.44% to 12.68%**	**68,680**	7.57% to 13.94%	47,559
Secured bank loans (note 30(iii))	**10.69% to 11.74%**	**25,988**	11.74%	25,941
Secured import loan (note 30(iv))	**7.23%**	**2,482**	N/A	–
Unsecured other loan	**N/A**	**–**	24%	3,000
		97,150		83,680
Carrying amount repayable:				
— within 1 year		**97,150**		83,680
Total		**97,150**		83,680
Amount classified as current liabilities		**(97,150)**		(83,680)
Amount classified as non-current liabilities		**–**		–

30. INTEREST-BEARING LOANS (CONTINUED)

	Company			
	Effective interest rate	**2013 HK$'000**	Effective interest rate	2012 HK$'000
Unsecured other loan	**N/A**	–	24%	3,000
Carrying amount repayable:				
— within 1 year		–		3,000
Total		–		3,000
Amount classified as current liabilities		–		(3,000)
Amount classified as non-current liabilities		–		–

Notes:

(i) The entrustment loan granted to the Group is secured by a charge over an equivalent amount of funds placed with the bank by an independent third party and is repayable within 3 years from 28 September 2009.

(ii) The unsecured bank loans were guaranteed by a customer and certain independent third parties.

(iii) As at 31 March 2013, the secured bank loans are secured by legal charges over the Group's prepaid lease payments (note 15) with an aggregate carrying amount of HK$18,180,000 (2012: HK$19,729,000) and buildings (note 14) with an aggregate carrying amount of HK$25,514,000 (2012: HK$28,137,000).

(iv) The secured import loan is denominated in USD and secured by bank deposit of approximately HK$1,673,000 (2012: HK$Nil) (note 29).

31. INCOME TAX IN THE STATEMENT OF FINANCIAL POSITION

(a) Deferred tax assets and liabilities recognised:

The components of deferred tax liabilities recognised at 31 March 2013 and the movements during the two years ended 31 March 2012 and 2013 are as follows:

The Group

		Fair value adjustment of				
		Property, plant and equipment	Prepaid lease payment	Intangible assets	Convertible bonds	Total
	Note	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 2011		1,289	69	48,664	–	50,022
Exchange realignment		46	3	1,750	–	1,799
Credit to profit or loss	8	(134)	(2)	(3,795)	–	(3,931)
At 31 March 2012		1,201	70	46,619	–	47,890
At 1 April 2012		1,201	70	46,619	–	47,890
Recognised directly in equity		–	–	–	6,662	6,662
Exchange realignment		1	–	–	–	1
De-consolidation of subsidiaries	40	–	–	(46,619)	–	(46,619)
Credit to profit or loss	8	(1,202)	(70)	–	(2,598)	(3,870)
At 31 March 2013		–	–	–	4,064	4,064

The Company

	Convertible bonds HK$'000
At 1 April 2011, 31 March 2012 and 1 April 2012	–
Recognised directly in equity	6,662
Credit to profit or loss	(2,598)
At 31 March 2013	4,064

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

(b) Deferred tax assets and liabilities not recognised:

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

	Group	
	2013	2012
	HK$'000	HK$'000
Tax losses	**9,125**	2,278
Temporary differences	**25,793**	(132)
	34,918	2,146

At the end of the reporting period, the Group has unused tax losses of approximately HK$46,109,000 (2012: HK$11,907,000) available to offset against future profits. No deferred tax assets has been recognised in respect of the tax losses (2012: HK$Nil) due to unpredictability of future profit stream. The tax losses do not expire under current tax legislation except for an amount of HK$31,073,000 (2012: HK$3,687,000), which will be expired in five years.

As at 31 March 2013, the Group has deductible temporary differences of HK$25,793,000 (2012: taxable temporary difference of HK$132,000). No deferred tax asset has been recognised in respect of these deductible temporary differences due to the unpredictability of future profits streams.

Under the EIT Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards.

As at 31 March 2013, no deferred tax liabilities has been recognised in respect of the withholding tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that profits will not be distributed in the foreseeable future.

32. CONVERTIBLE BONDS AND DERIVATIVE FINANCIAL LIABILITIES

The movement of the liability component and embedded derivative of the convertible bonds for the year is set out below:

	Liability component HK$'000	Derivative financial instruments Put option HK$'000
At 1 April 2011	16,603	–
Interest expense charged for the year	1,397	–
Redemption (note (i))	(18,000)	–
At 31 March 2012	–	–
At 1 April 2012	–	–
Issuance during the year (note (ii))	44,708	12,286
Interest expense charged for the year	3,954	–
Fair value change of embedded derivatives	–	(9,856)
Conversion	(18,739)	(1,671)
At 31 March 2013	29,923	759

Notes:

(i) Pursuant to the completion of the Mega Bright Acquisition on 30 September 2009, the Company issued HK$40,000,000 unsecured zero coupon convertible bonds at an initial conversion price of HK$0.48 per share (as adjusted for the Share Consolidation as detailed in note 36 and subject to anti-dilution adjustments) for settlement of part of the consideration of the Mega Bright Acquisition. The convertible bonds have a maturity of 2 years from the date of issue.

The holders of the convertible bonds have the right to convert the whole or part of the outstanding principal amount of the convertible bonds into shares of HK$0.04 each in the share capital of the Company at any time between 30 September 2009 and 29 September 2011.

The convertible bonds contain two components: liability and equity elements. The equity element is presented in equity under the heading of "convertible bond equity reserve". The liability element is classified as non-current liabilities and carried at amortised cost using the effective interest method.

The fair value of the convertible bonds as a whole on initial recognition was estimated to be approximately HK$36,397,000 using the Binomial Option Pricing Model. The inputs into the model were as follows:

Share price:	HK$0.216*
Conversion price:	HK$0.480*
Risk-free rate:	0.63%
Expected dividend yield:	0%
Annualised volatility:	126.65%

* As adjusted for the Share Consolidation in year 2010.

32. CONVERTIBLE BONDS AND DERIVATIVE FINANCIAL LIABILITIES (CONTINUED)

Notes: (Continued)

(i) (Continued)

The liability component of the convertible bonds on initial recognition was estimated based on the present value of the contractual stream of cash flows using the effective interest rate of 17.53%. The equity component was assigned the residual amount of HK$7,439,000 after deducting the liability component of HK$28,958,000 from the fair value of the convertible bond as a whole.

On 31 March 2011, convertible bonds with a total principal amount of HK$22,000,000 were cancelled as compensation for the shortfall receivable by the Company under the profit guarantee provided by the vendor of Mega Bright (note 16(a)). The carrying amount of the liability component carried at amortised cost of HK$20,293,000 were cancelled and a gain on extinguishment of convertible bonds of HK$1,268,000 was recognised.

On 3 October 2011, the Group and the vendor of Mega Bright executed a confirmation letter in which the repayment date of the remaining bonds was deferred to 31 March 2012 without interest.

On 29 March 2012, the Group and the vendor of Mega Bright executed another confirmation letter in which bonds with a total principal amount of HK$18,000,000 were cancelled as compensation for the shortfall receivable by the Company under the profit guarantee provided by the vendor of Mega Bright (note 16(a)).

(ii) During the year ended 31 March 2013, the Company issued zero coupon convertible bonds with a principal amount of HK$100,000,000 with maturity date on 31 August 2015 at 100% of principal amount.

The convertible bonds are denominated in HK$ and is redeemable at 100% of the principal amount upon maturity. The bondholder has the right to convert the whole or any part (in an amount or integral multiples of HK$1,000,000) of the outstanding principal amount of the convertible bonds into ordinary shares of the Company of HK$0.01 each during the period commencing from the first issue date and ending on the date which falls on the fifth business day before the maturity date, both dates inclusive, at a conversion price of HK$0.08 per share, subject to anti-dilutive adjustments.

At the discretion of the bondholder only, the convertible bonds would be redeemed at a redemption amount equal to 100% of the principal amount in whole or in part of the outstanding principal amount at any time by giving the Company redemption request within five business days of the issue of a redemption notice.

The convertible bonds contain two components: liability component and embedded derivatives arising from (1) early redemption option and (2) conversion option. The conversion option is included in equity of the Company under convertible bonds equity reserve. The liability component is classified as current liabilities and carried at amortised cost using the effective interest method. The early redemption option is classified as current liabilities and carried at fair value.

The fair value of the liability component, early redemption option and conversion option on initial recognition were estimated to be approximately as follows:

	HK$'000
Liabilities component	46,091
Early redemption option	12,286
Conversion option	41,623
	100,000

In valuing the early redemption option, the fair value of the convertible bonds without the early redemption option is first assessed by using the Binomial tree model. The value of the early redemption option equals to the difference between the convertible bonds and the convertible bonds without the early redemption option.

32. CONVERTIBLE BONDS AND DERIVATIVE FINANCIAL LIABILITIES (CONTINUED)

Notes: (Continued)

(ii) (Continued)

The inputs into the model on initial recognition date of 6 December 2012 and at subsequent dates of conversion on 28 December 2012, 27 February 2013, 1 March 2013, 14 March 2013 and 21 March 2013 and at the year and date of 31 March 2013 respectively were as follows:

	6/12/2012	28/12/2012	27/2/2013	1/3/2013	14/3/2013	21/3/2013	31/3/2013
Share price:	HK$0.113	HK$0.119	HK$0.550	HK$0.540	HK$0.570	HK$0.630	HK$0.600
Conversion price:	HK$0.08	HK$0.08	HK$0.08	HK$0.08	HK$0.08	HK$0.08	HK$0.08
Risk-free rate:	0.15%	0.12%	0.26%	0.23%	0.21%	0.20%	0.20%
Expected dividend yield:	0%	0%	0%	0%	0%	0%	0%
Annualised volatility:	88%	88%	105%	105%	106%	106%	107%

The liability component of the convertible bonds on initial recognition was estimated based on the present value of the contractual stream of cash flows using the effective interest rate of 34.24%.

The conversion option, which is included in equity of the Company, is the excess of the bonds proceed over the amount initially recognised as the liability component and after separating the amount of the early redemption option.

During the year ended 31 March 2013, 487,500,000 ordinary shares of the Company of HK$0.01 each were issued upon conversion of convertible bonds with an aggregate principal amount of HK$39,000,000 at the conversion price of HK$0.08 in December 2012, February 2013 and March 2013.

33. BOND PAYABLE

On 28 December 2010, the Company issued a convertible note denominated in RMB to an independent third party in the principal amount of RMB70,000,000 (equivalent to approximately HK$81,680,280) due five years from the closing date of 10 January 2011 with the right to convert the convertible note into 23,746,401 (as adjusted for the share consolidation as disclosed in note 36(b)(ii)) conversion shares at the accreted principal amount. The initial conversion price is HK$5.00 (as adjusted for the share consolidation as disclosed in note 36(b)(ii)) (subject to adjustments and reset) per conversion share.

The conversion price will be adjusted in accordance with the relevant provisions under the terms and conditions of the convertible note. In addition to the customary adjustments, the conversion price is also subject to the reset adjustment on the price reset date whereby the conversion price will be adjusted to the lower of (i) the conversion price at the price reset date; and (ii) the average closing price per share as quoted on the stock exchange for the last thirty trading days immediately prior to and including the price reset date. Accordingly, the conversion price of the convertible note was adjusted as follows:

Price reset date	Adjusted conversion price HK$
28 March 2011	3.88#
28 June 2011	3.00#
28 September 2011	2.58#
28 December 2011	2.00#

As adjusted for the share consolidation effective on 6 March 2012 (note 36(b)(ii)).

33. BOND PAYABLE (CONTINUED)

The note will be redeemed by the Company on the maturity date in US$ at the US$ equivalent amount of their accreted principal amount at the maturity date, together with accrued but unpaid interest to the relevant date fixed for such redemption.

The note bears interest at 6% per annum on the outstanding principal amount payable annually in arrears by the Company for each twelve months from the closing date and any unpaid interest shall be paid by the Company on the maturity date upon the redemption and conversion of the convertible note.

The noteholder shall each be granted a put option to require the Company to redeem the convertible note (in multiples of RMB1,000,000) in cash in US$ at the US$ equivalent amount of their accreted principal amount together with a gross yield to maturity identical to that applicable in the case of redemption on the maturity date, being 13% per annum (calculated on an annual basis) at the particular put option payment date, together with accrued and unpaid interest to such date.

The convertible note contains two components: liability and embedded derivatives arising from (1) put option and (2) conversion option. The liability element is classified as current liabilities and carried at amortised cost using the effective interest method. The embedded derivatives element is classified as current liabilities and carried at fair value.

In valuing the put option, the fair value of the convertible note without the put option is first accessed by using the Binomial tree model. The value of the put option of the convertible note equals to the difference between the convertible note and the convertible note without the put option.

The value of the conversion option equals to the difference between the value of the convertible note without the put option and the fair value of the straight bond by discounting the redemption amount of the convertible note at maturity.

The initial carrying amount of the liability component is the residual amount after separating the embedded derivatives.

The fair values of the liability component, put option and conversion option on initial recognition were estimated to be approximately as follows:

		Approximately equivalent to
	RMB'000	HK$'000
Liability component	27,565	32,164
Put option	8,138	9,496
Conversion option	34,297	40,020
	70,000	81,680

33. BOND PAYABLE (CONTINUED)

The inputs into the model on initial recognition, at 31 March 2011 and at 28 December 2011 were as follows:

	28/12/2010	31/3/2011	28/12/2011
Share price:	HK$3.56#	HK$3.24#	HK$0.8#
Conversion price:	HK$5#	HK$3.88#	HK$2#
Risk-free rate:	1.79%	1.76%	3.09%
Expected dividend yield:	0%	0%	0%
Annualised volatility:	83%	71%	95%

As adjusted due to share consolidation effective on 6 March 2012 (note 36(b)(ii)).

The liability component of the convertible bonds on initial recognition was estimated based on the present value of the contractual stream of cash flows using the effective interest rate of 39.88%.

On 17 November 2011, the Company received a redemption notice 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 had been due for repayment since December 2011.

The redemption took place on 28 December 2011 whereby the convertible note was transferred to bond payable resulting in a loss on redemption of convertible note of approximately HK$7,785,000 in the year 2012.

As at 31 March 2012, the bond payable of approximately HK$95,459,000 was unsecured and bearing interest at the rate of 6% per annum with the principal amount accreted at 7% per annum.

The movement of the liability component and embedded derivatives of the convertible note for the year 2012 is set out below:

		Derivative financial instruments		
	Liability component HK$'000	**Put option** HK$'000	**Conversion option** HK$'000	**Total** HK$'000
At 1 April 2011	36,135	9,163	40,105	49,268
Interest expense charged for the year (note 6)	10,442	–	–	–
Fair value change of embedded derivatives (note 5)	–	13,857	(21,257)	(7,400)
Redemption	(47,224)	(23,020)	(18,848)	(41,868)
Exchange realignment	647	–	–	–
At 31 March 2012	–	–	–	–

On 3 December 2012, the Company entered into a settlement agreement with the noteholder to settle the bond payable at a consideration of HK$93,000,000 which was fully paid during the year.

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

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

The maximum aggregate number of shares permitted to be issued upon exercise of all outstanding options to be granted under the Existing Scheme is 3,872,225 (as adjusted for the share consolidation as disclosed in note 36(b)(ii)) representing 10% of the total number of issued shares of the Company at 11 August 2009, being the date of approval of the refreshment of the maximum limit under the Existing Scheme.

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

The maximum aggregate number of shares permitted to be issued upon exercise of all outstanding options to be granted under the New Scheme is 7,594,725 (as adjusted for the share consolidation as disclosed in note 36(b)(ii)) representing 10% of the total number of issued shares of the Company at 23 August 2010, being the date of approval of the refreshment of the maximum limit under the New Scheme.

Under the Existing Scheme, 5,507,525 (as adjusted for the share consolidation as disclosed in note 36(b)(ii) outstanding options shall continue to be valid and exercisable in accordance with the rules of the Existing Scheme. The directors confirm that no further options would be granted under the Existing Scheme prior to 23 August 2010.

The maximum aggregate number of shares permitted to be issued upon exercise of all outstanding options to be granted under the New Scheme is 13,119,725 (as adjusted for the share consolidation as disclosed in note 36(b)(ii)), representing 10% of the total number of issued shares of the Company at 11 August 2011, being the date of approval of the refreshment of the maximum limit under the New Scheme.

As at 31 March 2013, a total of 4,272,500 and 3,712,500 shares (as adjusted for the share consolidation as disclosed in note 36(b)(ii)) (2012: 5,107,525 and 6,152,500 shares) was issuable upon exercise of all share options granted under the Existing Scheme and the New Scheme respectively (collectively the "Schemes"), which represented 0.6% and 0.5% (2012: 3.2% and 3.9%) of the Company's issued share capital at that date.

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

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

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

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

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

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

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

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

	2013		2012	
	Weighted average exercise price HK$	**Shares underlying the options '000**	Weighted average exercise price HK$	Shares underlying the options '000
Outstanding at beginning of year	**3.637**	**11,260**	0.189	183,201
Granted during the year	**–**	**–**	0.150	42,000
Adjustment arising from the share consolidation	**–**	**–**	–	(213,941)
Lapsed during the year	**3.385**	**(3,275)**	–	–
Outstanding at end of year	**3.741**	**7,985**	3.637	11,260
Exercisable at end of year	**3.741**	**7,985**	3.637	11,260

The share options outstanding at 31 March 2013 had a weighted average remaining contractual life of 6.69 years (2012: 7.95 years).

Mr. Zhang Chi resigned as director of the Company on 29 April 2011. However, Mr. Zhang Chi become a consultant of the Group and continues to be entitled to the share options after his resignation as a director of the Company.

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

The aggregate fair value of the share options granted during the year ended 31 March 2012 amounting to approximately HK$3,567,000, has been fully recognised as share option expense for the year. The fair values of the share options were estimated as at the measurement date by using the Black-Scholes Options-Pricing Model, taking into account the terms and conditions upon which the options were granted. The significant assumptions and inputs used in the valuation model are as follows:

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

Notes:

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

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

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

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

35. EMPLOYEE RETIREMENT BENEFITS

Defined contribution retirement plan

The Group has participated in defined contribution retirement scheme established under the Mandatory Provident Fund Schemes Ordinance ("MPF Schemes") for its employees in Hong Kong. The assets of the MPF Schemes are held separately from those of the Group in funds under the control of independent trustees. Under the rules of the MPF Schemes, each of the employer and its employees are generally required to make contributions to the schemes at 5% of the employee's relevant monthly income, up to a maximum of HK$1,000 per month and the upper limit was increased to HK$1,250 per month since June 2012.

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

No forfeited contributions were recognised during the year and there were no material forfeitures available to reduce the Group's future contributions at 31 March 2013 and 2012.

36. SHARE CAPITAL

(a) Ordinary shares

	2013 No. of shares '000	2013 Amount HK$'000	2012 No. of shares '000	2012 Amount HK$'000
Authorised				
Ordinary shares of HK$0.01 each (2012: HK$0.01 each)				
Beginning of year	**30,000,000**	**300,000**	7,500,000	300,000
Share consolidation (note b(ii))	**–**	**–**	(7,125,000)	–
Reduction of capital (note b(ii))	**–**	**–**	–	(296,250)
Increase during the year (note b(ii))	**–**	**–**	29,625,000	296,250
Ordinary shares of HK$0.01 each (2012: HK$0.01 each)				
At the end of year	**30,000,000**	**300,000**	30,000,000	300,000

	2013 HK$'000	2012 HK$'000
Issued and fully paid		
685,697,250 shares of HK$0.01 each (2012: 157,197,250 shares of HK$0.01 each)	**6,857**	1,572

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

	Note	Number of ordinary shares of HK$0.04 per share	Number of ordinary shares of HK$0.8 per share	Number of ordinary shares of HK$0.01 per share	Issued share capital HK$'000
At 1 April 2011		2,623,945,000	–	–	104,958
Placing of new shares	b(i)	520,000,000	–	–	20,800
Share consolidation	b(ii)	(3,143,945,000)	157,197,250	–	–
Capital reduction	b(ii)	–	(157,197,250)	157,197,250	(124,186)
At 31 March 2012		–	–	157,197,250	1,572
At 1 April 2012		–	–	157,197,250	1,572
Placing of new shares	b(iii)	–	–	41,000,000	410
Conversion of convertible bonds	b(iv)	–	–	487,500,000	4,875
At 31 March 2013		–	–	685,697,250	6,857

36. SHARE CAPITAL (CONTINUED)

(b) (Continued)

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

Notes:

(i) On 27 February 2012, the Company placed and issued 520,000,000 ordinary shares with a par value of HK$0.04 each and recognised an increase in share capital of HK$20,800,000. These shares rank pari passu in all respects with the then issued shares.

(ii) The Company effected the following share consolidation, capital reduction and capital increase on 6 March 2012.

Share Consolidation

— The consolidation of every twenty issued and unissued shares with a par value of HK$0.04 each in the share capital of the Company into one consolidated share with a par value of HK$0.80 each.

Capital Reduction

— 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 issued consolidated shares such that the par value of each of the issued consolidated shares was reduced from HK$0.80 each to HK$0.01 each.

— The reduction of the authorized 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 authorized share capital of the Company from HK$300,000,000 divided into 375,000,000 consolidated shares with a par value of HK$0.80 each to HK$3,750,000 divided into 375,000,000 shares with a par value of HK$0.01 each.

— The credit arising from the capital reduction and the share premium cancellation were credited to the contributed surplus account of the Company and the directors of the Company were authorized to apply the amount in the contributed surplus account of the Company to set off the accumulated loss of the Company in the manner permitted by the laws of Bermuda and the bye-laws of the Company without further authorization from the shareholders of the Company.

The Company's authorized share capital was increased from HK$100,000,000 to HK$300,000,000 by the creation of additional 5,000,000,000 ordinary shares of HK$0.04 each. The resolution for the increase in authorized share capital of the Company was duly passed by the shareholders at the special general meeting held on 23 December 2010. The ordinary shares rank pari passu with the then existing ordinary shares of the Company in all respects.

Capital Increase

— Following the Share Consolidation and Capital Reduction, the Company had a capital increase involving the increase of the authorized share capital of the Company from HK$3,750,000 divided into 375,000,000 shares with a par value of HK$0.01 each to HK$300,000,000 divided into 30,000,000,000 shares with a par value of HK$0.01 each.

(iii) On 27 July 2012 and 26 February 2013, the Company placed and issued 31,000,000 and 10,000,000 ordinary shares respectively with a par value of HK$0.01 and recognised an increase in share capital of HK$410,000. These shares rank pari passu in all respects with the then existing shares.

(iv) During the year ended 31 March 2013, 487,500,000 ordinary shares of the Company of HK$0.01 each were issued upon the conversion of convertible bonds with an aggregate principal amount of HK$39,000,000 at the conversion price of HK$0.08 in December 2012, February 2013 and March 2013. The shares issued rank pari passu in all respects with the then existing shares.

Warrants

On 5 November 2010, the Company entered into a placing agreement with a placing agent pursuant to which the Company agreed to appoint the placing agent on a fully underwritten basis for the purpose of arranging subscribers for the subscription of warrants to be issued. The issue price per warrant is HK$0.01. The subscription price was HK$0.15 on the date of issue and was adjusted to HK$3 after the Share Consolidation on 6 March 2012 (subject to adjustment). The subscription period is from the date of issue of the warrants to the expiry of the second anniversary of the issue date of the warrants. 7,500,000 warrants (as adjusted for the share consolidation as disclosed in note 36(b)(ii)) were issued and the gross proceeds from the placing were HK$1,500,000.

During the year ended 31 March 2013, no warrant was exercised to subscribe for ordinary shares of the Company.

37. RESERVES

Group

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

Company

	Share premium HK$'000	Accumulated losses HK$'000	Contributed surplus HK$'000	Share option reserve HK$'000	Convertible bonds equity reserve HK$'000	Warrants reserve HK$'000	Total HK$'000
At 1 April 2011	383,200	(143,674)	–	18,563	3,347	1,500	262,936
Placing of new shares	(881)	–	–	–	–	–	(881)
Capital reduction (note 36(b)(ii))	–	–	124,186	–	–	–	124,186
Extinguishment of convertible bonds	–	3,347	–	–	(3,347)	–	–
Equity-settled share-based payments (note 34)	–	–	–	3,567	–	–	3,567
Transfer (note 36(b)(ii))	–	124,186	(124,186)	–	–	–	–
Loss for the year	–	(28,802)	–	–	–	–	(28,802)
At 31 March 2012	382,319	(44,943)	–	22,130	–	1,500	361,006
At 1 April 2012	382,319	(44,943)	–	22,130	–	1,500	361,006
Issuance of convertible bonds, net of issuance expenses (note 32)	–	–	–	–	40,375	–	40,375
Deferred tax liability on recognition of equity components of convertible bonds (note 31(a))	–	–	–	–	(6,662)	–	(6,662)
Placing of new shares (note 36(b)(iii))	7,006	–	–	–	–	–	7,006
Share issuance expenses	(146)	–	–	–	–	–	(146)
Conversion of convertible bonds (note 36(b)(iv))	28,683	–	–	–	(13,148)	–	15,535
Lapse of shares option and warrants	–	7,622	–	(6,122)	–	(1,500)	–
Loss for the year	–	(425,331)	–	–	–	–	(425,331)
At 31 March 2013	417,862	(462,652)	–	16,008	20,565	–	(8,217)

Nature and purpose of reserves

(i) Share premium

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

(ii) Share option reserve

The share option reserve relates to share options granted under the Company's share option scheme. Further information about share-based payments to employees is set out in note 34.

37. RESERVES (CONTINUED)

Nature and purpose of reserves (Continued)

(iii) Convertible bonds equity reserve

The convertible bonds equity reserve have been set up and will be dealt with in accordance with the accounting policies set out in note 2(p).

(iv) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 2(x).

(v) Warrant reserve

Warrant reserve represents the net proceeds received from the issue of warrants. The warrant reserve will be transferred to share premium account upon the exercise of the warrants.

(vi) Contributed surplus

The contribution surplus represented the amount credited pursuant to the Capital Reduction effective on 6 March 2012. Under the Company Law of Bermuda, the contributed surplus of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

(i) it is, or would after the payment be, unable to pay its liabilities as they become due; or

(ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

(vii) Statutory reserve

In accordance with the relevant laws and regulations in the PRC and Articles of Association of the subsidiaries established in the PRC, they are required to appropriate 10% of the profit arrived at in accordance with PRC accounting standards for each year to a statutory reserve. The profit arrived at must be used initially to set off against any accumulated losses. The appropriations to statutory reserve, after offsetting against any accumulated losses, must be made before the distribution of dividends to shareholders. The appropriation is required until the statutory reserve reaches 50% of the registered capital of the subsidiaries. This statutory reserve is not distributable in the form of cash dividends, but may be used to set off losses or be converted into paid-in capital.

(viii) Distributability of reserve

At 31 March 2013, the Company had no distributable reserve (2012: Nil).

38. COMMITMENTS

(a) Capital commitments

The Group had the following capital commitments at the end of the reporting period:

	Group	
	2013	2012
	HK$'000	HK$'000
Contracted, but not provided for:	**36,256**	44,521

In addition to above, as at 31 March 2012, the Group had contracted, but not provided for an amount of HK$780,000,000 representing capital commitment to acquire the entire equity interest in Fame Shine Holdings Limited at a consideration of the same amount. The Group had entered into a termination agreement to terminate the said contract in the year 2013.

(b) Operating lease commitments

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

	Group	
	2013	2012
	HK$'000	HK$'000
Within one year	**360**	2,818
In the second to fifth year inclusive	**432**	8,182
After fifth year	**–**	8,949
	792	19,949

The Group is the lessee in respect of a number of properties under operating leases. The leases typically run for an initial period of 2 to 10 years, with an option to renew the leases when all terms are renegotiated. None of the leases includes contingent rentals.

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

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

The Option is exercisable by the Company during the Commitment Period, being the period commencing on 8 November 2011 and expiring upon the earlier of (i) the expiry of the 36 months from such date, and (ii) the date on which the aggregate of the Option Shares subscribed by the Investor under the Agreement equals the Total Commitment.

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

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

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

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

As a result of the Share Consolidation of the Company effective on 6 March 2012 (Note 36(b)(ii)), the Total Commitment was adjusted to 50,000,000 Option Shares, the Threshold Price was adjusted to HK$3.5 per Option Share and the trading price of the Company's shares in relation to the conditions of the Company's issuance of tranche notice as mentioned above was adjusted to HK$5 per share.

The directors of the Company, by reference to the valuation report issued by a professional valuer, considered that the fair values of the Option at the date of grant and as at 31 March 2013 and 2012 were insignificant.

40. DE-CONSOLIDATION OF SUBSIDIARIES

As mentioned in note 2(b) to the consolidated financial statements, the Group's subsidiaries Zhongshan Jiu He Bioplastics Company Limited, Dongguan Jiu He Bioplastics Company Limited, Fast Rise Development Limited, Ever Stable Holdings Limited and, World Champion Investments Limited have been de-consolidated from the consolidated financial statements of the Group as from 1 April 2012.

40. DE-CONSOLIDATION OF SUBSIDIARIES (CONTINUED)

Details of the aggregate net assets of the abovementioned subsidiaries are set out below.

	HK$'000
Property, plant and equipment	21,569
Goodwill	92,120
Intangible assets	234,171
Derivative financial asset	19,630
Deposit for acquisition for property, plant and equipment	11,956
Inventories	276
Prepayment, deposits and other receivables	59,165
Cash and cash equivalents	3,253
Trade payables	(256)
Other payables	(313,750)
Deferred tax liabilities	(46,619)
	81,515
Exchange reserve	(9,449)
Non-controlling interests	(61,843)
Net loss on de-consolidation of subsidiaries	10,223
Analysis of net outflow of cash and cash equivalents arising from de-consolidation of subsidiaries	(3,253)

41. CONTINGENT LIABILITIES

Alleged financial guarantee agreement

As mentioned in note 45(ii) to the consolidated financial statements, a loan of RMB20,000,000 (the "Loan") was made by an individual lender to Mr. Wong Kam Leong ("Mr. Wong"), the ex-chairman of the Company, which was purportedly guaranteed by, amongst others, two subsidiaries of the Company namely Zhongshan Jiu He and Jining Gangning.

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

41. CONTINGENT LIABILITIES (CONTINUED)

Pending litigation

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

Financial guarantee issued

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

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

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

42. MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel compensation

Remuneration for key management personnel, including amounts paid to the Company's directors as disclosed in note 10(a) is as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Short-term employee benefits	**1,566**	2,133
Equity compensation benefits	**–**	–
	1,566	2,133

The Company considers that all members of key management consist of directors of the Company. Details of the compensation of directors of the Company are included in note 10 to the financial statements.

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

(b) In the year 2012, one of the directors of the Company has provided personal guarantee for an unsecured short-term loan amounting to HK$3,000,000 granted to the Company.

(c) In the year 2013, one of the directors of Jining Gangning and his spouse together with another director of Jining Gangning had provided personal guarantees to a bank of RMB8,000,000 for general banking facilities granted to Jining Gangning.

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Categories of financial instruments:

	Group	
	2013	2012
	HK$'000	HK$'000
Financial assets		
Fair value through profit or loss	**–**	19,630
Loans and receivables (including cash and cash equivalents)	**187,935**	182,992
Available-for-sale financial assets	**180**	180
Financial liabilities		
Fair value through profit or loss	**759**	–
Amortised cost	**411,731**	429,185

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Categories of financial instruments: (Continued)

	Company	
	2013	2012
	HK$'000	HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**304**	2,696
Financial liabilities		
Fair value through profit or loss	**759**	–
Amortised cost	**37,476**	139,776

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

Capital management

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

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

The Group monitors capital using a gearing ratio, determined as the proportion of net debt to equity derived from the consolidated statement of financial position. The following table analyses the Group's capital structure as at 31 March 2013:

	2013	2012
	HK$'000	HK$'000
Debts (note (i))	**127,832**	179,139
Less: Cash and cash equivalents (note 27)	**(14,739)**	(7,938)
Net debt	**113,093**	171,201
Total equity (note (ii))	**(56,996)**	492,018
Net debt to equity ratio	**(198.42%)**	34.80%

Notes:

(i) Debt comprises long-term and short-term interest-bearing loans, convertible bonds, derivative financial liabilities and bond payable as detailed in notes 30, 32 and 33 respectively.

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

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Credit risk

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

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

(ii) In respect of trade receivables, the Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk. At the end of the reporting period, the Group has certain concentration of credit risk as approximately 12% (2012: 33%) and 37% (2012: 70%) of the Group's trade receivables was attributable to one single customer and five customers respectively.

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

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

(v) Further quantitative disclosures in respect of the Group's exposure to credit risk arising from loans receivable, trade receivables and other receivables are set out in notes 22, 24 and 25 respectively.

(b) Liquidity risk

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

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

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Liquidity risk (Continued)

The Group

At 31 March 2013

	Less than 1 year or on demand HK$'000	Between 1 to 2 years HK$'000	Between 2 to 5 years HK$'000	Total contractual undiscounted cash flow HK$'000	Carrying amount HK$'000
Trade payables	17,066	–	–	17,066	17,066
Bank acceptance notes payable	231,227	–	–	231,227	231,227
Interest-bearing loans	103,608	–	–	103,608	97,150
Other payables	36,365	–	–	36,365	36,365
Convertible bonds	61,000	–	–	61,000	30,682
	449,266	–	–	449,266	412,490
Financial guarantee issued:					
Maximum amount guaranteed (note 41)	25,616	–	–	25,616	–

At 31 March 2012

	Less than 1 year or on demand HK$'000	Between 1 to 2 years HK$'000	Between 2 to 5 years HK$'000	Total contractual undiscounted cash flow HK$'000	Carrying amount HK$'000
Trade payables	12,165	–	–	12,165	12,165
Bank acceptance notes payable	156,698	–	–	156,698	156,698
Interest-bearing loans	88,201	–	–	88,201	83,680
Other payables	81,183	–	–	81,183	81,183
Bond payable	95,459	–	–	95,459	95,459
	433,706	–	–	433,706	429,185

The amounts included above for financial guarantee agreements are the maximum amounts the Group's subsidiary could be required to settle under the arrangement for the full guarantee amount if the amount is claimed by the counter party to the guarantee. Based on the expectations at the end of reporting period, the directors do not consider it probable that a claim will be made against the subsidiary under any of the guarantee agreements.

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Liquidity risk (Continued)

The Company

At 31 March 2013

	Less than 1 year or on demand HK$'000	Between 1 to 2 years HK$'000	Between 2 to 5 years HK$'000	Total contractual undiscounted cash flow HK$'000	Carrying amount HK$'000
Other payables	**7,553**	**–**	**–**	**7,553**	**7,553**
Convertible bonds	**61,000**	**–**	**–**	**61,000**	**30,682**
	68,553	**–**	**–**	**68,553**	**38,235**

At 31 March 2012

	Less than 1 year or on demand HK$'000	Between 1 to 2 years HK$'000	Between 2 to 5 years HK$'000	Total contractual undiscounted cash flow HK$'000	Carrying amount HK$'000
Other payables	4,182	–	–	4,182	4,182
Interest-bearing loans	3,152	–	–	3,152	3,000
Bond payable	95,459	–	–	95,459	95,459
Amount due to a subsidiary	–	37,135	–	37,135	37,135
	102,793	37,135	–	139,928	139,776

(c) Interest rate risk

(i) Exposure to cash flow and fair value interest rate risk

The Group's interest rate risk arises primarily from short-term bank borrowings. As at 31 March 2013, except for the bank borrowing of HK$45,169,000 (2012: HK$54,971,000) which had an average effective interest rate of 9.47% per annum (2012: 9.59% per annum), the Group and the Company had no significant variable interest-bearing assets and liabilities.

As at 31 March 2013, the Group and the Company was primarily exposed to cash flow interest rate risks and fair value interest rate risks arising from bank borrowings, which were charged at floating interest rates and fixed rates respectively, calculated with reference to market rates. Management monitors the related cash flow interest rate risk exposure closely and will consider hedging significant cash flow interest rate risk exposure should the need arise.

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Interest rate risk (Continued)

(ii) Sensitivity analysis

As at 31 March 2013, it is estimated that an increase/decrease of 50 basis points in interest rates, with all other variables held constant, would cause the Group's net loss and accumulated losses to increase/decrease by approximately HK$169,000 (2012: HK$206,000), arising as a result of higher/lower interest expenses. There would be no impact on other components of the Group's equity.

As at 31 March 2013, it is estimated that an increase/decrease of 50 basis points in interest rates, with all other variables held constant, would cause the Company's net loss and accumulated losses to increase/decrease by approximately HK$Nil (2012: HK$Nil), arising as a result of higher/lower interest expenses. There would be no impact on other components of the Company's equity.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period. For the purposes of the analysis, it is assumed that the amounts of variable-rate borrowings outstanding at the end of the reporting period were outstanding throughout the whole year. The 50 basis point increase or decrease represents management assessment of a reasonably possible change in interest rates over the period until the next annual reporting date.

(d) Foreign currency risk

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

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

(i) Exposure to currency risk

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

	The Group Exposure to foreign currencies (expressed in HK$'000)	
	2013	2012
	USD	RMB
Accounts payables	**2,519**	–
Interest-bearing loan	**2,482**	–
Bond payable	**–**	95,459
Gross exposure arising from recognised assets and liabilities	**5,001**	95,459

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Foreign currency risk (Continued)

(i) Exposure to currency risk (Continued)

	The Company Exposure to foreign currencies (expressed in HK$'000)	
	2013	2012
	RMB	RMB
Bond payable	**–**	95,459
Gross exposure arising from recognised assets and liabilities	**–**	95,459

(ii) Sensitivity analysis

The following table indicates the approximate change in the Group's loss after tax (and accumulated losses) in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the end of the reporting period.

	2013		2012	
	Increase/ (decrease) in foreign exchange rate	**Effect on loss after tax and accumulated losses HK$'000**	Increase/ (decrease) in foreign exchange rate	Effect on loss after tax and accumulated losses HK$'000
USD	**1%**	**38**	N/A	N/A
	(1%)	**(38)**	N/A	N/A
Renminbi	**N/A**	**N/A**	4%	3,818
	N/A	**N/A**	(4%)	(3,818)

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period and had been applied to the Group's exposure to currency risk for both derivative and non-derivative financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the end of the next annual reporting period. The analysis is performed on the same basis for 2012.

(e) Other price risk

The Group is exposed to equity price risk arising from changes in the Company's own share price to the extent that the Company's own equity instruments underlie the fair values of derivatives or other financial liabilities of the Group. As at the end of the reporting period of last year, the Group is exposed to this risk through the conversion rights attached to the convertible note issued by the Company as disclosed in note 33.

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(f) Fair value of financial instruments

(i) Financial instruments carried at fair value

The following table provides an analysis of financial instruments that are measured at fair value at the end of the reporting period, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

Level 1: fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3: fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

	As at 31 March 2013							
	The Group				The Company			
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Liability								
Financial liabilities at fair value through profit or loss								
Derivative financial liabilities	–	759	–	759	–	759	–	759
Total	–	759	–	759	–	759	–	759

	As at 31 March 2012							
	The Group				The Company			
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Asset								
Financial asset at fair value through profit or loss								
Derivative financial asset	–	–	19,630	19,630	–	–	–	–
Total	–	–	19,630	19,630	–	–	–	–

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(f) Fair value of financial instruments (Continued)

(i) Financial instruments carried at fair value (Continued)

Reconciliation of Level 3 fair value measurements of financial assets

	Contingent consideration asset	
	2013	2012
	HK$'000	HK$'000
Opening balance	**19,630**	–
De-consolidation of subsidiaries (note 40)	**(19,630)**	–
Gains or losses recognised in:		
— profit or loss	**–**	19,630
Closing balance	**–**	19,630

All of the above gains and losses which have been included in profit or loss for the current year relate to derivative financial asset held at the end of the reporting period.

The Group held certain derivative financial instruments which are carried in the financial statements at fair value, as further detailed in notes 20 and 32 to the financial statements. In respect of the derivative financial asset, its fair value was measured based on a valuation technique for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (the "Level 3 measurement"). In respect of the derivative financial liabilities, their fair values were measured based on a valuation technique for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly (the "Level 2 measurement").

There were no transfers between instruments in all levels during the year.

The fair value of financial assets and financial liabilities (excluding derivatives embedded in convertible bonds and derivative financial asset) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis, using prices or rates from observable market transactions as inputs.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated and Company's statement of financial position approximate their fair values.

(g) Estimation of fair values

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments.

(i) Interest-bearing loans and borrowings

The fair value is estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

44. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(i) Depreciation and amortisation

The Group depreciates the property, plant and equipment and amortises the intangible assets (other than goodwill) and prepaid lease payments in accordance with the accounting policies stated in notes 2(f), 2(g) and 2(h). The estimated useful lives reflect the directors' estimates of the periods that the Group intends to derive future economic benefits from the use of these assets.

(ii) Impairment of property, plant and equipment and prepaid lease payments

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

(iii) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with HKAS 36: *Impairment of Assets* ("HKAS 36"). The recoverable amounts of cash-generating units have been determined based on value in use calculations. These calculations require the use of estimates. Had the pre-tax discount rate and terminal growth rate applied to the discounted cash flow been different from the management's estimate, the goodwill might result in impairment. Details of the assumptions are described in note 16.

(iv) Impairment of intangible assets

Intangible assets represented two patents for the right to use intellectual property. The recoverable amounts have been determined based on value in use calculations. These calculations require the use of estimates. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset, which requires significant judgement relating to the level of revenue and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of sales volume, selling price and operating costs. Had the actual results been different from the management's estimate, the two patents might result in impairment.

44. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

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

(v) Impairment of trade, loans and other receivables

The policy for impairment assessment for trade, loans and other receivables of the Group is based on the evaluation of collectibility and an aging analysis of the receivables and on the judgement of the management. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer or borrower. As at 31 March 2013, allowance for impairment of doubtful loans receivable was HK$3,750,000 (2012: HK$160,000), while allowance for impairment of doubtful trade and other receivables was HK$757,000 (2012: HK$Nil). If the financial conditions of borrowers or customers of the Group were to deteriorate, resulting in further impairment of their ability to make payments, additional provision may be required.

(b) Sources of estimation uncertainty

(i) Derivative financial asset

Derivative financial asset represents the contingent consideration asset in connection with the acquisition of Ever Stable Group. Details on the contingent consideration asset are included in note 20 to the financial statements. This undertaking has been accounted for as a derivative financial asset and is stated at fair value in accordance with the accounting policies stated in note 2(q) to the financial statements. The fair value of contingent consideration asset is determined based on management's best estimates. Such valuation was based on certain assumptions, which are subject to uncertainty and might materially different from actual results.

(c) Recognition of equity-settled share-based payments

The Group's directors and employees have been awarded share options under the Company's share option scheme for their services rendered to the Group. The Company has applied the Black-Scholes Options Pricing Model to determine the grant-date fair values of the options granted. Significant judgement and estimates are required to determine the assumptions input to the model, including the risk-free interest rate, the expected volatility and the expected life of the options. Changes in these assumptions could have a material effect on the fair values of the options granted, which in turn could result in a material impact on the share option expense recognised for the year. Further details of the Company's share options and share option expense are set out in note 34.

45. EVENTS AFTER THE REPORTING PERIOD

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

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

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

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

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

45. EVENTS AFTER THE REPORTING PERIOD (CONTINUED)

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

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

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

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

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

46. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2013

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

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

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

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