

**LONG SUCCESS**  
**百齡國際**

**LONG SUCCESS**  
**INTERNATIONAL (HOLDINGS) LIMITED**  
*(Incorporated in Bermuda with limited liability)*  
(Stock Code : 8017)

Interim Report 2013

## **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

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*This report, for which the directors (the “Directors”) of Long Success International (Holdings) Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*

## INTERIM RESULTS

The unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 September 2013 (the "Reporting Period") together with the comparatives for the corresponding periods in 2012 are as follows:

### CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Unaudited			
		Six months ended 30 September 2013		Three months ended 30 September 2013	
		HK\$'000	2012 HK\$'000	HK\$'000	2012 HK\$'000
<b>Continuing operations</b>					
<b>Revenue</b>	4	<b>71,759</b>	97,222	<b>27,587</b>	48,224
Cost of sales		<b>(77,599)</b>	(96,168)	<b>(29,263)</b>	(48,383)
Gross (loss)/profit		<b>(5,840)</b>	1,054	<b>(1,676)</b>	(159)
Other income, net		<b>1,829</b>	1,119	<b>919</b>	695
Selling expenses		<b>(49)</b>	(265)	<b>–</b>	(197)
Administrative expenses		<b>(11,186)</b>	(18,575)	<b>(3,854)</b>	(8,584)
Operating loss		<b>(15,246)</b>	(16,667)	<b>(4,611)</b>	(8,245)
Finance costs		<b>(6,944)</b>	(9,064)	<b>(3,102)</b>	(4,380)
Loss before tax		<b>(22,190)</b>	(25,731)	<b>(7,713)</b>	(12,625)
Income tax expense	5	<b>2,198</b>	(109)	<b>1,265</b>	–
<b>Loss for the period from continuing operations</b>		<b>(19,992)</b>	(25,840)	<b>(6,448)</b>	(12,625)
<b>Discontinued operation</b>					
Loss for the period from discontinued operation		<b>(382)</b>	(391)	<b>(292)</b>	(230)
Loss for the period		<b>(20,374)</b>	(26,231)	<b>(6,740)</b>	(12,855)
<b>Other comprehensive income</b>					
Exchange differences on translating of foreign operations		<b>1,782</b>	(3,134)	<b>809</b>	(1,501)
<b>Total comprehensive loss for the period</b>		<b>(18,592)</b>	(29,365)	<b>(5,931)</b>	(14,356)

	Note	Unaudited			
		Six months ended 30 September 2013		Three months ended 30 September 2012	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loss for the period					
Attributable to:					
Owners of the Company		(13,876)	(20,179)	(4,585)	(9,841)
Non-controlling interests		(6,498)	(6,052)	(2,155)	(3,014)
		(20,374)	(26,231)	(6,740)	(12,855)
<b>Total comprehensive loss for the period</b>					
Attributable to:					
Owners of the Company		(12,522)	(21,912)	(3,960)	(10,671)
Non-controlling interests		(6,070)	(7,453)	(1,971)	(3,685)
		(18,592)	(29,365)	(5,931)	(14,356)
<b>Loss per share attributable to owners of the Company For continuing and discontinued operations</b>					
Basic (HK cents per share)	6	(1.509)	(11.830)	(0.443)	(5.769)
Diluted (HK cents per share)	6	(1.509)	(11.830)	(0.443)	(5.769)
<b>For continuing operations</b>					
Basic (HK cents per share)	6	(1.468)	(11.600)	(0.415)	(5.675)
Diluted (HK cents per share)	6	(1.468)	(11.600)	(0.415)	(5.675)

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	Unaudited 30 September 2013 HK\$'000	Audited 31 March 2013 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	8	99,220	96,480
Prepaid lease payments		18,003	17,702
Goodwill		–	90
Available-for-sale financial asset	9	180	180
Deposits for acquisition for property, plant and equipment		12,501	12,209
<b>Total non-current assets</b>		<b>129,904</b>	126,661
<b>Current assets</b>			
Inventories		60,856	47,646
Trade receivables	10	20,230	16,902
Prepayments, deposits and other receivables		2,449	2,597
Pledged bank deposits		172,448	156,051
Cash and cash equivalents		2,250	14,739
<b>Total current assets</b>		<b>258,233</b>	237,935

		Unaudited 30 September 2013 HK\$'000	Audited 31 March 2013 HK\$'000
	Note		
<b>Current liabilities</b>			
Trade payables	11	29,091	17,066
Bank acceptance notes payable		232,314	231,227
Other payables		59,220	41,403
Interest-bearing loans		107,066	97,150
Convertible bonds		15,920	29,923
Derivative financial liabilities		349	759
Total current liabilities		443,960	417,528
<b>Net current liabilities</b>		<b>(185,727)</b>	<b>(179,593)</b>
<b>Total assets less current liabilities</b>		<b>(55,823)</b>	<b>(52,932)</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities		1,892	4,064
Total non-current liabilities		1,892	4,064
<b>Net liabilities</b>		<b>(57,715)</b>	<b>(56,996)</b>
<b>Capital and reserves</b>			
Share capital	12	10,982	6,857
Share premium and reserves		(10,691)	(11,917)
<b>Equity attributable to owners of the Company</b>		<b>291</b>	<b>(5,060)</b>
<b>Non-controlling interests</b>		<b>(58,006)</b>	<b>(51,936)</b>
<b>Total equity</b>		<b>(57,715)</b>	<b>(56,996)</b>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2012

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

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2013

	Unaudited										
	Share capital HK\$'000	Share premium HK\$'000	Exchange reserve HK\$'000	Share option reserve HK\$'000	Warrant reserve HK\$'000	Convertible bonds reserves HK\$'000	Accumulated losses HK\$'000	Statutory reserves HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 April 2013	6,857	417,862	14,341	16,008	-	20,565	(481,735)	1,042	(5,060)	(51,936)	(56,996)
Loss for the period	-	-	-	-	-	-	(13,876)	-	(13,876)	(6,498)	(20,374)
Exchange differences arising on translation of foreign subsidiaries	-	-	1,354	-	-	-	-	-	1,354	428	1,782
Total comprehensive income for the period	-	-	1,354	-	-	-	(13,876)	-	(12,522)	(6,070)	(18,592)
Conversion of convertible bonds	4,125	24,873	-	-	-	(11,125)	-	-	17,873	-	17,873
Lapse of shares option	-	-	-	(7,532)	-	-	7,532	-	-	-	-
At 30 September 2013	10,982	442,735	15,695	8,476	-	9,440	(488,079)	1,042	291	(58,006)	(57,715)

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited Six months ended 30 September	
	2013 HK\$'000	2012 HK\$'000
Net cash (used in)/generated from operating activities	<b>(1,796)</b>	67,925
Net cash (used in) investing activities	<b>(2,308)</b>	(48,145)
Net cash (used in) financing activities	<b>(9,509)</b>	(12,914)
Net (decrease)/increase in cash and cash equivalents	<b>(13,613)</b>	6,866
Cash and cash equivalents at the beginning of period	<b>14,739</b>	7,938
Effect of foreign exchange rate changes	<b>1,124</b>	1,126
Cash and cash equivalents at the end of period	<b>2,250</b>	15,930
<b>Analysis of balances of cash and cash equivalents:</b>		
Cash and bank balances	<b>2,250</b>	15,930



## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

### 1. BASIS OF PREPARATION

The condensed consolidated financial statements for the six months ended 30 September 2013 have been prepared in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure requirements of the GEM Listing Rules.

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

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

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

#### **Going concern**

The Group incurred unaudited loss for the period ended 30 September 2013 of approximately HK\$20.37 million and as of that date, the Group’s unaudited current liabilities exceeded its current assets by HK\$185.73 million, while net liabilities of the Group amounted to approximately HK\$57.72 million. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group’s ability to continue as a going concern.

The directors of the Company have been taking active steps to improve the liquidity position of the Group. These steps included (1) the Company placed 20,000,000 placing shares to an aggregate principal amount of HK\$12.4 million to finance the general working capital of the Group on 3 October 2013; (2) one of the existing shareholder of the Company has confirmed his intention and ability to provide continuing financial support to the Group so as to enable it to meet its liabilities as and when they fall due and to carry on its business for the foreseeable future; (3) the directors of the Company are considering various alternatives to strengthen the capital base of the Company through various fund raising exercises, including but not limit to, private placement, open offer or rights issue of new shares of the Company; and (4) the directors of the Company continue to take action to tighten cost controls over various operating expenses, with an aim to attaining profitable and positive cash flow operations.

In light of the measures and arrangements as described above, 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.

### **De-consolidation of subsidiaries**

The unaudited condensed consolidated financial statements were prepared based on the books and records maintained by the Company and its subsidiaries. However, 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. As such, the results, assets and liabilities of the De-consolidated Subsidiaries have not been included into the unaudited condensed consolidated financial statements of the Group. Any adjustments to the transactions asserted to have been undertaken by the De-consolidated Subsidiaries may have a significant consequential effect on the net assets of the Group as at 30 September 2013 and the results of the Group for the period then ended.

In the opinion of the Directors, the unaudited condensed consolidated financial statements as at 30 September 2013 and for the period then ended prepared on the aforementioned basis present more fairly the results and state of affairs of the Group as a whole in light of the aforesaid incomplete books and records of the De-consolidated Subsidiaries. However, the de-consolidation of the De-consolidated Subsidiaries from the beginning of the year was not in compliance with the requirements of Hong Kong Financial Reporting Standard 10 "Consolidated Financial Statements".

The comparative figures of the unaudited condensed consolidated results have not been restated and the previous results of the De-consolidated Subsidiaries for the period from 1 April to 30 September 2012 were included in the comparative figure, based on the books and records maintained by the De-consolidated Subsidiaries at that time.

## 2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and method of computation used in the preparation of the unaudited condensed consolidated financial statements are consistent with those applied in the Group's audited financial statements for the year ended 31 March 2013.

## 3. ADOPTION OF NEW AND REVISED HKFRSs

In the current period, the Group has adopted a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), amendments to Hong Kong Accounting Standards ("HKASs") and interpretations ("Ints") (hereinafter collectively referred to as "new HKFRSs") issued by the HKICPA that are relevant to the Group and effective for accounting periods beginning on or after 1 April 2013. The adoption of these new HKFRSs did not result in substantial changes to the Group's accounting policies and amounts reported for the current year and prior years.

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

## 4. REVENUE AND SEGMENT INFORMATION

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

The Group has the following continuing operating segments:

- (i) Paper products — manufacturing, processing and sales of package and paper products;
- (ii) Biodegradable products — manufacturing, processing and sales of biodegradable products; and

The Money-lending business was discontinued on 27 September 2013.

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.



## **5. INCOME TAX EXPENSE**

Hong Kong profits tax is calculated at 16.5% (2012: 16.5%) of the estimated assessable profit for the period. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

## **6. LOSS PER SHARE**

The calculation of the basic loss per share from continuing and discontinued operations is based on the loss attributable to owners of the Company for the six months ended 30 September 2013 of approximately HK\$13.88 million (2012: HK\$20.18 million) and the weighted average number of 919,440,419 (2012: HK\$170,579,764) ordinary shares in issue during the period. The basic and diluted loss per share from continuing and discontinued operations are the same for the six months ended 30 September 2013, as the Company recorded losses attributable to the owners of the Company. Hence, the effect of any incremental shares from the assumed exercises of share options, warrants and convertible note outstanding as at 30 September 2013 would be anti-dilutive and was not included in the calculation of diluted loss per share.

The calculation of the basic loss per share from continuing operations is based on the loss attributable to owners of the Company for the six months ended 30 September 2013 of approximately HK\$13.49 million (2012: HK\$19.79 million) and the weighted average number of 919,400,419 (2012: 170,579,764) ordinary shares in issue during the period. The basic and diluted loss per share from continuing operations are the same for the six months ended 30 September 2013, as the Company recorded losses attributable to the owners of the Company. Hence, the effect of any incremental shares from the assumed exercises of share options, warrants and convertible note outstanding as at 30 September 2013 would be antidilutive and was not included in the calculation of diluted loss per share.

## **7. INTERIM DIVIDEND**

The Board does not recommend the payment of interim dividend for the period (2012: Nil).

## 8. PROPERTY, PLANT AND EQUIPMENT

	Unaudited 30 September 2013 HK\$'000	Unaudited 30 September 2012 HK\$'000
Opening net book amount	96,480	228,182
Additions	4,137	4,829
Derecognised on disposal of subsidiary	(169)	–
Disposals	(104)	(74)
Depreciation	(5,304)	(10,660)
Exchange difference	4,180	(2,075)
Closing net book amount	99,220	220,202

## 9. AVAILABLE-FOR-SALE FINANCIAL ASSET

	Unaudited 30 September 2013 HK\$'000	Audited 31 March 2013 HK\$'000
<b>Non-current</b>		
Club membership, at cost	180	180

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

## 10. TRADE RECEIVABLES

The ageing analysis of trade receivables is as follows:

	Unaudited 30 September 2013 HK\$'000	Audited 31 March 2013 HK\$'000
Within three months	19,792	15,856
Over three months but within six months	438	394
Over six months but within one year	–	652
Over one year but within two years	–	–
	<b>20,230</b>	16,902

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

## 11. TRADE PAYABLES

The ageing analysis of trade payables is as follows:

	Unaudited 30 September 2013 HK\$'000	Audited 31 March 2013 HK\$'000
Within three months	22,548	7,798
Over three months but within six months	6,543	3,048
Over six months but within one year	–	3,671
Over one year but within two years	–	2,282
Over two years but within three years	–	267
	<b>29,091</b>	17,066

## 12. SHARE CAPITAL

	Number of shares		Amount	
	Six months ended		Six months ended	
	30 September		30 September	
	2013	2012	2013	2012
	'000	'000	HK\$'000	HK\$'000
Authorised				
Ordinary shares of HK\$0.01 each (2012: HK\$0.01 each)	30,000,000	30,000,000	300,000	300,000
Issued and fully paid:				
At beginning of period	685,697	157,197	6,857	1,572
Conversion of convertible bonds	412,500	31,000	4,125	310
At end of period	1,098,197	188,197	10,982	1,882

## 13. CONTINGENT LIABILITIES

### Alleged financial guarantee agreement and pending litigation

As mentioned in Other Significant Events, a loan of RMB20 million (the "Loan") was made by an individual lender (the "Plaintiff") 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 authorizing Mr. Wong and Mr. B Wu to execute the Guarantee Agreement.

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



The first hearing was held as scheduled and the court has not yet reached any judgment. The plaintiff's claims against Mr. Wong as first defendant and Zhongshan Jiu He, Jining Gangning and other defendants as guarantors for the (i) principal loan amount of RMB20 million; (ii) the default interest of RMB8.5million and (iii) litigation fees relevant to the lawsuit of RMB0.45 million. Based on the first hearing and available information, no decision can be concluded and further development will be confirmed upon further notification from the court.

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 condensed consolidated financial statements.

### **Pending litigation**

In 2012, 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 million and a counter claim was made by Jining Gangning at approximately RMB9.37 million. 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 condensed consolidated financial statements as at 30 September 2013.

### **Financial guarantee issued**

Jining Gangning has entered into cross guarantee agreements in respect of banking facilities granted to Jining Gangning, a customer and certain third parties. Under the cross guarantee arrangement, Jining Gangning had issued guarantees to the extent of approximate HK\$121.26 million as at the end of the reporting period. Under such guarantee agreements, Jining Gangning and the counter parties are jointly and severally liable for all borrowings that each of them obtained from the banks for a period of one to two year.

The maximum liability of Jining Gangning 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\$89.58 million.

### **Pending litigation**

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 million 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. Up to the date of this report, 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. No provision for loss has been made in the condensed consolidated financial statements.

### **14. EVENTS AFTER THE REPORTING PERIOD**

Referring to the announcement dated 3 October 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 20,000,000 placing shares (the "Placing Shares") to not less than six places at a price of HK\$0.62 per Placing Share. The 20,000,000 Placing Shares represented approximately (i) 1.8% of the issued share capital of the Company on 3 October 2013; and (ii) 1.8% of the issued share capital of the Company as enlarged by the issue of 20,000,000 Placing Shares. The aggregate nominal value of the Placing Shares was HK\$200,000. The Placing Shares were issued under the general mandate. The 20,000,000 Placing Shares was placed and issued on 11 October 2013. The aggregate gross proceeds and net proceeds from the Placing was approximately HK\$12.4 million and HK\$12.0 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 3 October 2013.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

During the Reporting Period, the Group has been principally engaged in the paper manufacturing business.

#### PAPER MANUFACTURING BUSINESS

In respect of the management of paper manufacturing business, during the Reporting Period, this business segment reported a revenue of approximately HK\$67.87 million (2012: HK\$97.22 million), representing a decrease of approximately 30.2% as compared with the last corresponding period. The downsize of the business was mainly attributable to the unfavorable macro factors and keen competition in the market.

#### 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 (2012: nil). There was severe problem of the liquidity of the two 60% owned subsidiaries of the Group, the Zhongshan Jiu He Bioplastics Company Limited (中山九禾生物塑料有限公司) ("Zhongshan") 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 is considering shareholders to discontinue the business operations of the PRC subsidiaries in the biodegradable materials manufacturing business.

#### MONEY LENDING BUSINESS

The performance of the money lending business has been unsatisfactory since year 2008. As a result of keen competition, it is expected that the money lending business will continue making loss unless substantial resources are allocated thereto. In view of the above, on 27 September 2013, Cherry Oasis (Far East) Limited, the wholly owned subsidiary of the Company, as vendor entered into an agreement with an independent third party to sell all the entire issued share capital of Success Finance Limited (the Group's company engaged in money lending business) for a total consideration of HK\$1. The Directors considered that the disposal would allow the Group to devote resources to its existing business and any other potential businesses, if any. Details of the disposal were set out in the Company's announcement dated 27 September 2013.

## OTHER SIGNIFICANT EVENTS

The Group has appointed King & Wood Mallesons as the Company Hong Kong Legal advisers in relation to the Company corporate matters and transactions. The Group will seek advices from King & Wood Mallesons and take appropriate approaches and actions in the best interest of the Company and its shareholders.

The following is the major events incurred during the 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 million 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.

Up to the date of this account, 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 million (the "Loan") made by an individual lender (the "Plaintiff") 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 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 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 authorizing Mr. Wong and Mr. B Wu to execute the Guarantee Agreement.

As mentioned in the Company's announcement dated 13 August 2013, the Company's attention was drawn to a substituted service in the form of an advertisement issued by Zhongshan Intermediate People's Court (中山市中級人民法院) in respect of a civil case.

The names of the defendants appearing on the notice include, inter alia, Jining Gangning, Zhongshan Jiu He, Mr. Wong and others. The notice discloses the first hearing of the case scheduled for 11 November 2013.

The first hearing was held as scheduled and the court has not yet reached any judgment. The plaintiff's claims against Mr. Wong as first defendant and Zhongshan Jiu He, Jining Gangning and other defendants as guarantors for the (i) principal loan amount of RMB20 million; (ii) the default interest of RMB8.5million and (iii) litigation fees relevant to the lawsuit of RMB0.45 million. Based on the first hearing and available information, no decision can be concluded and further development will be confirmed upon further notification from the court.

- (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.

On 9 August 2013, the High Court of The Hong Kong Special Administrative Region issued a final judgment in favour of "1st Plaintiff" and "2nd Plaintiff" as no notice of intention to defend having been given by the Defendant.

- (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 biodegradable 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 and the period ended 30 September 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 the period ended 30 September 2013; and (iii) unwillingness to cooperate by the non-controlling shareholders of the Two Subsidiaries in the continuation of the business operations.

## FINANCIAL REVIEW

During the Reporting Period, the Group recorded an unaudited revenue of approximately HK\$71.76 million (2012: HK\$97.22 million), representing a decrease of approximately 26.19% as compared with the last corresponding period. The decrease in revenue was mainly due to the drop in sales of package and paper products and the decrease in selling price.

As compared to the same period of 2012, the gross margin has been eroded completely from a gross profit margin of 1.08% for the period ended 30 September 2012 to gross loss margin of 8.14% for the period ended 30 September 2013. The gross loss margin was mainly attributable to the continuous decrease in selling prices of paper products and the inability of the company to source lower cost materials for compensating the decrease in the gross margin.

Selling and distribution costs and administrative expenses for the Reporting Period amounted to approximately HK\$11.24 million (2012: HK\$18.84 million), representing a decrease of approximately 40.4% as compared with the last corresponding period. This decrease was mainly due to (i) the deconsolidation of the De-consolidated Subsidiaries in the Biodegradable materials manufacturing business which accounted for HK\$4.83 million in the last corresponding period and (ii) the Group continue to take action to tighten cost controls over various operating expenses.

Finance costs for the Reporting Period was approximately HK\$6.94 million (2012: HK\$9.06 million), representing a decrease of approximately 23.4% as compared with the last corresponding period. The decrease was mainly due to the settlement of convertible notes.

For the period under review, the Group recorded a net loss attributable to owners of the Company of approximately HK\$13.88 million (2012: HK\$20.18 million). The decrease in net loss was mainly due to (i) the net effects of the increase in operating loss of Paper manufacturing business and the deconsolidation of the De-consolidated Subsidiaries in the Biodegradable materials manufacturing business and (ii) the decrease in administrative expenses and finance costs.

## OUTLOOK

During the Reporting Period, the paper manufacturing business has been operating under a challenging business environment with increasing cost pressures and decreasing selling price as a result of keen competition and other unfavorable macro factors in the market. The Group is undergoing a restructuring on the operations of the paper manufacturing business in order to improve and enhance its competitiveness and turnaround from the non-profit making condition. During the Reporting Period, the Group has downsized its manufacturing business in order to control the extent of the loss until the market conditions improved.

Due to the difficulty in the paper manufacturing business, the Board will continue to adopt a positive and cautious approach in its investment strategy and will continue to seek other investment opportunities and to explore the feasibility of expansion into other business segments with a view to diversify the Group's business portfolio aiming to enhance the Group's profitability and the shareholder's value in the long run. During the Reporting Period, the Group has started some new trading business and recorded a turnover of approximately to HK\$3.89 million.

## LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

As at 30 September 2013, the Group's account of cash and bank balances was approximately HK\$2.25 million (31 March 2013: approximately HK\$14.74 million) and had total bank borrowings of approximately HK\$107.07 million (31 March 2013: approximately HK\$97.15 million), including unsecured bank borrowing of HK\$80.46 million (31 March 2013: approximately HK\$68.68 million) which were guaranteed by a customer and certain independent third parties. All borrowings were denominated in Renminbi. The Group was not exposed to any substantial risk in foreign exchange fluctuations. In general, the Group mainly used its Renminbi income receipt for operation expenses in the PRC and did not use any financial instruments for hedging purpose. As at 30 September 2013, the debt ratio, calculated as total liabilities over total assets of the Group was approximately 1.15 (31 March 2013: approximately 1.16). The Group financed its operations primarily with internally generated cash flow and finances from banks.

## CHARGE OF GROUP'S ASSETS

As at 30 September 2013, the Group's land use rights and buildings with net carrying values of approximately HK\$18.38 million and HK\$25.35 million respectively were pledged to secure bank loans of approximately HK\$26.61 million. In addition, the Group had restricted bank deposits of approximately HK\$172.45 million to secure bank acceptance notes payable of approximately HK\$232.31 million. 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 notes payable of approximately HK\$231.23 million and the Group's import loan HK\$2.48 million as at 31 March 2013.

## **FOREIGN CURRENCY EXPOSURE**

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

## **CONTINGENT LIABILITIES**

Details of the contingent liabilities are set out in note 13 to the unaudited interim financial statements.

## **EMPLOYEE INFORMATION**

As at 30 September 2013, the Group had approximately 93 (2012: 176) employees in Hong Kong and the PRC. The total remuneration to employees, including the executive Directors for the period under review amounted to approximately HK\$4.09 million (2012: HK\$5.81 million). Employees in Hong Kong are entitled to provident fund contributions and medical insurance. For employees in the PRC, the Group is required to contribute to state-sponsored retirement plans at certain prescribed rates based on their basic salaries. In addition, the Group provides comprehensive on-the-job training to its employees and sponsors' employees who participate in job-related training courses to ensure that their qualifications always meet the changing market standards. The remuneration policy and packages are regularly reviewed by the Board. Apart from provident fund contributions, medical insurance and discretionary bonuses, share options are also awarded to employees according to the assessment of individual performance.

## **SHARE OPTION SCHEME**

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

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



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

Grantee	As at 1 April 2013	Granted during the period	Cancelled/ lapsed during the period	Exercised during the period	As at 30 September 2013	Date of grant (dd/mm/yy)	Exercisable period (dd/mm/yy)	Exercise price HK\$
<b>Directors</b>								
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
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
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
Sub-total	1,585,000	-	(1,585,000)	-	-			
<b>Other employees and consultants</b>								
In aggregate	125,000	-	(125,000)	-	-	20/02/08	20/02/08 to 19/02/18	4.88
In aggregate	225,000	-	(225,000)	-	-	02/05/08	02/05/08 to 01/05/18	3.92
In aggregate	1,250,000	-	-	-	1,250,000	09/05/08	09/05/08 to 08/05/18	3.84
In aggregate	675,000	-	-	-	675,000	17/09/08	17/09/08 to 16/09/18	4.048
In aggregate	325,000	-	(325,000)	-	-	31/12/08	31/12/08 to 30/12/18	2.80
In aggregate	400,000	-	-	-	400,000	01/09/09	01/09/09 to 31/08/19	3.20
In aggregate	125,000	-	(125,000)	-	-	30/03/10	30/03/10 to 29/03/20	5.72
In aggregate	1,575,000	-	(825,000)	-	750,000	15/11/10	15/11/10 to 14/11/20	3.32
In aggregate	1,000,000	-	-	-	1,000,000	10/01/11	10/01/11 to 09/01/21	3.50
In aggregate	700,000	-	(300,000)	-	400,000	12/07/11	12/07/11 to 11/07/21	3.00
Sub-total	6,400,000	-	(1,925,000)	-	4,475,000			
Total	7,985,000	-	(3,510,000)	-	4,475,000			

\* Mr. Hu Dongguang resigned as director of the Company on 28 February 2013 and the options lapsed on 31 May 2013.

\*\* Mr. Tse Ching Leung resigned as director of the Company on 15 January 2013 and the options lapsed on 15 April 2013.

\*\*\* Mr. Wong Kam Leong resigned as director of the Company on 17 April 2013 and the options lapsed on 17 July 2013.

## DIRECTORS

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

### *Executive Directors*

Mr. Kaneko Hiroshi	(appointed on 17 April 2013)
Mr. Siu Chi Keung	
Mr. Lu Shiyou	(resigned on 17 September 2013)
Mr. Wong Kam Leong	(resigned on 17 April 2013)
Mr. Hui Ngai Hon, Edward	(appointed on 17 September 2013)

### *Independent non-executive Directors*

Mr. Ho Lok Cheong	(resigned on 17 September 2013)
Mr. Tam Yuk Sang, Sammy	(resigned on 18 October 2013)
Dr. Ng Chi Yeung, Simon	(resigned on 18 October 2013)
Mr. Yau Paul	(appointed on 17 September 2013)
Mr. Wong Ka Shing	(appointed on 18 October 2013)
Ms. Leung Shuk Lan	(appointed on 18 October 2013)

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

As at 30 September 2013, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

### Long positions in shares and underlying shares of the Company:

Name	Type of interest	Number of ordinary shares of the Company	Number of underlying shares of the Company	Total	Percentage of Shareholding
<b>Directors</b>					
Mr. Wong Kam Leong (Note 2)	Corporate Interest	437,500 (Note 1)	-	15,437,500	1.41%
	Spousal Interest	15,000,000 (Note 1)	-		
Mr. Lu Shiyou (Note 3)	Personal Interest	-	212,500,000	212,500,000	19.35%
Mr. Kaneko Hiroshi	Personal Interest	80,000,000	-	80,000,000	7.28%

Notes:

1. 437,500 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 15,000,000 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. Resigned on 17 April 2013.
3. Resigned on 17 September 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, none of the Directors and chief executive (including their spouse and children under the age of 18) had any interest in, or had been granted, or exercised, any right to subscribe for the shares of the Company and its associated corporations (within the meaning of the SFO).

Save as disclosed above, none of the Directors, chief executive or their associates had any interests or short position in the securities of the Company or any of its associated corporations as defined in Part XV of the SFO which was discloseable for the period ended 30 September 2013.

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

The register of substantial shareholders maintained under section 336 of the SFO shows that as at 30 September 2013, the Company had been notified of the following substantial shareholders' interests, being 5% or more of the Company's issued share capital.

### **Long positions in shares of the Company:**

Name	Number of ordinary shares held	Number of underlying shares held	Aggregate long positions in shares of the Company	Percentage of shareholding
Lin Chengzhang	–	137,500,000	137,500,000	12.52%

Save as disclosed above, no other person had registered an interest or short position in the shares and underlying shares of the Company that was required to be reported pursuant to section 336 of the SFO as at 30 September 2013.

## **DIRECTORS' INTERESTS IN COMPETING BUSINESS**

As at 30 September 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.

## **CODE ON CORPORATE GOVERNANCE PRACTICES**

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

Code provision A.6.7 of the CG Code provides that the independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Mr. Ho Lok Cheong, the independent non-executive directors of the Company at the time was absent from the last annual general meeting of the Company held on 9 August 2013, due to his other important engagement at the relevant time.

Code provision D.1.4 of the CG Code provides that the Company should have formal letters of appointment for directors setting out the key terms and conditions of their appointment, while Mr. Kaneko Hiroshi ("Mr. Kaneko"), an executive Director, has not entered into any service contract with the Company. Mr. Kaneko is subject to retirement by rotation and re-election at the Company's annual general meeting in accordance with the bye-laws of the Company.

## **AUDIT COMMITTEE**

In compliance with Rules 5.28 to 5.33 of the GEM Listing Rules, the Company has established an audit committee comprising independent non-executive Directors, namely Mr. Wong Ka Shing, Mr. Yau Paul and Ms. Leung Shuk Lan. The Group's unaudited results for the six months ended 30 September 2013 have been reviewed by the audit committee. Members of the committee were of the opinion that the preparation of such results complied with the applicable accounting standards, the Stock Exchange and legal requirements and that adequate disclosures had been made.

## **BOARD PRACTICES AND PROCEDURES**

Save as disclosed above, throughout the six months ended 30 September 2013, the Company has complied with Rules 5.34 of the GEM Listing Rules concerning board practices and procedures.

## **PURCHASE, SALE OR REDEMPTION OF SECURITIES**

During the six months ended 30 September 2013, neither the Company nor any of its holding companies or subsidiaries purchased, sold or redeemed any listed securities of the Company.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

On behalf of the Board

**Kaneko Hiroshi**

*Chairman*

13 November 2013, Hong Kong

*As at the date of this report, the Board comprises three executive Directors, namely Mr. Kaneko Hiroshi, Mr. Siu Chi Keung and Mr. Hui Ngai Hon, Edward; and three independent non-executive Directors, namely Mr. Yau Paul, Mr. Wong Ka Shing and Ms. Leung Shuk Lan.*