

First Quarterly Report | 2010



LONG SUCCESS INTERNATIONAL (HOLDINGS) LIMITED

(incorporated in Bermuda with limited liability)

(Stock Code:8017)



Characteristics of The Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange")

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

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

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



FIRST QUARTERLY RESULTS

The unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the three months ended 30 June 2010 together with the unaudited comparatives for the corresponding period in 2009 are as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Unaudited Three months ended 30 June	
	Note	2010 HK\$'000	2009 HK\$'000
Revenue	4	67,190	1,170
Cost of sales		<u>(59,910)</u>	<u>(260)</u>
Gross profit		7,280	910
Other income, net		954	400
Selling expenses		(359)	-
Administrative expenses		(5,293)	(3,489)
Finance costs		(2,840)	<u>(1)</u>
Loss before tax		(258)	(2,180)
Income tax expense	5	(800)	<u>(50)</u>
LOSS FOR THE PERIOD		(1,058)	(2,230)
Other comprehensive income			
Exchange differences on translating foreign operation		574	-
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX		(484)	<u>(2,230)</u>
Loss for the period attributable to:			
Owners of the parent		(2,237)	(2,276)
Minority interests		1,179	<u>46</u>
		(1,058)	<u>(2,230)</u>
Total comprehensive loss for the period attributable to:			
Owners of the parent		(1,944)	(2,276)
Minority interests		1,460	<u>46</u>
		(484)	<u>(2,230)</u>
Loss per share attributable to ordinary equity holders of the parent			
Basic and diluted (HK cent per share)	6	(0.166)	<u>(0.300)</u>



NOTES TO THE UNAUDITED FIRST QUARTERLY FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The condensed consolidated financial statements for the three months ended 30 June 2010 have been prepared in accordance with the Hong Kong Accounting Standard No.34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure requirements of the GEM Listing Rules.

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and method of computation used in the preparation of the unaudited condensed consolidated financial statements are consistent with those applied in the Group's audited financial statements for the year ended 31 March 2010.

3. ADOPTION OF NEW AND REVISED HKFRSs

In the current period, the Group has adopted a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), amendments to Hong Kong Accounting Standards ("HKASs") and Interpretations ("Ints") (hereinafter collectively referred to as "new HKFRSs") issued by the HKICPA that are relevant to the Group and effective for accounting periods beginning on or after 1 April 2010. The adoption of these new HKFRSs did not result in substantial changes to the Group's accounting policies and amounts reported for the current year and prior years.

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



4. REVENUE AND SEGMENT INFORMATION

The Group is organized into four major business segments: (i) paper manufacturing business; (ii) sharing of profits of a Macau casino junket representative; (iii) money lending services; and (iv) sales of customized software and provision of technical support. An analysis of the Group's turnover and segment profit/(loss) by business segments is as follows:

	Unaudited Three months ended 30 June 2010		Unaudited Three months ended 30 June 2009	
	Segment		Segment	
	Turnover	Profit/(Loss)	Turnover	Profit/(Loss)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Sale of paper products	66,917	5,492	-	-
Sale and implementation of customised software and related computer equipment and computer-related technical support and maintenance service income	89	(273)	806	(322)
Profits assigned from a junket representative of a casino VIP lounge in Macau	10	10	154	154
Interest income from money lending business	174	73	210	303
	<u>67,190</u>	<u>5,302</u>	<u>1,170</u>	<u>135</u>
Unallocated expense		(2,720)		(2,314)
Finance costs		(2,840)		(1)
Loss before tax		(258)		(2,180)
Income tax expense		(800)		(50)
Loss for the period		<u>(1,058)</u>		<u>(2,230)</u>



	Unaudited Three months ended 30 June 2010 Turnover HK\$'000	Unaudited Three months ended 30 June 2009 Turnover HK\$'000
Hong Kong	263	791
Macau	10	154
The PRC	66,917	225
	67,190	1,170

5. INCOME TAX EXPENSE

Hong Kong profits tax is calculated at 16.5% (2009: 16.5%) of the estimated assessable profit for the period. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

6. LOSS PER SHARE

The calculation of the basic loss per share attributable to ordinary equity holders of the parent is based on the Group's loss attributable to equity holders of the parent for the three months ended 30 June 2010 of approximately HK\$2,237,000 (2009: HK\$2,276,000) and the weighted average number of 1,343,696,319 (2009: 759,288,908) ordinary shares in issue during the period.

The comparative amount of the basic loss per share for 2009 has been adjusted to reflect the impact of the Share Consolidation (as defined below) effected on 12 August 2009.

The basic and diluted loss per share are the same for the three months ended 30 June 2010 and 2009 respectively, as the Company recorded losses attributable to the equity holders of the parent. Hence, the effect of any incremental shares from the assumed exercises of share options outstanding as at 30 June 2010 and 2009 would be anti-dilutive and was not included in the calculation of diluted loss per share.

7. INTERIM DIVIDEND

The board of directors of the Company (the "Board") does not recommend the payment of interim dividend for the period (2009: Nil).



8. SHARE CAPITAL

	Number of shares		Amount	
	Three months ended 30 June		Three months ended 30 June	
	2010	2009	2010 HK\$'000	2009 HK\$'000
Authorised				
Ordinary shares of HK\$0.04 each (2009: HK\$0.01 each) (Note: (i))	2,500,000	10,000,000	100,000	100,000
Issued and fully paid:				
At beginning of period	1,134,445	3,031,982	45,378	30,320
Exercise of share options	-	35,798	-	358
Placement of shares	263,500	-	10,540	-
At end of period	1,397,945	3,067,780	55,918	30,678

Note:

- (i) Pursuant to an ordinary resolution passed by the shareholders of the Company on 11 August 2009, every four issued and unissued shares of HK\$0.01 each in the share capital of the Company were consolidated into one share of HK\$0.04 each ("Share Consolidation") with effect from 12 August 2009.



9. CHANGES IN EQUITY

	Attributable to equity holders of the parent									
	Share capital	Share premium	Merger reserve	Exchange reserve	Share option reserve	Convertible bond equity reserve	Accumulated losses	Total	Minority interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2009	30,320	140,499	(341)	156	11,003	-	(76,917)	104,720	318	105,038
Total comprehensive loss	-	-	-	-	-	-	(2,276)	(2,276)	46	(2,230)
Issue of shares upon exercise of share options	358	2,185	-	-	(918)	-	-	1,625	-	1,625
Equity-settled share-based payments	-	-	-	-	982	-	-	982	-	982
At 30 June 2009	<u>30,678</u>	<u>142,684</u>	<u>(341)</u>	<u>156</u>	<u>11,067</u>	<u>-</u>	<u>(79,193)</u>	<u>105,051</u>	<u>364</u>	<u>105,415</u>
At 1 April 2010	45,378	201,875	(341)	3,673	13,637	7,439	(120,877)	150,784	41,711	192,495
Total comprehensive loss	-	-	-	293	-	-	(2,237)	(1,944)	1,460	(484)
Issue of new shares	10,540	47,389	-	-	-	-	-	57,929	-	57,929
Share Issue expenses	-	(101)	-	-	-	-	-	(101)	-	(101)
At 30 June 2010	<u>55,918</u>	<u>249,163</u>	<u>(341)</u>	<u>3,966</u>	<u>13,637</u>	<u>7,439</u>	<u>(123,114)</u>	<u>206,668</u>	<u>43,171</u>	<u>249,839</u>



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Paper manufacturing business

Completion of acquisition of 51% equity interest in Jining Gangning Paper Co, Ltd. ("Jining Gangning") in Shandong Province in the People's Republic of China ("PRC") took place on 1 July 2009. After which, the Group started to re-engineer and modify the existing production line no.1 to increase efficiency and to cope with the increasing demand. Such technical upgrade was completed in late March 2010 and production of premium value products Grade A paper board started in April 2010. The production of premium value products Grade A paper board helped enhance the revenue and gross profit margin of Jining Gangning for the period under review.

In 2010, announcements of state policies to boost domestic consumption and enhance environmental protection, as well as the continued growth of PRC's domestic market have brought opportunities to our paper manufacturing business. In order to fully capitalize on these opportunities, the Group has adopted a proactive and flexible approach in its expansion plans by establishing new production facilities as well as re-engineering and modifying the existing production facilities to improve efficiency and to adjust product mix from time to time in response to market changes. In the second quarter of this financial year, the Group started to construct two new production lines nos. 3 and 4 to produce high profit margin products (including bond base paper and decorative base paper etc.) and the construction is expected to be completed by the end of the third quarter. The new high profit margin products will enrich the product mix and increase the average selling price and net profit per ton substantially. For cost control, the Group has actively explored supply of recovered paper in the PRC and from international markets in order to serve its steadily expanding production capacity and mitigate the volatility of recovered paper prices.





Gaming and entertainment business

The operating environment of gaming and entertainment business continued to be difficult, resulting in a decline of 93.5% in the revenue contributed from the sharing of profits of Jun Ying VIP Club to approximately HK\$0.1 million for the period under review. For the past few years, the PRC government has tightened polices on individual visits to Macau under the individual visit scheme. The fall in number of visitors to Macau has had an adverse effect on the revenue of the Group's gaming and entertainment business. Although the Group moved the Jun Ying VIP Club from Waldo Casino at the Grand Waldo Hotel to VML International Club at the Venetian Macao-Resort Hotel in May 2009, the number of visitors stood below the Group's expectation during the period under review. Obviously, the keen competition arising from continuous openings of new casinos has made the operating environment more difficult.

IT consulting business

The sale of customized software and related computer equipment and provision of technical support business has still not recovered from the global recession. After the subprime mortgage crisis in the United States transformed into global financial turmoil, certain customers delayed or cancelled to upgrade or install new software system and related computer equipments to save cost in order to cope with further potential financial crisis. The Group recorded a substantial decrease in the revenue of the customized software and related computer equipments business during the period under review.

Biodegradable materials manufacturing business

On 26 March 2010, Fast Rise Development Limited ("Fast Rise"), a wholly-owned subsidiary of the Group, entered into an acquisition agreement ("Acquisition Agreement") with the vendor (the "Vendor") to acquire the entire equity interest in Ever Stable Holdings Limited ("Ever Stable") at a consideration of HK\$280 million ("Acquisition"). Ever Stable is an investment holding company incorporated in the British Virgin Islands with limited liability and owns 60% equity interest in a joint venture company, Dongguan Jiu He Bioplastics Company Limited ("Jiu He"). Pursuant to the Acquisition Agreement, the Vendor shall provide a profit guarantee in favour of Fast Rise that the profit after taxation of Jiu He will not be less than HK\$60 million, HK\$80 million and HK\$100 million for the financial years 2011, 2012 and 2013 respectively. Jiu He is principally engaged in the development, production and sales of biodegradable materials and related products by entering into a patent license agreement with its PRC partner dated 21 February 2010 in relation to the patented technologies. The patented technologies include two patents: (i) registered under PRC patent number ZL200610035466.0 of patent name "a production method for a fully biodegradable plastic resin and its related film products", with a validity period from 16 May 2006 to 15 May 2026; and (ii) registered under PRC patent number ZL01144447.9 of patent name "a production method for a starch-based biodegradable material and its related disposable tableware", with a validity period from 18 December 2001 to 17 December 2020.



Jiu He's new plant is currently under renovation and plant and machinery to be put into production with on-going recruitment of technicians and other management personnel for the purpose of full operation. It is expected to commence substantive operation in September 2010. When Jiu He comes to full operation, it is expected that not less than 10 production lines will be in active operation to manufacture approximately 20,000 to 30,000 tons of products. Under the plea for environmental protection globally and the PRC's governmental policies, the use of biodegradable products will be an important and inevitably trend. The potential demand for biodegradable products will benefit the Group in the long run. The Acquisition is also in line with the business plan of the Group to engage in the environmental protection industry, as processed biodegradable products can be decomposed into soil friendly substances by natural organism after being discarded and the life cycle of these products is a kind of recyclable and low-carbon economy, which will have a positive impact on the improvement of global climate change and social progress of mankind. This shares the same business belief as that of the acquisition of our paper manufacturing company in environmental protection.

The shareholders of the Company, at the special general meeting ("SGM") held on 5 July 2010, approved the Acquisition Agreement and the transactions contemplated thereunder. Completion of the Acquisition is subject to fulfillment of certain conditions precedent on or before 30 September 2010 (or such later date as the parties may agree in writing) and has not yet taken place.



Biodegradable industrial materials (upstream products produced and sold by Jiu He) which can be used for the production of other related biodegradable plastic products



FINANCIAL REVIEW

The Group's total revenue for the period ended 30 June 2010 was approximately HK\$67.19 million, representing an increase of 5643% as compared with the same period ended 30 June 2009 (2009: HK\$1.17 million). The Group's revenue mainly came from Jining Gangning, which recorded a revenue of HK\$66.92 million. For the period under review, the Group recorded a net loss of HK\$2.24 million as against a net loss of HK\$2.28 million for 2009. The net loss attributable to the shareholders was mainly due to the expenses paid to professional parties for the acquisition of Ever Stable; and interest expenses on promissory notes and bank borrowings. Disregarding the expenses arising from the acquisition of Ever Stable, the Group recorded a net loss attributable to the shareholders of HK\$1.44 million for the three months ended 30 June 2010. The contribution from Jining Gangning helped narrow the loss attributable to the shareholders.

SIGNIFICANT INVESTMENTS AND MATERIAL ACQUISITIONS

(A) Major Acquisition

Referring to the announcement and circular of the Company dated 26 March 2010 and 17 June 2010 respectively, the Board proposed to acquire the entire equity interest in Ever Stable which holds 60% equity interest in Jiu He, at a consideration of HK\$280 million. The payment of the consideration is to be satisfied by (i) cash of HK\$215 million by three installments; and (ii) the issuance and allotment of 216,000,000 new shares ("Consideration Shares") by the Company in the principal amount of HK\$65 million at an issue price of HK\$0.3009 per Consideration Share. Pursuant to the Acquisition Agreement, the vendor thereof shall provide a profit guarantee in favour of the Company that the profit after taxation of Jiu He will not be less than HK\$60 million, HK\$80 million and HK\$100 million for the financial years 2011, 2012 and 2013 respectively. Jiu He is principally engaged in the development, production and sales of biodegradable materials and related products by entering into a patent license agreement with its PRC partner dated 21 February 2010 in relation to the patented technologies. The patented technologies include two patents: (i) registered under PRC patent number ZL200610035466.0 of patent name "a production method for a fully biodegradable plastic resin and its related film products", with a validity period from 16 May 2006 to 15 May 2026; and (ii) registered under PRC patent number ZL01144447.9 of patent name "a production method for a starch-based biodegradable material and its related disposable tableware", with a validity period from 18 December 2001 to 17 December 2020. Details of the Acquisition were set out in the Company's announcement dated 26 March 2010, and the circular dated 17 June 2010. The shareholders of the Company, at the special general meeting held on 5 July 2010, approved the Acquisition Agreement and the transactions contemplated thereunder.



(B) Continuing Connected Transactions

Referring to the announcement and circular of the Company dated 26 May 2010 and 17 June 2010 respectively, Jiu He, a joint venture company of which the Company will hold 60% equity interest through its proposed acquisition of Ever Stable, entered into an agreement ("Master Agreement") with Guangdong Shangjiu Biodegradable Plastics Company Limited, which holds 40% of Jiu He ("PRC Partner"), in relation to the supply of biodegradable resin and related products ("Products"). Pursuant to the Master Agreement, Jiu He has agreed to supply and the PRC Partner has agreed to purchase the Products for a period of three years and the price for the Products shall be determined in accordance with the relevant prevailing market price at the time purchase order is placed by the PRC Partner. The annual maximum total amount of the transactions contemplated under the Master Agreement for each of the three years is HK\$350,000,000, HK\$1,000,000,000 and HK\$1,000,000,000 respectively. The shareholders of the Company, at the special general meeting held on 5 July 2010, approved the Master Agreement and the transactions contemplated thereunder.

(C) Subscriptions For New Shares ("Subscriptions")

Referring to the announcement of the Company dated 16 April 2010, the Company entered into a subscription agreement with certain subscribers who subscribed for 104,390,000 new shares of HK\$0.04 each in the share capital of the Company at a subscription price of HK\$0.22 each. The net proceeds from the subscription were approximately HK\$22,200,000 and have been applied as part payment of the refundable deposit for the acquisition of Ever Stable. Completion of the subscription took place on 29 April 2010.

Referring to the announcement of the Company dated 30 June 2010, the Company entered into a subscription agreement with certain subscribers who subscribed for 121,000,000 new shares of HK\$0.04 each in the share capital of the Company at a subscription price of HK\$0.20 each. The net proceeds from the subscription were approximately HK\$24,000,000 and have been applied as part payment of the refundable deposit for the acquisition of Ever Stable. Completion of the subscription took place on 22 July 2010.



PROSPECTS

In view of the PRC government's strong support for industries related to environmental protection and the stable growth of PRC's domestic consumption, the Group is optimistic on the long-term prospect of the paper manufacturing business and the biodegradable materials manufacturing business. Both of the paper manufacturing business and the biodegradable materials manufacturing business are the Group's core businesses. The management will continue to optimize the Group's resources in order to capture more business opportunities by focusing on cost control, sales network expansion, production capacity enhancement and products diversification to maximize shareholders' return. In consistence with the Group's policy in the development of business in the environmental protection industry, the Board intends to de-emphasize the IT consulting services business and the gaming and entertainment business in Macau in the future. At the same time, the Group will continue to seek attractive business opportunities in areas involving environmental protection and recycling in the PRC and globally with a view to generating positive cash flow and earnings for the Group in the long run.

SHARE OPTION SCHEME

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

The Board has proposed to adopt a new share option scheme (the "New Scheme") which will be put to the shareholders of the Company for approval at the annual general meeting of the Company to be held on 23 August 2010 (the "AGM"). The adoption of the New Scheme is conditional upon: (i) the shareholders approving the New Scheme at the AGM; and (ii) the Stock Exchange granting approval of the listing of and permission to deal in the shares to be issued and allotted pursuant to the exercise of the options granted under the New Scheme up to 10% of the total number of shares of the Company in issue as at the date of the AGM. Details of which were set out in the circular of the Company dated 21 July 2010.



A summary of the movement of the share options granted under the Existing Scheme for the three months ended 30 June 2010 is as follows:

Grantee	As at	Granted during the year	Cancelled/	Exercised during the year	As at	Date of grant (dd/mm/yy)	Exercise period (dd/mm/yy)	Exercise price HK\$
	1 April 2010		lapsed during the year		30 June 2010			
Directors								
Wong Kam Leong	6,750,000	-	-	-	6,750,000	09/05/08	09/05/08 to 08/05/18	0.192
Wong Kam Leong	750,000	-	-	-	750,000	18/05/09	18/05/09 to 17/05/19	0.168
Wong Kam Leong	3,000,000	-	-	-	3,000,000	30/03/10	30/03/10 to 29/03/20	0.286
Wong Kam Leong	750,000	-	-	-	750,000	01/09/09	01/09/09 to 31/08/19	0.160
Hu Dongguang	11,000,000	-	-	-	11,000,000	30/03/10	30/03/10 to 29/03/20	0.286
Wu Bingxiang	2,000,000	-	-	-	2,000,000	30/03/10	30/03/10 to 29/03/20	0.286
Wu Bingxiang	8,200,000	-	-	-	8,200,000	01/09/09	01/09/09 to 31/08/19	0.160
Zhang Chi	6,500,000	-	-	-	6,500,000	31/12/08	31/12/08 to 30/12/18	0.140
Ng Kwok Chu, Winfield	250,000	-	-	-	250,000	20/02/08	20/02/08 to 19/02/18	0.244
Ng Kwok Chu, Winfield	250,000	-	-	-	250,000	02/05/08	02/05/08 to 01/05/18	0.196
Ng Chau Tung, Robert	250,000	-	-	-	250,000	20/02/08	20/02/08 to 19/02/18	0.244
Ng Chau Tung, Robert	250,000	-	-	-	250,000	02/05/08	02/05/08 to 01/05/18	0.196
Tse Ching Leung	700,000	-	-	-	700,000	01/09/09	01/09/09 to 31/08/19	0.160
Sub-total	<u>40,650,000</u>	-	-	-	<u>40,650,000</u>			
Employees and consultants								
In aggregate	4,000,000	-	-	-	4,000,000	20/02/08	20/02/08 to 19/02/18	0.244
In aggregate	4,500,000	-	-	-	4,500,000	02/05/08	02/05/08 to 01/05/18	0.196
In aggregate	25,000,507	-	-	-	25,000,507	09/05/08	09/05/08 to 08/05/18	0.192
In aggregate	13,500,000	-	-	-	13,500,000	17/09/08	17/09/08 to 16/09/18	0.2024
In aggregate	750,000	-	-	-	750,000	18/05/09	18/05/09 to 17/05/19	0.168
In aggregate	16,750,000	-	-	-	16,750,000	01/09/09	01/09/09 to 31/08/19	0.160
In aggregate	5,000,000	-	-	-	5,000,000	30/03/10	30/03/10 to 29/03/20	0.286
Sub-total	<u>69,500,507</u>	-	-	-	<u>69,500,507</u>			
Total	<u><u>110,150,507</u></u>	-	-	-	<u><u>110,150,507</u></u>			



DIRECTORS

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

Executive Directors

Mr. Wong Kam Leong

Mr. Hu Dongguang

Ms. Li Jie Yi

Mr. Wu Bingxiang

Dr. Guo Wanda

(appointed on 1 May 2010)

Non-executive Directors

Mr. Zhang Chi

Independent non-executive Directors

Mr. Ng Kwok Chu, Winfield

Mr. Ng Chau Tung, Robert

Mr. Tse Ching Leung

Mr. Wang Qingyi

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

As at 30 June 2010, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:



Long positions in shares of the Company:

Name	Type of interest	Number of ordinary shares of the Company	Number of underlying shares of the Company	Total	Percentage of Shareholding
Directors					
Wong Kam Leong	Corporate Interest	248,125,000 (Note 1)		259,375,000	18.55%
	Personal Interest		11,250,000 (Note 2)		
Hu Dongguang	Personal Interest	-	11,000,000 (Note 3)	11,000,000	0.79%
Wu Bingxiang	Personal Interest	-	10,200,000 (Note 4)	10,200,000	0.73%
Zhang Chi	Personal Interest	36,350,000	6,500,000 (Note 5)	42,850,000	3.07%
Ng Kwok Chu, Winfield	Personal Interest	-	500,000 (Note 6)	500,000	0.04%
Ng Chau Tung, Robert	Personal Interest	-	500,000 (Note 6)	500,000	0.04%
Tse Ching Leung	Personal Interest	-	700,000 (Note 7)	700,000	0.05%

Notes:

1. The 248,125,000 shares in the Company are beneficially owned by and registered in the name of Wide Fine International Limited ("Wide Fine"), a company incorporated in Hong Kong with limited liability and is wholly-owned by Mr. Wong Kam Leong, an executive Director.
2. As at 30 June 2010, 11,250,000 share options conferring rights to subscribe for 11,250,000 shares.



3. As at 30 June 2010, 11,000,000 share options conferring rights to subscribe for 11,000,000 shares.
4. As at 30 June 2010, 10,200,000 share options conferring rights to subscribe for 10,200,000 shares.
5. As at 30 June 2010, 6,500,000 share options conferring rights to subscribe for 6,500,000 shares.
6. As at 30 June 2010, 500,000 share options conferring rights to subscribe for 500,000 shares.
7. As at 30 June 2010, 700,000 share options conferring rights to subscribe for 700,000 shares.

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

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

Save as disclosed above, none of the Directors, chief executive or their associates had any interests or short position in the securities of the Company or any of its associated corporations as defined in Part XV of the SFO which was discloseable for the period ended 30 June 2010.



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

The register of substantial shareholders maintained under section 336 of the SFO shows that as at 30 June 2010, the Company had been notified of the following substantial shareholders' interests, being 5% or more of the Company's issued share capital.

Long positions in shares of the Company:

Name	Number of ordinary shares held	Number of underlying shares held	Aggregate long positions in shares of the Company	Percentage of shareholding
Wide Fine International Limited (<i>Note 1</i>)	248,125,000	-	248,125,000	17.75%
Li Meilang	78,190,000	-	78,190,000	5.59%

Note:

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

Save as disclosed above, no other person had registered an interest or short position in the shares and underlying shares of the Company that was required to be reported pursuant to section 336 of the SFO as at 30 June 2010.



DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 30 June 2010, the Directors were not aware of any business or interest of each Director, management shareholder (as defined in the GEM Listing Rules) and the respective associates of each that competes or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles and has complied with all the code provisions as set out in the Code on Corporate Governance Practices ("GC Code") contained in Appendix 15 of the GEM Listing Rules throughout the period under review.

AUDIT COMMITTEE

In compliance with Rules 5.28 to 5.33 of the GEM Listing Rules, the Company has established an audit committee comprising independent non-executive Directors, namely Mr. Ng Kwok Chu, Winfield, Mr. Ng Chau Tung, Robert and Mr. Tse Ching Leung. The Group's unaudited results for the three months ended 30 June 2010 have been reviewed by the audit committee. Members of the committee were of the opinion that the preparation of such results complied with the applicable accounting standards, the Stock Exchange and legal requirements and that adequate disclosures had been made.

BOARD PRACTICES AND PROCEDURES

Save as disclosed above, throughout the three months ended 30 June 2010, the Company has complied with Rule 5.34 of the GEM Listing Rules concerning board practices and procedures.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the three months ended 30 June 2010, neither the Company nor any of its holding companies or subsidiaries purchased, sold or redeemed any listed securities of the Company.



MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

On behalf of the Board

Wong Kam Leong
Chairman

13 August 2010, Hong Kong

As at the date hereof, the Board comprises five executive Directors, namely Mr. Wong Kam Leong, Mr. Hu Dongguang, Mr. Wu Bingxiang, Ms. Li Jie Yi and Dr. Guo Wanda; one non-executive Director, namely Mr. Zhang Chi; and four independent non-executive Directors, namely Mr. Ng Kwok Chu, Winfield, Mr. Ng Chau Tung, Robert, Mr. Tse Ching Leung and Mr. Wang Qingyi.