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

(incorporated in Bermuda with limited liability)

(Stock Code: 8017)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2014

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

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

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

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

* *For identification purpose only*

The Board of Directors (the "Board") of the Company is pleased to announce the audited consolidated financial results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2014, together with the comparative audited figures for the year ended 31 March 2013, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2014

	Note	**2014** **HK$'000**	2013 HK$'000 (restated)
Revenue	5	**25,697**	189,719
Cost of sales		**(24,813)**	(213,192)
Gross profit/(loss)		**884**	(23,473)
Other income and net gains		**100**	16,783
Selling expenses		**–**	(762)
Administrative expenses		**(13,617)**	(33,549)
Operating loss		**(12,633)**	(41,001)
Finance costs		**(3,686)**	(10,696)
Impairment loss on property, plant and equipment	6	**(287)**	(91,926)
Impairment loss on prepaid lease payments		**–**	(1,074)
Impairment loss on goodwill		**–**	(24,559)
Impairment loss on deposit for acquisition for property, plant and equipment		**–**	(60,939)
Impairment loss on deposits to suppliers		**–**	(33,035)
Impairment loss on amounts due from de-consolidated subsidiaries	6	**(184,883)**	(265,649)
Net gain/(loss) on de-consolidation of subsidiaries	6	**164,183**	(10,223)
Loss before taxation	6	**(37,306)**	(539,102)
Income tax	7	**608**	4,595
Loss for the year from continuing operations		**(36,698)**	(534,507)
Discontinued operations			
Loss for the year from discontinued operations		**(333)**	(5,440)
Loss for the year		**(37,031)**	(539,947)
Other comprehensive loss			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating operations outside Hong Kong			
— Reclassification adjustments upon de-consolidation of subsidiaries		**(14,341)**	(9,449)
— Exchange difference arising during the year		**–**	832
		(14,341)	(8,617)
Total comprehensive loss for the year		**(51,372)**	(548,564)

	Note	**2014**	2013
		HK$'000	*HK$'000*
			(restated)
Loss for the year			
Attributable to:			
Owners of the Company		**(37,031)**	(426,444)
Non-controlling interests		**–**	(113,503)
		(37,031)	(539,947)
Total comprehensive loss for the year			
Attributable to:			
Owners of the Company		**(51,372)**	(434,812)
Non-controlling interests		**–**	(113,752)
		(51,372)	(548,564)
Loss per share attributable to owners of the Company	*8*		
From continuing and discontinued operations			
— Basic (HK cents per share)		**(3.18)**	(198.30)
— Diluted (HK cents per share)		**(3.18)**	(198.30)
From continuing operations			
— Basic (HK cents per share)		**(3.15)**	(195.77)
— Diluted (HK cents per share)		**(3.15)**	(195.77)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2014

	Note	**2014**	2013
		HK$'000	*HK$'000*
Non-current assets			
Property, plant and equipment		**1,040**	96,480
Prepaid lease payments		**–**	17,702
Goodwill		**–**	90
Available-for-sale financial asset		**180**	180
Deposits for acquisition of property, plant and equipment		**–**	12,209
Total non-current assets		**1,220**	126,661
Current assets			
Inventories		**–**	47,646
Trade receivables	*10*	**7,438**	16,902
Prepayments, deposits and other receivables		**271**	2,597
Pledged bank deposits		**–**	156,051
Cash and cash equivalents		**3,484**	14,739
Total current assets		**11,193**	237,935
Current liabilities			
Trade payables	*11*	**9,713**	17,066
Other payables	*11*	**9,319**	41,403
Bank acceptance notes payable		**–**	231,227
Current portion of interest-bearing loans		**–**	97,150
Convertible bonds		**–**	29,923
Derivative financial liabilities		**–**	759
Total current liabilities		**19,032**	417,528
Net current liabilities		**(7,839)**	(179,593)
Total assets less current liabilities		**(6,619)**	(52,932)
Non-current liability			
Deferred tax liabilities		**–**	4,064
Total non-current liabilities		**–**	4,064
NET LIABILITIES		**(6,619)**	(56,996)
EQUITY			
Share capital		**14,682**	6,857
Share premium and reserves		**(21,301)**	(11,917)
Equity attributable to owners of the Company		**(6,619)**	(5,060)
Non-controlling interests		**–**	(51,936)
TOTAL EQUITY		**(6,619)**	(56,996)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2014

	Attributable to owners of the Company										
	Share capital *HK$'000*	Share premium *HK$'000*	Exchange reserve *HK$'000*	Share options reserve *HK$'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	–	–	(9,449)	–	–	–	–	–	(9,449)	–	(9,449)
Exchange differences 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	–	–	–	–	–	40,375	–	–	40,375	–	40,375
Deferred tax liability on recognition of equity components of convertible bonds	–	–	–	–	–	(6,662)	–	–	(6,662)	–	(6,662)
Placing of new shares	410	7,006	–	–	–	–	–	–	7,416	–	7,416
Share issuance expenses	–	(146)	–	–	–	–	–	–	(146)	–	(146)
De-consolidation of subsidiaries	–	–	–	–	–	–	–	–	–	(61,843)	(61,843)
Conversion of convertible bonds	4,875	28,683	–	–	–	(13,148)	–	–	20,410	–	20,410
Lapse of share options 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)

	Attributable to owners of the Company										
	Share capital *HK$'000*	Share premium *HK$'000*	Exchange reserve *HK$'000*	Share options reserve *HK$'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 2013	6,857	417,862	14,341	16,008	–	20,565	(481,735)	1,042	(5,060)	(51,936)	(56,996)
Loss for the year	–	–	–	–	–	–	(37,031)	–	(37,031)	–	(37,031)
Reclassification adjustments upon de-consolidation of subsidiaries	–	–	(14,341)	–	–	–	–	–	(14,341)	–	(14,341)
Total comprehensive loss for the year	–	–	(14,341)	–	–	–	(37,031)	–	(51,372)	–	(51,372)
Placing of new shares	200	12,200	–	–	–	–	–	–	12,400	–	12,400
Share issuance expenses	–	(310)	–	–	–	–	–	–	(310)	–	(310)
De-consolidation of subsidiaries	–	–	–	–	–	–	1,042	(1,042)	–	51,936	51,936
Conversion of convertible bonds	7,625	50,663	–	–	–	(24,021)	–	–	34,267	–	34,267
Release of deferred tax liability upon conversion of convertible bonds	–	–	–	–	–	3,456	–	–	3,456	–	3,456
Lapse of share options	–	–	–	(7,532)	–	–	7,532	–	–	–	–
At 31 March 2014	14,682	480,415(#)	–(#)	8,476(#)	–(#)	–(#)	(510,192)(#)	–(#)	(6,619)	–	(6,619)

(#) As at 31 March 2014, the aggregate amount of share premium and reserves was deficit of HK$21,301,000 (2013: deficit of HK$11,917,000).

Notes

1. GENERAL INFORMATION

Long Success International (Holdings) Limited ("the Company") is an exempted company incorporated in Bermuda with limited liability and its shares are listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of its registered office is Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda. The address of its principal place of business was Unit 6, 9/F., Tower A, Hunghom Commercial Centre, 39 Ma Tau Wai Road, Hunghom, Kowloon, Hong Kong which was relocated to Factory B of Unit 13, 9/F., Vanta Industrial Centre, Nos. 21–33 Tai Lin Pai Road, Kwai Chung, New Territories, Hong Kong with effect from 31 March 2014.

The Company is an investment holding company. During the year, its subsidiaries were principally engaged in the trading of wine and alcohol.

2. BASIS OF PREPARATION

(a) Adoption of Hong Kong Financial Reporting Standards

Except for the matters regarding the de-consolidation of subsidiaries as mentioned 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. These financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance, which for this financial year and the comparative period continue to be those of the predecessor Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the new Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that 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 2014 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 for derivative financial instruments which are stated at their fair value.

Going concern

The Group incurred loss of approximately HK$37,031,000 and had net operating cash outflow of approximately HK$8,533,000 for the year ended 31 March 2014 and as of that date, the Group and the Company's current liabilities exceeded its current assets by approximately HK$7,839,000 and HK$8,235,000 respectively, and the net liabilities of the Group and the Company amounted to approximately HK$6,619,000 and HK$5,804,000 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 directors of the Company have been taking active steps to improve the liquidity position of the Group. These steps included (1) one of the Company's directors 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; (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 placements, open offers 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 in 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 obligations 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 carried 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

Paper products operating segment

The directors of the Company had been unable to obtain complete set of books and records together with the supporting documents of the Group's PRC subsidiary, Jining Gangning Paper Company Limited (濟寧港寧紙業有限公司) ("Jining Gangning") due to the non-cooperation of the management and accounting personnel of Jining Gangning. Jining Gangning and its respective holding companies ("Paper Products Segment Holding Companies"), namely Glory Smile Enterprises Limited and Mega Bright Investment Development Limited (together referred to as the "De-consolidated Subsidiaries of the Paper Products Segment") formed the Group's paper products operating segment.

The directors of the Company considered that the Group had lost control over Jining Gangning and in the absence of complete set of books and records and the non-cooperation of the management and accounting personnel of Jining Gangning, Jining Gangning had been de-consolidated from the consolidated financial statements of the Group as from 1 April 2013. Since the Paper Products Segment Holding Companies were merely holding the interests of Jining Gangning as their principal activity, the directors of the Company considered that the Paper Products Segment Holding Companies should also be de-consolidated as it would be meaningless and to a certain extent confusing to consolidate only the Paper Products Segment Holding Companies that would include only a part of the assets and liabilities of the entire paper products operating segment. Consequently, the Paper Products Segment Holding Companies were also de-consolidated from the consolidated financial statements as from 1 April 2013. The de-consolidation of the Paper Products Segment Holding Companies was not in accordance with the Hong Kong Financial Reporting Standard 10 "Consolidated Financial Statements".

The de-consolidation of the De-consolidated Subsidiaries of the Paper Products Segment had resulted in a net gain on de-consolidation of subsidiaries of approximately HK$164,183,000 and an impairment loss on amounts due from the De-consolidated Subsidiaries of the Paper Products Segment of approximately HK$184,883,000 for the year ended 31 March 2014. The directors, to the best of their knowledge and belief, were of the view that the carrying values of the amounts due from the De-consolidated Subsidiaries of the Paper Products Segment were not recoverable and, accordingly, an impairment loss of HK$184,883,000 had been recognised in profit or loss.

The Group had consolidated the assets and liabilities of the De-consolidated Subsidiaries of the Paper Products Segment as at 30 September 2013 and their results for the period from 1 April 2013 to 30 September 2013 in its interim report for the six months ended 30 September 2013 based on unaudited management information received. Due to the continued non-cooperation of the management and accounting personnel of Jining Gangning, as detailed in the Company's announcement dated 27 January 2014, the Group had been denied of further management information required for reporting in its third quarterly report. Consequently, the third quarter financial information as reported in the Group's third quarterly report had not included those of De-consolidated Subsidiaries of the Paper Products Segment and they had been de-consolidated as from 1 October 2013.

As the directors of the Company had not been provided with the complete set of books and records together with the supporting documents for them to prepare proper consolidated financial statements and to make the appropriate disclosures under the annual report requirements which are more comprehensive than the disclosure requirements of the interim report and the third quarterly report, the directors of the Company considered that it is more appropriate to de-consolidate the De-consolidated Subsidiaries of the Paper Products Segment from the consolidated financial statements of the Group as from 1 April 2013.

The following detailed the unaudited financial information, before intra-group balances and transactions elimination, of the De-consolidated Subsidiaries of the Paper Products Segment which was consolidated in the Group's interim report for the six months ended 30 September 2013 but was excluded in these consolidated financial statements for the year ended 31 March 2014.

	Unaudited 1/4/2013– 30/9/2013 *HK$'000*
Revenue	67,874
Loss for the period	(13,265)
Other comprehensive income	1,782
Total comprehensive loss	(11,483)

	Unaudited 30/9/2013 *HK$'000*
Non-current assets	128,799
Current assets	252,684
Current liabilities	(595,628)
Non-current liabilities	(27)
Net liabilities	(214,172)

Biodegradable products operating segment

The directors of the Company 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 "Biodegradable Products Segment Subsidiaries") due to the resignations of the key management staff in early 2013 and the unwillingness of the holders of non-controlling interests who were managing the PRC Subsidiaries (the "non-controlling shareholders") to co-operate in the reconstruction of the books and accounts. The PRC Subsidiaries and their respective holding companies (the "Biodegradable Products Segment Holding Companies"), namely Fast Rise Development Limited, Ever Stable Holdings Limited and World Champion Investments Limited (together referred to as the "De-consolidated Subsidiaries of the Biodegradable Products Segment") formed 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 Biodegradable Products Segment Subsidiaries had been de-consolidated from the consolidated financial statements of the Group as from 1 April 2012. Since the Biodegradable Products Segment Holding Companies were merely holding the interests of the Biodegradable Products Segment Subsidiaries as their principal operations, the directors of the Company consider that the Biodegradable Products Segment Holding Companies should also be de-consolidated as it would be meaningless and to a certain extent confusing to consolidate only the Biodegradable Products Segment Holding Companies that would include only a part of the assets and liabilities of the entire biodegradable products operating segment. As a result, the Biodegradable Products Segment Holding Companies were also de-consolidated from the consolidated financial statements as from 1 April 2012. The de-consolidation of the Biodegradable Products Segment Holding Companies was not in accordance with the Hong Kong Financial Reporting Standard 10 "Consolidated Financial Statements".

The de-consolidation of the De-consolidated Subsidiaries of the Biodegradable Products Segment had resulted in a net loss on de-consolidation of subsidiaries of approximately HK$10,223,000 and an impairment loss on the amounts due from the De-consolidated Subsidiaries of the Biodegradable Products Segment of approximately HK$265,649,000. The directors were of the view that the carrying values of the amounts due from the De-consolidated Subsidiaries of the Biodegradable Products Segment were not recoverable and, accordingly, impairment loss of the same amount had been recognised in profit or loss.

The Company had 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. A final judgement was entered against Mr. Leung Wa in favour of the Company by the High Court of the Hong Kong Special Administrative Region ("Hong Kong") on 9 August 2013.

The Company therefore filed an application for court's leave to present a Creditor's Bankruptcy Petition with the High Court of Hong Kong against the Vendor on 17 March 2014.

Discontinued operations

During the year, the Group disposed of a subsidiary which carried on the Group's money-lending business. The disposal is accounted for as discontinued operations under HKFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations". Therefore, the results derived from such operations are presented as discontinued operations in the current year. The results from the discontinued operations for the comparative period have been represented to include those operations classified as discontinued in the current year.

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 HKFRSs	Annual Improvements to HKFRSs 2009–2011 Cycle
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
Amendments to HKFRS 7	Disclosures — Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine

Except as described below, the application of other new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in the consolidated financial statements.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 *Presentation of Items of Other Comprehensive Income* introduce a new terminology for the statement of comprehensive income. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis — the amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

The Group's "statement of comprehensive income" is renamed as "statement of profit or loss and other comprehensive income".

Amendments to HKFRS 7 Disclosures — Offsetting Financial Assets and Financial Liabilities

The amendments introduce new disclosures in respect of offsetting financial assets and financial liabilities. Those new disclosures are required for all recognised financial instruments that are set off in accordance with HKAS 32 *Financial Instruments: Presentation* and those that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments and transactions, irrespective of whether the financial instruments are set off in accordance with HKAS 32.

The adoption of the amendments does not have an impact on these financial statements because the Group has not offset financial instruments, nor has it entered into master netting arrangement or similar agreement which is subject to the disclosures of HKFRS 7 during the periods presented.

HKFRS 10 Consolidated Financial Statements

HKFRS 10 replaces the requirements in HKAS 27 *Consolidated and Separate Financial Statements* relating to the preparation of consolidated financial statements and HK-SIC 12 *Consolidation — Special Purpose Entities*. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

As a result of the adoption of HKFRS 10, the Company has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Company in respect of its involvement with other entities as at 1 April 2013.

HKFRS 12 Disclosure of Interests in Other Entities

HKFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures required by HKFRS 12 are generally more extensive than those previously required by the respective standards.

HKFRS 13 Fair Value Measurement

HKFRS 13 replaces existing guidance in individual HKFRSs with a single source of fair value measurement guidance. HKFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments.

4. 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 (subsidiaries under this operating segment had been de-consolidated in the current year);

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

(iii) Wine and alcohol — trading of wine and alcohol.

In prior years, the Group was involved in money-lending business which was discontinued during the year ended 31 March 2014. The segment information does not include any amounts for this discontinued operation.

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:

	2014	2013
	HK$'000	*HK$'000*
		(restated)
Package and paper products	**–**	183,853
Biodegradable products	**–**	–
Wine and alcohol	**25,697**	–
Others	**–**	5,866
	25,697	189,719

(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, current tax payable, deferred tax liabilities and other corporate liabilities.

The measurement used for reporting segment profit is "adjusted operating profit/(loss)". To arrive at "adjusted operating profit/(loss)", the Group's profit/(loss) are further adjusted for items not specifically attributed to individual segments, such as directors' emoluments, impairment loss on amounts due from de-consolidated subsidiaries, impairment loss on goodwill, net (gain)/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 2014 and 2013 is set out below.

Year ended 31 March 2014

	Paper products	**Biodegradable products**	**Wine and alcohol**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Continuing Operations				
Segment revenue				
Sales to external customers	**–**	**–**	**25,697**	**25,697**
Segment results	**–**	**–**	**(1,698)**	**(1,698)**
Segment assets	**–**	**–**	**11,849**	**11,849**
Segment liabilities	**–**	**–**	**(10,040)**	**(10,040)**
Other information				
Depreciation and amortisation	**–**	**–**	**133**	**133**
Capital expenditure	**–**	**–**	**897**	**897**
Loss on disposal of property, plant and equipment	**–**	**–**	**41**	**41**

Year ended 31 March 2013

	Paper products *HK$'000*	Biodegradable products *HK$'000*	Wine and alcohol *HK$'000*	Total *HK$'000*
Continuing Operations				
Segment revenue				
Sales to external customers	183,853	–	–	183,853
Segment results	(232,706)	–	–	(232,706)
Segment assets	360,883	–	–	360,883
Segment liabilities	376,609	–	–	376,609
Other information				
Interest income	3,264	–	–	3,264
Interest expense	6,715	–	–	6,715
Depreciation and amortisation	22,818	–	–	22,818
Capital expenditure	16,279	–	–	16,279
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 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

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

	2014	2013
	HK$'000	*HK$'000*
		(restated)
Continuing Operations		
Revenue		
Total reportable segment revenue	**25,697**	183,853
Unallocated revenue	**–**	5,866
Consolidated revenue	**25,697**	189,719
Loss		
Total reportable segment loss derived from the Group's external customers	**(1,698)**	(232,706)
Impairment loss on amounts due from de-consolidated subsidiaries	**(184,883)**	(265,649)
Impairment loss on goodwill	**–**	(24,559)
Net gain/(loss) on de-consolidation of subsidiaries	**164,183**	(10,223)
Other income and net gains	**–**	16,783
Finance costs	**(3,686)**	(10,696)
Unallocated corporate expenses	**(11,222)**	(12,052)
Consolidated loss before taxation	**(37,306)**	(539,102)
Assets		
Total reportable segment assets	**11,849**	360,883
Available-for-sale financial assets	**180**	180
Unallocated corporate assets	**384**	3,533
Consolidated total assets	**12,413**	364,596
Liabilities		
Total reportable segment liabilities	**10,040**	376,609
Convertible bonds	**–**	29,923
Derivative financial liabilities	**–**	759
Deferred tax liabilities	**–**	4,064
Unallocated corporate liabilities	**8,992**	10,237
Consolidated total liabilities	**19,032**	421,592

(c) Geographical information

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

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

	2014	2013
	HK$'000	*HK$'000*
		(restated)
PRC	–	183,853
Hong Kong (place of domicile)	**25,697**	5,866
	25,697	189,719

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:

	2014	2013
	HK$'000	*HK$'000*
PRC	–	124,742
Hong Kong	**1,040**	1,739
	1,040	126,481

(d) Information about major customers

Revenue from customers contributing 10% or more of the total turnover of the Group are as follows:

	2014	2013
	HK$'000	*HK$'000*
Customer A — revenue from trading of wine and alcohol	**15,941**	–
Customer B — revenue from trading of wine and alcohol	**5,232**	–
Customer C — revenue from trading of wine and alcohol	**4,466**	–
	25,639	–

No external customers accounted for 10% or more of the Group's revenue for the year ended 31 March 2013.

5. REVENUE

The principal activity of the Group was trading of wine and alcohol during the year. The Group had disposed of its money-lending business and de-consolidated its paper products business during the year.

Revenue represents the sales value of goods supplied to customers, 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:

	2014	2013
	HK$'000	*HK$'000*
		(restated)
Continuing Operations		
Sales of paper products	**–**	183,853
Sales of wine and alcohol	**25,697**	–
Others	**–**	5,866
	25,697	189,719

6. LOSS BEFORE TAXATION

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

	2014	2013
	HK$'000	*HK$'000*
		(restated)
Continuing Operations		
Auditor's remuneration		
— Provision for the year	**1,200**	1,329
— Under-provision for previous year	**320**	–
Costs of inventories sold	**24,813**	213,192
Amortisation of prepaid lease payments	**–**	507
Depreciation of property, plant and equipment	**907**	23,170
Fair value change on derivative financial liabilities	**(100)**	(9,856)
Loss on disposals of property, plant and equipment	**63**	–
Impairment loss on amounts due from de-consolidated subsidiaries	**184,883**	265,649
Impairment loss on goodwill	**–**	24,559
Impairment loss on prepaid lease payments	**–**	1,074
Impairment loss on property, plant and equipment	**287**	91,926
Impairment loss on trade receivables	**–**	753
Impairment loss on other receivables	**122**	1,478
Impairment loss on deposit for acquisition of property, plant and equipment	**–**	60,939
Impairment loss on deposits to suppliers	**–**	33,035
Write down of inventories	**–**	13,251
Net (gain)/loss on de-consolidation of subsidiaries	**(164,183)**	10,223
Minimum lease payments under operating leases in respect of leased premises	**588**	424
Staff costs including directors' emoluments		
— Contributions to defined contribution retirement plan	**77**	3,180
— Salaries, wages and other benefits	**4,190**	17,651
	4,267	20,831

7. INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(a) Taxation in the consolidated statement of profit or loss and other comprehensive income represents:

	2014	2013
	HK$'000	*HK$'000*
Continuing Operations		
Current tax — (over)/under-provision in previous year:		
— PRC	**–**	108
— Macau	**–**	(833)
Deferred tax		
— Current year	**(608)**	(3,870)
	(608)	(4,595)

No provision for PRC Enterprise Income Tax for 2013 and 2014 has been made as the Group did not generate any assessable profits arising in the PRC. No provision for Hong Kong Profits Tax has been made as the Group did not generate any assessable profits arising in Hong Kong in the years 2013 and 2014. 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:

	2014	2013
	HK$'000	*HK$'000*
		(restated)
Loss before taxation	**(37,306)**	(539,102)
Notional tax on loss before taxation, calculated at the rates applicable to losses in the tax jurisdictions concerned	**(6,155)**	(111,038)
Tax effect of income not subject to tax	**(26,841)**	(2,086)
Tax effect of expenses not deductible for tax	**32,444**	75,754
(Over) provision in previous years	**–**	(724)
Tax effect of tax losses not recognised	**351**	7,768
Tax effect of other deductible temporary differences not recognised	**(407)**	25,731
Tax credit for the year	**(608)**	(4,595)

8. LOSS PER SHARE

From continuing and discontinued operations

The calculation of the basic loss per share attributable to owners of the Company is based on the following data:

Loss

	2014	2013
	HK$'000	*HK$'000*
Loss for the year attributable to owners of the Company	**(37,031)**	(426,444)

Weighted average number of ordinary shares (basic)

	2014	2013
	'000	'000
Issued ordinary shares at the beginning of the year	**685,697**	157,197
Effect of placing of shares	**9,425**	21,995
Effect of conversion of convertible bonds	**468,630**	35,856
Weighted average number of ordinary shares at the end of the year	**1,163,752**	215,048

The basic and diluted loss per share are the same for the years ended 31 March 2014 and 2013 respectively, as the share options, warrants and convertible note/bonds outstanding during the years are anti-dilutive.

From continuing operations

The calculation of the basic loss per share from continuing operations attributable to owners of the Company is based on the following data:

Loss figures are calculated as follows:

	2014	2013
	HK$'000	*HK$'000*
Loss for the year attributable to owners of the Company	**(37,031)**	(426,444)
Less: Loss for the year from discontinued operations	**333**	5,440
Loss for the purpose of basic loss per share from continuing operations	**(36,698)**	(421,004)

The denominators used are the same as those detailed above for loss per share from continuing and discontinued operations.

The basic and diluted loss per share from continuing operations are the same for the years ended 31 March 2014 and 2013 respectively, as the share options, warrants and convertible note/bonds outstanding during the years are anti-dilutive.

From discontinued operations

Basic loss per share for the discontinued operations is HK0.03 cents per share (2013: HK2.53 cents per share), based on the loss for the year from the discontinued operations of HK$333,000 (2013: HK$5,440,000) and the denominators detailed above for loss per share from continuing and discontinued operations.

The basic and diluted loss per share from discontinued operations are the same for the years ended 31 March 2014 and 2013 respectively, as the share options, warrants and convertible note/bonds outstanding during the years are anti-dilutive.

9. 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 (2013: Nil).

10. TRADE RECEIVABLES

	The Group	
	2014	2013
	HK$'000	*HK$'000*
Accounts receivable	**7,438**	16,397
Bank acceptance notes receivable	**–**	1,262
Less: Allowance for impairment	**–**	(757)
	7,438	16,902

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

(a) Age analysis

The following is an analysis of trade receivables by age, presented based on the invoice date, which approximates the respective revenue recognition dates:

	The Group	
	2014	2013
	HK$'000	*HK$'000*
Within three months	**7,438**	15,856
Over three months but within six months	**–**	394
Over six months but within one year	**–**	652
	7,438	16,902

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:

	The Group	
	2014	2013
	HK$'000	*HK$'000*
At beginning of year	**757**	–
Impairment loss recognised	**–**	753
Exchange realignment	**–**	4
De-consolidation of subsidiaries	**(757)**	–
At end of year	**–**	757

11. TRADE PAYABLES AND OTHER PAYABLES

	The Group	
	2014	2013
	HK$'000	*HK$'000*
Trade payables	**9,713**	17,066
Other payables		
— Accruals	**4,755**	20,836
— Other payables	**4,564**	12,495
— Deposits received	**–**	5,038
— Payable for acquisition of property, plant and equipment	**–**	2,508
— Amount due to a director	**–**	526
	9,319	41,403

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) Amount due to a director is 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:

	The Group	
	2014	2013
	HK$'000	*HK$'000*
Within three months	**9,713**	7,798
Over three months but within six months	**–**	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
	9,713	17,066

REVIEW OF FINANCIAL INFORMATION

The figures in respect of this announcement of the Group's result for the year ended 31 March 2014 have been agreed by the Group's auditor, Crowe Horwath (HK) CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Crowe Horwath (HK) CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Crowe Horwath (HK) CPA Limited on this announcement.

AUDIT OPINION

The auditor of the Group will issue disclaimer audit opinion on the consolidated financial statements of the Group for the year under audit. An extract of the auditor's report is set out in the section headed "**EXTRACTION OF INDEPENDENT AUDITOR'S REPORT**" below.

EXTRACTION OF INDEPENDENT AUDITOR'S REPORT

Basis for disclaimer of opinion

1. De-consolidation of subsidiaries

a) Paper products operating segment

As disclosed in note 2(b) to the consolidated financial statements, the directors of the Company were unable to obtain complete set of books and records together with the supporting documents of the Group's PRC subsidiary, Jining Gangning Paper Company Limited (濟寧港寧紙業有限公司) ("Jining Gangning") due to the non-cooperation of the management and accounting personnel of Jining Gangning. Jining Gangning and its respective holding companies (the "Paper Products Segment Holding Companies"), namely Glory Smile Enterprises Limited and Mega Bright Investment Development Limited (together referred to as the "De-consolidated Subsidiaries of the Paper Products Segment") formed the Group's paper products operating segment.

The directors of the Company considered that the Group had lost control over Jining Gangning and in the absence of complete set of books and records and the non-cooperation of the management and accounting personnel of Jining Gangning, Jining Gangning had been de-consolidated from the consolidated financial statements of the Group as from 1 April 2013. Since the Paper Products Segment Holding Companies were merely holding the interests of Jining Gangning as their principal activity, the directors of the Company considered that the Paper Products Segment Holding Companies should also be de-consolidated as it would be meaningless and to a certain extent confusing to consolidate only the Paper Products Segment Holding Companies that would include only a part of the assets and liabilities of the entire paper products operating segment. Consequently, the Paper Products Segment Holding Companies were also de-consolidated from the consolidated financial statements of the Group as from 1 April 2013. The de-consolidation of the Paper Products Segment Holding Companies was not in accordance with the Hong Kong Financial Reporting Standard 10 "*Consolidated Financial Statements*".

The de-consolidation of the De-consolidated Subsidiaries of the Paper Products Segment had resulted in a net gain on de-consolidation of subsidiaries of approximately HK$164,183,000 and an impairment loss on the amounts due from the De-consolidated Subsidiaries of the Paper Products Segment of approximately HK$184,883,000 for the year ended 31 March 2014. The directors were of the view that the carrying values of the amounts due from the De-consolidated Subsidiaries of the Paper Products Segment were not recoverable and, accordingly, an impairment loss of HK$184,883,000 had been recognised in profit or loss.

We have not been provided with sufficient information and explanations on the de-consolidation of Jining Gangning 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 of Jining Gangning and cease recording its results of operations from the consolidated financial statements for the year ended 31 March 2014. In addition to the above, and due to the unavailability of complete sets of books and records and the lack of information on the assets and liabilities of Jining Gangning, we were unable to obtain sufficient appropriate audit evidences to determine whether the net gain on de-consolidation of subsidiaries of approximately HK$164,183,000 and the impairment loss on the amounts due from the De-consolidated Subsidiaries of the Paper Products Segment of approximately HK$184,883,000, which were credited and charged to the Group's loss for the year ended 31 March 2014 respectively, were free from material misstatement.

b) Biodegradable products operating segment

As disclosed in note 2(b) to the consolidated financial statements, the directors of the Company were 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 "Biodegradable Products Segment Subsidiaries") due to the resignations of the key management staff in early 2013 and the unwillingness of the holders of non-controlling interests who were managing the Biodegradable Products Segment Subsidiaries (the "non-controlling shareholders") to co-operate in the reconstruction of the books and accounts. The Biodegradable Products Segment Subsidiaries and their respective holding companies (the "Biodegradable Products Segment Holding Companies"), namely Fast Rise Development Limited, Ever Stable Holdings Limited and World Champion Investments Limited (together referred to as the "De-consolidated Subsidiaries of the Biodegradable Products Segment") formed 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 Biodegradable Products Segment Subsidiaries had been de-consolidated from the consolidated financial statements of the Group as from 1 April 2012. Since the Biodegradable Products Segment Holding Companies were merely holding the interests of the Biodegradable Products Segment Subsidiaries as their principal activity, the directors of the Company considered that the Biodegradable Products Segment Holding Companies should also be de-consolidated as it would be meaningless and to a certain extent confusing to consolidate only the Biodegradable Products Segment Holding Companies that would include only a part of the assets and liabilities of the entire biodegradable products operating segment. Consequently, the Biodegradable Products Segment Holding Companies were also de-consolidated from the consolidated financial statements of the Group as from 1 April 2012. The de-consolidation of the Biodegradable Products Segment Holding Companies was not in accordance with the Hong Kong Financial Reporting Standard 10 "*Consolidated Financial Statements*".

The de-consolidation of the De-consolidated Subsidiaries of the Biodegradable Products Segment had resulted in a net loss on de-consolidation of subsidiaries of approximately HK$10,223,000 and an impairment loss on the amounts due from the De-consolidated Subsidiaries of the Biodegradable Products Segment of approximately HK$265,649,000 for the year ended 31 March 2013. The directors, to the best of their knowledge and belief, were of the view that the carrying values of the amounts due from the De-consolidated Subsidiaries of the Biodegradable Products Segment were not recoverable and, accordingly, an impairment loss of HK$265,649,000 had been recognised in profit or loss.

We have not been provided with sufficient information and explanations on the de-consolidation of the Biodegradable Products Segment 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 Biodegradable Products Segment Subsidiaries from the consolidated financial statements for the year ended 31 March 2013. In addition to the above, and due to the unavailability of complete sets of books and records and the lack of information on the assets and liabilities of the Biodegradable Products Segment 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 the impairment loss on the amounts due from the De-consolidated Subsidiaries of the Biodegradable Products Segment 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.

The circumstances stated above caused us to disclaim our audit opinion on the consolidated financial statements for the year ended 31 March 2013.

2. ***Alleged loan to the Company***

As mentioned in note 40(ii) to the consolidated financial statements, a litigation was brought against the Company, its de-consolidated subsidiaries Mega Bright Investment Development Limited ("Mega Bright") and Jining Gangning Paper Company Limited (濟寧港寧紙業有限公司) ("Jining Gangning"), and Mr. Wong Kam Leong ("Mr. Wong"), the ex-chairman of the Company as defendants for an alleged loan of approximately RMB40,883,000 which allegedly arose from a loan agreement for a total loan amount of approximately RMB73,037,000 (the "Loan Agreement") that was purportedly signed by Mr. Wong on behalf of the Company and Mega Bright. At this stage, the Company cannot locate any written records of authorisation having been given by the Company or Mega Bright for Mr. Wong to execute the Loan Agreement. The loan was allegedly granted to the Company and purportedly guaranteed by Mr. Wong, Mega Bright together with its shareholding interest in Jining Gangning and Jining Gangning which allegedly constituted joint and several obligations under the Loan Agreement. The litigation is still in progress and it is not possible to estimate the outcome of the litigation at this stage. The Company's directors consider that any amount of obligation to the Company in relation to this litigation cannot be measured with sufficient reliability. The Company's directors, based on their investigation, consider that the Company is not indebted to the sum claimed by the plaintiff nor any amount under the Loan Agreement. As a result, no liability has been recognised in the consolidated financial statements for the year ended 31 March 2014.

We were unable to obtain sufficient appropriate audit evidence as to whether the Group should recognise any liability under and resulting from the Loan Agreement and the pending litigation as at 31 March 2014.

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

The Group incurred loss of approximately HK$37,031,000 and had net operating cash outflow of approximately HK$8,533,000 for the year ended 31 March 2014 and as of that date, the Group and the Company's current liabilities exceeded its current assets by approximately HK$7,839,000 and HK$8,235,000 respectively, and the net liabilities of the Group and the Company amounted to HK$6,619,000 and HK$5,804,000 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.

As stated in note 2(b) to the consolidated financial statements, the Company's directors are taking active steps to improve the liquidity position of the Group. These steps include (1) obtained continuing financial support to the Group from one of the Company's directors; (2) considering various alternatives to strengthen the capital base of the Company through various fund raising exercises, including but not limit to, private placements, open offers or right issue of new shares of the Company; and (3) taking action to tighten cost controls over various operating expenses, with an aim in attaining profitable and positive cash flow operations.

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 above and 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 carried 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 accumulated losses as at 1 April 2013 and 31 March 2014 and of its loss and cash flows for the years ended 31 March 2013 and 31 March 2014, the state of the Group's and the Company's affairs as at 31 March 2013 and 2014 and the related disclosures 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 a litigation brought against the Company as defendant for an alleged dishonoured cheque in the sum of HK$80,000,000 together with interest and costs during the year. The litigation is still in progress and the Company's directors, based on legal advice, consider that the Company will prevail and will contest the proceedings vigorously. As a result, no liability has been recognised in these consolidated financial statements as at 31 March 2014. Our opinion is not qualified in respect of this matter.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Paper Manufacturing Business

Due to severe unfavorable macro factors and keen competition in the market, the paper manufacturing business was downsizing.

As detailed in the Company's announcement dated 27 January 2014 in relation to the non-cooperation of the management and accounting personnel of Jining Gangning Paper Company Limited ("Jining Gangning"), the Company has been unable to obtain the latest financial statements of Jining Gangning and does not foresee a significant progress will occur in the near future at the date of approval of this announcement.

As such, Jining Gangning and their respective holding companies namely Glory Smile Enterprises Limited and Mega Bright Investment Development Limited ("Mega Bright"), which form the Group's paper manufacturing operating segment, was deconsolidated from the Group's consolidated financial results.

In view of the loss making and net liabilities status of the paper manufacturing business, the Directors of the Company are of the view that the deconsolidation or the potential discontinuation of the paper manufacturing business do not have any material adverse impact to the Group.

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 year ended 31 March 2014 (2013: 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 Jiu He") and Dongguan Jiu He Bioplastics Company Limited (東莞九禾生物塑料有限公司) ("Dongguan Jiu He") (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) ("Mr. Leung"), the vendor in the Company's acquisition of 100% equity interest in Ever Stable Holdings Limited ("Ever Stable"), which owned 60% equity interest in Dongguan Jiu He for breach of the acquisition agreement and the supplemental agreements.

The Directors of the Company 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 non-controlling shareholders of the PRC subsidiaries were unwilling to cooperate before as well as after the financial year ended on 31 March 2013.

As such, the PRC Subsidiaries and their respective holding companies namely Fast Rise Development Limited, Ever Stable Holdings Limited and World Champion Investments Limited, which form the Group's biodegradable products operating segment, was deconsolidated from the Group's consolidated financial results.

Based on the above, the Board is considering to discontinue the business operations of the PRC subsidiaries in the biodegradable materials manufacturing business.

General trading business (wine and alcohol trading)

The general trading business started on the fourth quarter of 2013 and comprised the business of trading of other merchandise goods. For the year ended 31 March 2014, the Group's general trading business represents the wine and alcohol trading. It reported a revenue of approximately HK$25.70 million and it accounted for approximately 100% of the Group's revenue for the year ended 31 March 2014.

During the start-up stage of the wine and alcohol trading business of the Company, most of the current suppliers and distributors were introduced by the Company's executive director. Based on the stable relationships with the suppliers, the Group is able to have a secure and extensive supply network to source premium wine and alcohol products, including but not limited to, Chateau Petrus red wine, Kweichow Moutai Chiew and Hennessy XO, which are rare or otherwise not widely available in the open market but with huge demands. As such, the Group is able to fulfil the demands of the distributors in a timely manner, and thus has established stable relationships with the distributors.

The Group is of the view that it can enjoy the above competitive advantages continuously due to the consideration that the Group will be able to maintain good business relationships with the suppliers. In addition to the strengthen relationships with the distributors as well as the increasing awareness of the Group's brand reputation, the Group is confident that the wine and alcohol trading business can be further developed.

FUTURE PLANS AND PROSPECTS

General trading business (wine and alcohol trading business)

In order to further diversify the sales of wine and alcohol trading business, the Group plans to further expand its business by directly distributing the wine and alcohol products to customers, including but not limited to, bar, restaurants and private clubs in Hong Kong. The Group has already entered into master sales agreement with some customers in early June 2014. The Group also plans to broaden its wine and alcohol products portfolio to expand its sales network. The Group is also in the course of identifying distributors to further expand the sales network in the PRC.

General trading business (timber trading business)

Besides the wine and alcohol trading business, after the year ended 31 March 2014, the Group is also participating in timber trading business. The Group had conducted the first purchase and sales transaction of round logs timber from Solomon Islands in early June 2014. The Group successfully secured a global timber trading company in the PRC as a customer and secured a steady supply of timber from Solomon Islands.

The Group plans to have a long-term development of the timber trading business by securing steady monthly sales and purchase shipment with different customers. In addition, the Group is in the course of negotiations with the concession owner(s) and in the best effort to enter into long term exclusive purchase agreement for timber logs with the concession owner(s) under the respective license in Solomon Islands. The Group may further invest in the timber logging business in Solomon Islands by acquiring concession, suitable targets and/or technical and machinery investment, which subject to legal and financial due diligence.

In respect of the sales network of the timber trading business, the Group is also looking for different opportunities in other parts of the world besides the PRC.

The Group has continued to extend and expand its trading business and expected that the revenue to be contributed from the general trading business will become the main source of the Group’s revenue on the forthcoming year.

Capital increment

The Directors plan to raise additional capital for the Group by various means in order to support the continuous improvement of the operation of the wine and alcohol trading and timber trading businesses. Besides, the Group will seek new business collaborations and investment opportunities for diversification.

SIGNIFICANT EVENTS

During the year ended 31 March 2014, the Group was mainly engaged in the general trading business. In view of different challenge and critical issues brought forward, the Directors have appointed King & Wood Mallesons as the Company Hong Kong legal adviser 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 year ended 31 March 2014:

(A) Placing of shares under general mandate

With reference to the Company's announcement dated 3 October 2013, the Company entered into a 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 placees 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. The intended and actual use of net proceeds of approximately HK$12.0 million are set out as follows:

Intended use of proceeds	**Actual use of proceeds**
For the general working capital of the Group.	(i) Approximately HK$6.0 million was used for the repayment of other payables which arising from the general operations; (ii) approximately HK$0.9 million was used for the purchase of motor vehicles for business purpose, and (iii) the remaining balance of approximately HK$5.1 million was applied as general working capital of the Group which mainly consists of payments for professional fees, office rent and salaries.

Details of the issue of Placing Shares was set out in the announcement of the Company dated 3 October 2013.

(B) Lapse of Memorandum of understanding

As stated in the Company's announcement dated 11 December 2013, the Company and the independent third parties entered into a memorandum of understanding (the "MOU") and a supplemental MOU on 3 December 2013 and 5 December 2013 respectively in relation to the Group's possible acquisition of 51% of the equity interest in a company that is principally engaged in the trading of motor vehicles (the "Possible Acquisition"). The aggregate consideration for the Possible Acquisition will not be more than HK$8 million which shall be settled in either (i) cash; (ii) issue of convertible bonds of the Company; (iii) issue of new shares of the Company; or (iv) a combination of (i), (ii) or (iii) within 30 days after the completion of the Possible Acquisition. Furthermore, the Potential Vendors and the Company mutually agreed that a contingent consideration based on the future performance of the Target Company will be considered in the Definitive Agreement. As no Definitive Agreement has been entered into between the Company and the Potential Vendors during the Exclusivity Period nor there be an agreement reached in extending the date of entering into the Definitive Agreement, the MOU and Supplemental MOU has automatically lapsed immediately after 4 March 2014.

(C) Lapse of placing of shares under general mandate

With reference to the Company's announcement dated 18 December 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 190,000,000 placing shares (the "Placing Shares") to not less than six placees at a price of HK$0.57 per Placing Share. The 190,000,000 Placing Shares represented approximately (i) 12.94% of the issued share capital of the Company on 18 December 2013; and (ii) 11.46% of the issued share capital of the Company as enlarged by the issue of 190,000,000 Placing Shares. The aggregate nominal value of the Placing Shares was HK$1,900,000. The Placing Shares were issued under the general mandate. As mentioned in the Company's announcement dated 20 January 2014, the 190,000,000 Placing Shares was terminated on 20 January 2014 as the conditions referred to the Placing Agreement were not fulfilled on or before the Long Stop Date (i.e. 20 January 2014).

LITIGATIONS

Pending litigation in Hong Kong

(A) Alleged dishonoured cheque

As stated 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 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 ("Mr. Wong"), the ex-chairman of the Company alone, was issued without obtaining the authorisation or approval from the board of directors of the Company.

Up to the date of approval of these consolidated financial statements, the Proceedings are still in progress and the directors of the Company, based on legal advice, consider that the Company will prevail and will contest the Proceedings vigorously. As a result, no provision has been made in the consolidated financial statement as at 31 March 2014.

(B) Bankruptcy Petition against Mr. Leung Wa

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 ("Fast Rise"), 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 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, 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 Fast Rise and the Company as no notice of intention to defend having been given by Mr. Leung.

The Company has carried out certain background checks against Mr. Leung and is not aware that Mr. Leung has sufficient assets to repay the debt.

Attempts have been made to effect personal service of a statutory demand in respect of the debt (the "Statutory Demand") upon Mr. Leung but Mr. Leung could not be located or was not presented at his last known address. Substituted service of the Statutory Demand was then effected by advertising a Notice of the Statutory Demand in Hong Kong Commercial Daily on 21 February 2014, under which the Defendant was given 21 days therefrom to satisfy or to set aside the same. As at 17 March 2014, the Statutory Demand has neither been complied with nor set aside in accordance with the Rules of the High Court of Hong Kong.

The Company therefore filed an application for court's leave to present a Creditor's Bankruptcy Petition with the High Court of Hong Kong against Mr. Leung on 17 March 2014.

The Creditor's Bankruptcy Petition was filed by the Company on 9 May 2014 and the hearing date have been fixed in the High Court on 9 July 2014.

Pending litigation in the PRC

(A) Litigation in relation to the ex-chairman and the de-consolidated subsidiaries

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 as the plaintiff to Mr. Wong, which was purportedly guaranteed by, amongst others, 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.

As mentioned in note 2(b), Zhongshan Jiu He and Jining Gangning were de-consolidated as from 1 April 2012 and 1 April 2013 respectively. The Company's directors consider that any obligation of Zhongshan Jiu He and Jining Gangning arising from the above matters should have no financial impact on the Group's consolidated financial statements for the year ended 31 March 2014.

(B) Alleged Litigation in Jining

As mentioned in the Company's announcements dated 10 and 27 January 2014, 18 February 2014, 14 March 2014, 15 April 2014 and 7 May 2014, on 9 January 2014, the Company received the writ of summon (the "Writ") from Jining Intermediate People's Court (濟寧市中級人民法院) (the "Jining Court") in respect of a civil case where the plaintiff (the "Plaintiff") claimed against the Company as first defendant, the Company's subsidiary, Mega Bright Investment Development Limited ("Mega Bright") as the second defendant, Mr. Wong Kam Leong ("Mr. Wong"), the ex-chairman of the Company, as the third defendant and the Company's subsidiary, Jining Gangning Paper Company Limited (濟寧港寧紙業有限公司) ("Jining Gangning"), as the fourth defendant, in relation to a loan amount of approximately RMB40,883,000 allegedly granted by the Plaintiff to the Company and purportedly guaranteed by Mr. Wong, Mega Bright together with its shareholding interest in Jining Gangning and Jining Gangning which allegedly constituted joint and several obligations under the loan agreement. The loan amount of approximately RMB40,883,000 was allegedly arose from a loan agreement with total loan amount of approximately RMB73,037,000 (the "Loan Agreement") that was purportedly signed by Mr. Wong on behalf of the Company and Mega Bright. At this stage, the Company cannot locate any written records of authorisation having been given by the Company or Mega Bright for Mr. Wong to execute the Loan Agreement, or evidence of amounts having been received by any group entity from the plaintiff. According to the Writ, the first hearing of the case is scheduled on 18 February 2014. The hearing was later adjourned to 8 May 2014 and was further adjourned to a later date to be fixed by the Jining Court.

On 8 April 2014, Jining Gangning attempted to deliver several alleged court documents in relation to the above lawsuit which were supposed to be delivered to Mega Bright by the Jining Court, to the Company for the attention of the Board. The documents include, among others, (i) an order made by the Jining Court on 23 December 2013 that it has granted the application made by the Plaintiff to freeze RMB10,000,000 in the bank account of Mega Bright or seize the equivalent value of the assets of Mega Bright; (ii) a writ of summons to Mega Bright issued by the Jining Court on 24 February 2014 stating that the new date of the first hearing of the above lawsuit is set on 8 May 2014 (which was further adjourned to a later to be fixed by the Jining Court); and (iii) an order made by the Jining Court on 2 April 2014 that it has granted the application made by the Plaintiff to withdraw the claims made against Mr. Wong Kam Leong in the above lawsuit. The order referred to in (iii) above was also served by the Jining Court to the Company through the Company's PRC legal adviser on 8 April 2014. The Company was advised by its PRC legal adviser that the attempted delivery of the above documents made by Jining Gangning did not constitute a proper service in accordance with the relevant PRC laws.

Up to the date of approval of these consolidated financial statements, the litigation is still in progress and it is not possible to estimate the outcome of the litigation. The Company's directors consider that any amount of obligation in relation to this litigation cannot be measured with sufficient reliability. The Company's directors, based on their investigation, consider that the Company is not indebted to the Plaintiff for the above sum claimed by the Plaintiff in the Writ nor any amount under the Loan Agreement. As a result, no provision has been made in the consolidated financial statements for the year ended 31 March 2014. In addition, the Company's directors consider that any obligation of Mega Bright and Jining Gangning arising from this pending litigation or the Loan Agreement should have no financial impact on the Group's consolidated financial statements for the year ended 31 March 2014 as Mega Bright and Jining Gangning were de-consolidated from the Group's consolidated financial statements as from 1 April 2013.

OTHER POTENTIAL ACTIONS

(A) Potential discontinuing the business operations of the biodegradable products operating segment

As stated 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 and Dongguan Jiu He (the "Two Subsidiaries") in view of (i) severe liquidity problem throughout the year ended 31 March 2013 and the period ended 31 December 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 years ended 31 March 2013 and 31 March 2014; and (iii) unwillingness to cooperate by the non-controlling shareholders of the Two Subsidiaries in the continuation of the business operations.

The Company is currently assessing the pros and cons of taking legal actions against the Two subsidiaries and considering other possible actions (and the related costs and timing), including but not limited to, appoints new directors and legal representatives to replace the existing personnel, dissolve the Two subsidiaries or look for potential purchasers for the buyout of the Two subsidiaries, that the Company could take for the best interests of the Company and its shareholders.

(B) Potential legal action against Jining Gangning

Despite the de-consolidation of Jining Gangning, the Company is continuing to liaise with its management for the relevant financial information. Our PRC legal adviser had issued a legal letter to Jining Gangning and enquired to provide its latest financial statements to the Company in May 2014. At the same time, the Company is assessing the pros and cons of taking legal actions against Jining Gangning and considering other possible actions (and the related costs and timing), including but not limited to, appoints new directors and legal representatives to replace the existing personnel, dissolve Jining Gangning or look for potential purchasers for the buyout of Jining Gangning, that the Company could take for the best interests of the Company and its shareholders. However, as advised by our PRC legal adviser, the non-cooperation of the management of the Jining Gangning will probably have adverse impact on our proposed procedures.

FINANCIAL REVIEW

During the year under review, the Group revenue from continuing operations was approximately HK$25.70 million, representing a decrease of approximately 86.46% as compared to last year (2013: HK$189.72 million). The decrease in revenue was mainly due to the de-consolidation of paper manufacturing business segment.

As compared to the same period of 2013, the gross margin has been improved from a gross loss margin of 12.37% for the year ended 31 March 2013 to a gross profit margin of 3.44% for the year ended 31 March 2014. The gross profit margin was attributable from the Group's general trading business which started on the fourth quarter of last financial year.

Selling and administrative expenses for the year ended 31 March 2014 decreased to approximately HK$13.62 million (2013: HK$34.31 million) which was mainly due to the de-consolidation of paper manufacturing business segment.

Finance costs mainly represent the interest on bank borrowings and interest charged on convertible bonds. The decrease in finance costs from HK$10.70 million to HK$3.69 million was mainly attributable to the (i) full conversion of convertible bonds during the year; and (ii) the de-consolidation of paper manufacturing business segment.

For the year under review, the Group recorded a loss attributable to owners of the Company of approximately HK$37.03 million as against a net loss of HK$426.44 million in 2013. The net loss was mainly due to the net gain on de-consolidation of subsidiaries, impairment loss on amounts due from de-consolidated subsidiaries and the various fixed costs, including but not limited to, salaries, rental, entertainment and professional fee that are necessary for the operation of the Company. The decrease in net loss was mainly due to the deconsolidation of the paper manufacturing business segment which involved a lot of assets impairment in last year.

As mentioned in the in note 2(b), the Group had consolidated the assets and liabilities of the De-consolidated Subsidiaries of the Paper Products Segment as at 30 September 2013 and their results for the period from 1 April 2013 to 30 September 2013 in its interim report for the six months ended 30 September 2013 based on unaudited management information received. Due to the continued non-cooperation of the management and accounting personnel of Jining Gangning, as detailed in the Company's announcement dated 27 January 2014, the Group had been denied of further management information required for reporting in its third quarterly report. Consequently, the third quarter financial information as reported in the Group's third quarterly report had not include those of De-consolidated Subsidiaries of the Paper Products Segment and they had been de-consolidated as from 1 October 2013.

As the directors of the Company had not been provided with the complete set of books and records together with the supporting documents for them to prepare proper consolidated financial statements and to make the appropriate disclosures under the annual report requirements which are more comprehensive than the disclosure requirement of interim report and third quarterly report, the directors of the Company considered that it is more appropriate to de-consolidate the De-consolidated Subsidiaries of the Paper Products Segment from the consolidated financial statements of the Group as from 1 April 2013.

If the de-consolidation was carried out as from 1 October 2013, the impact on the consolidated revenue, gross loss, net gain on de-consolidation of subsidiaries and loss for the year will be as following:

	As reported	**The results for the paper manufacturing segment for the period from 1 April 2013 to 30 September 2013 Increase/ (decrease)**	**If the de-consolidation was carried out as from 1 October 2013**
	HK$'000	*HK$'000*	*HK$'000*
Revenue	25,697	67,874	93,571
Gross loss	884	(5,898)	(5,014)
Net gain on De-consolidation of subsidiaries	164,183	6,767*	170,949
Loss for the year	(37,031)	(6,498)	(43,529)
Attributable to:			
Owners of the Company	(37,031)	–	(37,031)
Non-controlling interests	–	(6,498)	(6,498)
	(37,031)	(6,498)	(43,529)

* The amount represents the share of the loss of the De-consolidated Subsidiaries of the Paper Products Segment for the period. It was recognized as a net gain on De-consolidation of subsidiaries as a result of the de-consolidation.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

As at 31 March 2014, the Group's cash and bank balances, which were principally Hong Kong dollar denominated, amounted to approximately HK$3.48 million (2013: HK$170.79 million). The Group was not exposed to any substantial risk in fluctuations in foreign exchange rates. In general, the Group mainly receives its income in Hong Kong dollar and uses them to settle the costs of sale and operating expenses in Hong Kong. The Group has not entered into any financial instruments for hedging purpose.

As at 31 March 2014, the Group's trade receivables amounted to approximately HK$7.44 million resulted from the wine and alcohol trading business. All the above trade receivables had been subsequently settled by the end of June 2014.

As at 31 March 2014, the Group had no any bank loans and borrowing. As at 31 March 2013, the Group had secured bank loans of approximately HK$28.47 million and unsecured bank and other loans of approximately HK$68.68 million.

As at 31 March 2014, the debt ratio, calculated as total liabilities over total assets of the Group was approximately 1.53 (2013: approximately 1.16).

During the year under review, the Group financed its operations primarily with internally generated cash flow, as well as the funds raised successfully from the subscription of shares in the amount of approximately HK$12.00 million after expenses.

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 the general trading business and other potential businesses. 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 2014, the Group's does not have assets being pledged to secure the liabilities of the Group.

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.

FOREIGN CURRENCY EXPOSURE

The Group continues to adopt a conservative treasury policy with almost all deposits in Hong Kong dollars, keeping minimum exposure to foreign exchange risks. As the sales, purchase, expenditures, assets and liabilities are mainly denominated in Hong Kong dollar, 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

Pending litigations

(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") claimed 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 and apparently bore the signature of Mr. Wong Kam Leong, the ex-chairman of the Company, was issued without obtaining the authorisation or approval from the board of directors of the Company. 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 consolidated financial statements, the Proceedings are still in progress and the directors of the Company, based on legal advice, consider that the Company will prevail and will contest the Proceedings vigorously. As a result, no provision has been made in the consolidated financial statement as at 31 March 2014.

(ii) As mentioned in the Company's announcements dated 10 and 27 January 2014, 18 February 2014, 14 March 2014, 15 April 2014 and 7 May 2014, on 9 January 2014, the Company received the writ of summon (the "Writ") from Jining Intermediate People's Court (濟寧市中級人民法院) (the "Jining Court") in respect of a civil case where the plaintiff (the "Plaintiff") claimed against the Company as first defendant, the Company's subsidiary, Mega Bright Investment Development Limited ("Mega Bright"), as the second defendant, Mr. Wong Kam Leong ("Mr. Wong"), the ex-chairman of the Company, as the third defendant and the Company's subsidiary, Jining Gangning Paper Company Limited (濟寧港寧紙業有限公司) ("Jining Gangning"), as the fourth defendant, in relation to a loan amount of approximately RMB40,883,000 allegedly granted by the Plaintiff to the Company and purportedly guaranteed by Mr. Wong, Mega Bright together with its shareholding interest in Jining Gangning and Jining Gangning which allegedly constituted joint and several obligations under the loan agreement. The loan amount of approximately RMB40,883,000 was allegedly arose from a loan agreement with total loan amount of approximately RMB73,037,000 (the "Loan Agreement") that was purportedly signed by Mr. Wong on behalf of the Company and Mega Bright. At this stage, the Company cannot locate any written records of authorisation having been given by the Company or Mega Bright for Mr. Wong to execute the Loan Agreement. According to the Writ, the first hearing of the case is scheduled on 18 February 2014. The hearing was later adjourned to 8 May 2014 and was further adjourned to a later date to be fixed by the Jining Court.

On 8 April 2014, Jining Gangning attempted to deliver several alleged court documents in relation to the above lawsuit which were supposed to be delivered to Mega Bright by the Jining Court, to the Company for the attention of the Board. The documents include, among others, (i) an order made by the Jining Court on 23 December 2013 that it has granted the application made by the Plaintiff to freeze RMB10,000,000 in the bank account of Mega Bright or seize the equivalent value of the assets of Mega Bright; (ii) a writ of summons to Mega Bright issued by the Jining Court on 24 February 2014 stating that the new date of the first hearing of the above lawsuit is set on 8 May 2014 (which was further adjourned to a later to be fixed by the Jining Court); and (iii) an order made by the Jining Court on 2 April 2014 that it has granted the application made by the Plaintiff to withdraw the claims made against Mr. Wong Kam Leong in the above lawsuit. The order referred to in (iii) above was also served by the Jining Court to the Company through the Company's PRC legal adviser on 8 April 2014. The Company was advised by its PRC legal adviser that the attempted delivery of the above documents made by Jining Gangning did not constitute a proper service in accordance with the relevant PRC laws.

Up to the date of approval of these consolidated financial statements, the litigation is still in progress and it is not possible to estimate the outcome of the litigation. The Company's directors consider that any amount of obligation in relation to this litigation cannot be measured with sufficient reliability. The Company's directors, based on their investigation, consider that the Company is not indebted to the Plaintiff for the above sum claimed by the Plaintiff in the Writ nor any amount under the Loan Agreement. As a result, no provision has been made in the consolidated financial statements for the year ended 31 March 2014. In addition, the Company's directors consider that any obligation of Mega Bright and Jining Gangning arising from this pending litigation or the Loan Agreement should have no financial impact on the Group's consolidated financial statements for the year ended 31 March 2014 as Mega Bright and Jining Gangning were de-consolidated from the Group's consolidated financial statements as from 1 April 2013 (note 2(b)).

(iii) In last financial year 2013, 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 directors of the Company had been unable to obtain information regarding the progress of the case in current year due to the non-cooperation of the management and accounting personnel of Jining Gangning.

As mentioned in note 2(b), Jining Gangning was de-consolidated from the Group's consolidated financial statements as from 1 April 2013, the Company's directors consider that any obligation of Jining Gangning arising from this pending litigation should have no financial impact on the Group's consolidated financial statements for the year ended 31 March 2014.

Alleged financial guarantee agreement

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") 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 (the "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 authorisation 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 for the year ended 31 March 2013.

As mentioned in the Company's announcement dated 13 August 2013 and the Company's interim result announcement dated 13 November 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 RMB20,000,000; (ii) the default interest of RMB8,486,000 and (iii) litigation fees relevant to the lawsuit of RMB450,000. Based on the first hearing and available information, no decision could be concluded.

As mentioned in note 2(b), Zhongshan Jiu He and Jining Gangning were de-consolidated as from 1 April 2012 and 1 April 2013 respectively. The Company's directors consider that any obligation of Zhongshan Jiu He and Jining Gangning arising from the above matters should have no financial impact on the Group's consolidated financial statements for the year ended 31 March 2014.

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 outstanding guarantees issued to the extent of approximately HK$50,366,000 as at 31 March 2013. 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 years.

As at 31 March 2013, the directors of the Company do not consider it probable that a claim will be made against Jining Gangning under any of the guarantees as the default risk is low. The maximum liability of Jining Gangning at 31 March 2013 is the outstanding amounts of the bank borrowings of the counter-parties under the cross guarantees of approximately HK$25,616,000.

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 as at 31 March 2013.

As mentioned in note 2(b), Jining Gangning was de-consolidated as from 1 April 2013. The Company's directors consider that any obligation of Jining Gangning arising from the above financial guarantee agreements should have no financial impact on the Group's financial statements for the year ended 31 March 2014.

EMPLOYEES

As at 31 March 2014, the Group had approximately 13 (2013: 99) employees in Hong Kong and the PRC. The total remuneration (including the discontinued operations) to employees, including the executive Directors for the year under review, amounted to approximately HK$4.27 million (2013: HK$21.60 million). Employees in Hong Kong are entitled to provident fund contributions and medical insurance. The Group provides comprehensive on-the-job training to its employees and sponsors employees who participate in job-related training courses to ensure that their qualifications always meet the changing market standards. The remuneration policy and packages are regularly reviewed by the Board. Apart from provident fund scheme, medical insurance and discretionary bonuses, share options are also awarded to employees according to the assessment of individual performance.

FUTURE PLAN OF CAPITAL INVESTMENTS

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

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

As at 31 March 2014, 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 and underlying shares of the Company:

Name	Type of interest	Number of ordinary shares of the Company	Number of underlying shares of the Company	Total	Percentage of Shareholding
Directors					
Mr. Wong Kam Leong *(Note 2)*	Corporate Interest	437,500 *(Note 1)*	–	437,500	0.03%
Mr. Kaneko Hiroshi	Personal Interest	80,000,000	–	80,000,000	5.45%

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.

2. Resigned on 17 April 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 2014, none of the Directors of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors to be notified to the Company and the Stock Exchange.

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

As at 31 March 2014, the Company has not been notified that any shareholders, other than a director or chief executive of the Company, had any interests or short positions in the shares, underlying shares and debentures of the Company as recorded in the register required to be kept under section 336 of the SFO.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31 March 2014, 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.

CORPORATE GOVERNANCE

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 2014, 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. 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

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.

Deviation

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

The Audit Committee currently comprises three independent non-executive Directors, namely Mr. Wong Ka Shing as chairman, Mr. Yau Paul and Ms. Leung Shuk Lan 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 2014. The Audit Committee has discussed the internal control system of the Company and its subsidiaries with the management of the Company. The Audit committee has made suggestions on areas where the internal control systems were considered inadequate. The board has appointed an independent consultancy firm to review and assess the internal control system and procedures on certain specific area of the Group.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

DIRECTORS SECURITIES TRANSACTIONS

Throughout the financial year ended 31 March 2014, 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 2014.

SUSPENSION OF TRADING OF SHARES

As at the request of the Company, trading in the shares of the Company on the Stock Exchange has been suspended with effect from 1:23 p.m. on Tuesday, 3 December 2013 and will remain suspended until further notice.

On behalf of the Board
Mr. Kaneko Hiroshi
Chairman

Hong Kong, 27 June 2014

As at the date of this announcement, 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.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with 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 announcement 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 announcement misleading. This announcement will remain at www.hkgem.com on the "Latest Company Announcements" page of the GEM website for at least 7 days from the date of its posting and on the Company website at www.long-success.com.