



FIRST QUARTERLY REPORT 2011



**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 2011 together with the unaudited comparatives for the corresponding period in 2010 are as follows:

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Unaudited Three months ended 30 June	
	Note	2011 HK\$'000	2010 HK\$'000 (restated)
Revenue	4	63,369	67,091
Cost of sales		<u>(57,835)</u>	<u>(59,797)</u>
Gross profit		5,534	7,294
Other net income and net gains		400	954
Selling expenses		(286)	(359)
Administrative expenses		<u>(6,769)</u>	<u>(5,043)</u>
Operating loss		(1,121)	2,846
Finance costs		<u>(3,121)</u>	<u>(2,840)</u>
Loss before taxation		(4,242)	6
Income tax	5	<u>(107)</u>	<u>(800)</u>
Loss for the period from continuing operations		(4,349)	(794)
Discontinued operations			
Loss for the period from discontinued operations		<u>-</u>	<u>(264)</u>
<b>Loss for the period</b>		<b>(4,349)</b>	<b>(1,058)</b>
<b>Other comprehensive income</b>			
Exchange differences on translating foreign operations		<u>4,143</u>	<u>574</u>
<b>Total comprehensive loss for the period</b>		<b><u>(206)</u></b>	<b><u>(484)</u></b>

		<b>Unaudited Three months ended 30 June</b>	
		<b>2011</b>	<b>2010</b>
		<b>HK\$'000</b>	<b>HK\$'000</b> (restated)
<i>Note</i>			
<b>Loss for the period</b>			
Attributable to:			
	Owners of the Company	<b>(4,146)</b>	(2,237)
	Non-controlling interests	<b>(203)</b>	1,179
		<b><u>(4,349)</u></b>	<u>(1,058)</u>
<b>Total comprehensive loss for the period</b>			
Attributable to:			
	Owners of the Company	<b>(2,162)</b>	(1,944)
	Non-controlling interests	<b>1,956</b>	1,460
		<b><u>(206)</u></b>	<u>(484)</u>
<b>Loss per share attributable to owners of the Company</b>			
From continuing and discontinued operations			
	- Basic (HK cents per share)	<b><u>(0.158)</u></b>	<u>(0.166)</u>
	- Diluted (HK cents per share)	<b><u>(0.158)</u></b>	<u>(0.166)</u>
From continuing operations			
	- Basic (HK cents per share)	<b><u>(0.158)</u></b>	<u>(0.147)</u>
	- Diluted (HK cents per share)	<b><u>(0.158)</u></b>	<u>(0.147)</u>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 30 June 2010

	Attributable to owners of the Company											
	Share capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000	Exchange reserve HK\$'000	Share option reserve HK\$'000	Warrant reserve HK\$'000	Convertible bonds 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 2010	45,378	201,875	(341)	3,673	13,637	-	7,439	(120,877)		150,784	41,711	192,495
Loss for the year	-	-	-	-	-	-	-	(2,237)		(2,237)	1,179	(1,058)
Exchange difference arising during the year	-	-	-	293	-	-	-	-		293	281	574
Total comprehensive loss	-	-	-	293	-	-	-	(2,237)		(1,944)	1,460	(484)
Share subscriptions	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>-</u>	<u>7,439</u>	<u>(123,114)</u>	<u>792</u>	<u>206,668</u>	<u>43,171</u>	<u>249,839</u>

For the period ended 30 June 2011

	Attributable to owners of the Company											
	Share capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000	Exchange reserve HK\$'000	Share option reserve HK\$'000	Warrant reserve HK\$'000	Convertible bonds reserve HK\$'000	Accumulated losses HK\$'000	Statutory reserve HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total Equity HK\$'000
At 1 April 2011	104,958	383,200	-	12,267	18,563	1,500	3,347	(147,422)	792	377,205	124,474	501,679
Loss for the year	-	-	-	-	-	-	-	(4,146)	-	(4,146)	(203)	(4,349)
Exchange difference arising during the year	-	-	-	2,390	-	-	-	-	-	2,390	1,753	4,143
Total comprehensive loss	-	-	-	2,390	-	-	-	(4,146)	-	(1,756)	1,550	(206)
At 30 June 2011	<u>104,958</u>	<u>383,200</u>	<u>-</u>	<u>14,657</u>	<u>18,563</u>	<u>1,500</u>	<u>3,347</u>	<u>(151,568)</u>	<u>792</u>	<u>375,449</u>	<u>126,024</u>	<u>501,473</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 2011 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").

The Group incurred unaudited loss for the period ended 30 June 2011 of approximately HK\$4,349,000 and as of that date, the Group's and the Company's unaudited current liabilities exceeded its current assets by HK\$104,610,000 and HK\$102,172,000 respectively. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's and the Company's ability to continue as a going concern.

The board of Directors of the Company (the "Board") has been taking active steps to improve the liquidity position of the Group. These steps included (1) one of the substantial shareholders has confirmed his intention and ability to provide continuing financial support to the Group so as to enable it to meet its liabilities as and when they fall due and to carry on its business for the foreseeable future; (2) the Board is of the Company are considering various alternatives to strengthen the capital base of the Company through various fund raising exercises, including but not limited to private placement, open offer or right issue of new shares of the Company; and (3) the Board shall continue to take actions to tighten cost control over various operating expenses, with an aim to attaining profitable and positive cash flow operation.

In light of the measures described above, the Board is confident that the Group will have sufficient working capital to meet its financial obligation as and when they fall due. Accordingly, the Board is of the opinion that it is appropriate to prepare these unaudited consolidated financial statements on a going concern basis. These unaudited consolidated financial statements do not include any adjustments relating to the carrying amount and reclassification of assets and liabilities that might be necessary should the Group be unable to continue as a going concern.

## **2. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies and method of computation used in the preparation of the unaudited condensed consolidated financial statements are consistent with those applied in the Group's audited financial statements for the year ended 31 March 2011.

## **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 2011. The adoption of these new HKFRSs does 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 by the HKICPA but are not yet effective. The Board anticipates that the application of the new HKFRSs will have no material impact on the results and financial position of the Group.

## **4. REVENUE AND SEGMENT INFORMATION**

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

The Group has the following continuing operating segments:

- (i) Paper production - manufacturing, processing and sales of package and paper products;
- (ii) Biodegradable production - manufacturing, processing and sales of biodegradable products (to be operating in August 2011); and
- (iii) Money-lending business.

In prior years, the Group was involved in the following operating segments which were discontinued during the year ended 31 March 2011. The segment information does not include any amounts for these discontinued operations.

- (iv) Information technology - sales and implementation of customized software and related computer equipment, and the provision of computer-related technical support and maintenance services; and

- (v) Macau casino junket profit sharing – sharing of profits from a junket representative of a VIP lounge in a casino in Macau, being 0.4% of the rolling turnover generated by that junket representative together with any bonus payable by that casino and/or that VIP lounge to that junket representative.

There were no sales or any 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 section headed "Basis of Preparation" and "Significant Accounting Policies" of this financial statements.

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

	Unaudited Three months ended 30 June 2011		Unaudited Three months ended 30 June 2010	
	Turnover HK\$'000	Segment Profit/ (Loss) HK\$'000	Turnover HK\$'000	Segment Profit/ (Loss) HK\$'000
<b>Continuing operations</b>				
Sales of paper products	62,967	2,347	66,917	5,492
Interest income from money lending business	402	(89)	174	73
Sales of biodegradable products	-	(933)	-	-
	<u>63,369</u>	<u>1,325</u>	<u>67,091</u>	<u>5,565</u>
Unallocated expense		(2,446)		(2,719)
Finance costs		(3,121)		(2,840)
Loss before tax		(4,242)		6
Income tax expense		(107)		(800)
Loss for the period from continuing operations		<u>(4,349)</u>		<u>(794)</u>



	<b>Unaudited Three months ended 30 June 2011 Turnover HK\$'000</b>	Unaudited Three months ended 30 June 2010 Turnover HK\$'000
Hong Kong	<b>402</b>	174
The PRC	<b>62,967</b>	66,917
	<b>63,369</b>	67,091

#### 5. INCOME TAX

Hong Kong profits tax is calculated at 16.5% (2010: 16.5%) of the estimated assessable profit for the period. Taxation arising in other jurisdictions shall be calculated at the rates prevailing in those relevant jurisdictions.

#### 6. LOSS PER SHARE

The calculation of the basic loss per share from continuing and discontinued operations is based on the loss attributable to owners of the Company for the three months ended 30 June 2011 of approximately HK\$4,146,000 (2010: HK\$2,237,000) and the weighted average number of 2,623,945,000 (2010: 1,343,696,319) ordinary shares in issue during the period. The basic and diluted loss per share from continuing and discontinued operations are the same for the three months ended 30 June 2011 and 2010 respectively, as the Company recorded losses attributable to the owners of the Company. Hence, the effect of any incremental shares from the assumed exercises of share options, warrants and convertible note/bonds outstanding as at 30 June 2011 and 2010 would be anti-dilutive and was not included in the calculation of diluted loss per share.

The calculation of the basic loss per share from continuing operations is based on the loss attributable to owners of the Company for the three months ended 30 June 2011 of approximately HK\$4,146,000 (2010: HK\$1,970,000) and the weighted average number of 2,623,945,000 (2010: 1,343,696,319) ordinary shares in issue during the period. The basic and diluted loss per share from continuing operations are the same for the three months ended 30 June 2011 and 2010 respectively, as the Company recorded losses attributable to the owners of the Company. Hence, the effect of any incremental shares from the assumed exercises of share options, warrants and convertible note/bonds outstanding as at 30 June 2011 and 2010 would be anti-dilutive and was not included in the calculation of diluted loss per share.

## 7. INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend for the period (2010: Nil).

## 8. SHARE CAPITAL

	Number of shares		Amount	
	Three months ended 30 June		Three months ended 30 June	
	2011	2010	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Authorised Ordinary shares of HK\$0.04 each (2010: HK\$0.04 each)	<b>7,500,000</b>	2,500,000	<b>300,000</b>	100,000
Issued and fully paid:				
At beginning of period	<b>2,623,945</b>	1,134,445	<b>104,958</b>	45,378
Placement of shares	-	263,500	-	10,540
At end of period	<b>2,623,945</b>	1,397,945	<b>104,958</b>	55,918

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

#### **Paper manufacturing business**

The Group acquired 51% equity interest in Jining Gangning Paper Co, Ltd. ("Jining Gangning") in Shandong Province in the People's Republic of China ("PRC") in July 2009 and owns two industrial packaging paper production lines no. 1 and 2. The re-engineering, modification and technical upgrade for production line no.1 were completed in March 2010. Grade A premium packaging paper products were put into production in April.

In line with the state policies on environmental protection, the Group invested in constructing environmental sewage water recycling facilities and achieved zero sewage water discharge to local environment, in respect of which the Group is expected to be in the lead in the paper industry in China for protecting the local natural environment.

The Group started to engineer paper manufacturing production line no.3 in the beginning of 2011. This is a tipping paper production line with sophisticated equipment and advanced technology, with which the Group can manufacture high-end and diversified specialty papers such as tobacco filter paper, medical packaging paper, tracing paper, bible paper, and transfer printing paper. The installation of principal equipment was basically completed by the end of June 2011 and the supporting equipment and auxiliary work is being installed and carried out. The line is expected to be put into trial production by the end of August 2011.

To strengthen the ability to resist the rising cost of raw materials, the competitiveness in the market and corporate effectiveness, Jining Gangning suspended operation and commenced the modification of production line no.2 in April 2011. Jining Gangning completed the line's modification in the beginning of August 2011 and started to manufacture products such as construction formwork paper, and balance paper for engineered wood floor.

The paper manufacturing industry in China is facing the rising costs of energy, steam, water and different raw materials; the state revoked the preferential tax policy for recycled paper industry effective from January 2011, resulting in the significant increase in the purchasing cost of raw materials of paper per tonne as compared with last year; moreover, production line no.2 was suspended for modification, resulting in profit was significantly lower than expected.

Confronted with the ever rising energy prices and raw material prices in the PRC, the Group adopts three policies (the "Three Policies"): (1) moving into manufacturing diverse types of high class paper from manufacturing ordinary paper of a single category; (2) strengthening enterprise management, reinforcing cost control regarding production, supply and sales, and striving to reduce the average level of consumption of energy and raw and accessory materials; and (3) searching for supply of recovered paper from China and international markets to relieve the effects brought by rising raw material prices, so as to enhance enterprise competitiveness and economic benefits.

The Group is more confident in Jining Gangning's development and shall continue to insist on its work on environmental protection and maintaining the standard; on further investment in corporate's development to complete the trial production of production line no.3 and to engineer the new production line no.4 for speciality paper manufacturing on a timely basis; on the modification for the technology of the manufacturing equipment of the plants and on developing the quality, variety and volume of products so as to enhance the economic benefits.



### **Biodegradable materials manufacturing business**

In March 2010, Fast Rise Development Limited ("Fast Rise"), a wholly-owned subsidiary of the Group, entered into an acquisition agreement (the "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 ("Dongguan Jiu He"). Dongguan 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 in relation to patented technologies.

As the previously selected location of the plant of Dongguan Jiu He in Dongguan was not satisfactory and there were difficulties arising from preparation works coupled with problems such as supply of electricity and labour, the board of Dongguan Jiu He decided to relocate the production plant to Zhongshan Port Economic and Technical Development Zone. The new plant has been renovated and put into operation and the equipments are being installed at the moment. Zhongshan Port Economic and Technical Development Zone is a national development zone, where the policies are more preferential. The road and maritime transports are more convenient and the production and local living auxiliary facilities are more comprehensive, attracting more advanced technology talents and management personnel, and the labour costs are also relatively lower.

The major production equipments ordered are more advanced in technology within the industry. The production equipments were delivered one after another to the plant since May and all ordered equipments had been manufactured by the end of June. It is expected that the equipment will undergo testing and be delivered to the plant by the end of July for installation and trial operation. It is expected that the installation of around 40 sets of equipment will be completed and put into production by the end of August 2011.

The Group has engaged technical and management personnel with extensive experience and reserved an adjacent piece of land for the development of phase II project for the sake of corporate development in the future. Based on the existing technology patents, we recruited professionals for technology research and development to continuously look for newer and better technology and also to start launching independent research and development and the acquisition of the latest intellectual property rights.

It is expected that after full operation we would be able to produce 20,000 to 30,000 tons of biodegradable materials annually as well as environment-friendly downstream products of biodegradable materials including blowing and molding, injection, extrusion and foaming.

China and the rest of the world are paying more attention to environment protection and set more restrictions on production and sales of environment-unfriendly products such as plastic bags. We manufacture biodegradable resin and related downstream degradable environment-friendly products with sustainable raw materials such as tapioca flour, organic raw materials, straw and fiber. Processed biodegradable products can be decomposed into soil-friendly substances by natural organism after being discarded. This project is not only in line with the international and our national environmental policies but also the business plan of the environment protection industry that the Group engages in.



## Financial Review

The Group's total revenue for the period ended 30 June 2011 was approximately HK\$63.37 million, representing a decrease of 5.5% as compared with the same period ended 30 June 2010 (2010: HK\$67.09 million). The drop in revenue was mainly due to the suspension of the operation of production line no.2 in the paper manufacturing business in April 2011 for the modification. With the completion of the modification of production line no.2, the trial production of production line no.3 of paper manufacturing business and the trial production of the biodegradable materials manufacturing business in August 2011, it is expected the revenue of the Group will be improved in the second quarter.

For the period under review, the Group recorded a net loss attributable to the owners of the company of HK\$4.15 million as against a net loss of HK\$2.24 million for 2010. The net loss attributable to the owners of the Company was mainly due to the interest expenses on convertible notes and bank borrowings, and the upfront costs for the building of the production plant in Zhongshan. The increases of the costs of energy, steam, water and the purchasing cost of raw materials of paper per tone have also narrowed the profit contribution from the paper manufacturing business to the Group.



## PROSPECTS

In the light of the world's and the PRC's strong support for recyclable and low-carbon economy, the rapid development of the PRC's domestic economy and stable growth in consumption demand, the Group terminated its IT consulting business and the gaming and entertainment business in Macau in prior year, and focused on developing a low-carbon, recyclable and environment-friendly paper manufacturing business and biodegradable materials manufacturing business. The Group is optimistic about the long-term prospects of this strategic change. The environment-friendly paper manufacturing business and biodegradable materials manufacturing business have become the Group's two core businesses. The Group shall continue to support the usual operation and healthy development of these two major businesses as before.

The Group's management shall continue to optimize the Group's resource advantages by adopting the Three Policies, speeding up the construction of new plant and production lines, enhancing product quality, establishing a base for research and development and expanding sales networks in order to seize more opportunities, create considerable economic benefits and thus maximize shareholders' returns.

On top of developing the two aforesaid environment-friendly businesses, the Group shall continue to search actively for attractive investments in environmental and recycling businesses in the PRC and globally with a view to developing the businesses of the Company and generating positive cash flow and earnings for the Group in the long-term.





## **SHARE OPTION SCHEME**

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

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

A summary of the movement of the share options granted under the Existing Scheme and the New Scheme (collectively "the Scheme") for the three months ended 30 June 2011 is as follows:

Grantee	As at 1 April 2011	Granted during the year	Cancelled/		As at 30 June 2011	Date of grant (dd/mm/yy)	Exercise period (dd/mm/yy)	Exercise price HK\$
			lapsed during the year	Exercised during the year				
<b>Directors</b>								
Wong Kam Leong	6,750,000	-	-	-	<b>6,750,000</b>	09/05/08	09/05/08 to 08/05/18	0.192
Wong Kam Leong	750,000	-	-	-	<b>750,000</b>	18/05/09	18/05/09 to 17/05/19	0.168
Wong Kam Leong	750,000	-	-	-	<b>750,000</b>	01/09/09	01/09/09 to 31/08/19	0.160
Wong Kam Leong	3,000,000	-	-	-	<b>3,000,000</b>	30/03/10	30/03/10 to 29/03/20	0.286
Wong Kam Leong	3,750,000	-	-	-	<b>3,750,000</b>	15/11/10	15/11/10 to 14/11/20	0.166
Hu Dongguang	11,000,000	-	-	-	<b>11,000,000</b>	30/03/10	30/03/10 to 29/03/20	0.286
Hu Dongguang	4,000,000	-	-	-	<b>4,000,000</b>	15/11/10	15/11/10 to 14/11/20	0.166
Wu Bingxiang	8,200,000	-	-	-	<b>8,200,000</b>	01/09/09	01/09/09 to 31/08/19	0.160
Wu Bingxiang	2,000,000	-	-	-	<b>2,000,000</b>	30/03/10	30/03/10 to 29/03/20	0.286
Wu Bingxiang	3,800,000	-	-	-	<b>3,800,000</b>	15/11/10	15/11/10 to 14/11/20	0.166
Guo Wanda	14,000,000	-	-	-	<b>14,000,000</b>	15/11/10	15/11/10 to 14/11/20	0.166
Zhang Chi (Note 1)	6,500,000	-	-	-	<b>6,500,000</b>	31/12/08	31/12/08 to 30/12/18	0.140
Zhang Chi (Note 1)	3,500,000	-	-	-	<b>3,500,000</b>	15/11/10	15/11/10 to 14/11/20	0.166
Ng Kwok Chu, Winfield	250,000	-	-	-	<b>250,000</b>	20/02/08	20/02/08 to 19/02/18	0.244
Ng Kwok Chu, Winfield	250,000	-	-	-	<b>250,000</b>	02/05/08	02/05/08 to 01/05/18	0.196
Ng Kwok Chu, Winfield	1,000,000	-	-	-	<b>1,000,000</b>	15/11/10	15/11/10 to 14/11/20	0.166
Ng Chau Tung, Robert	250,000	-	-	-	<b>250,000</b>	20/02/08	20/02/08 to 19/02/18	0.244
Ng Chau Tung, Robert	250,000	-	-	-	<b>250,000</b>	02/05/08	02/05/08 to 01/05/18	0.196
Ng Chau Tung, Robert	1,000,000	-	-	-	<b>1,000,000</b>	15/11/10	15/11/10 to 14/11/20	0.166

Grantee	As at 1 April 2011	Cancelled/		Exercised during the year	As at 30 June 2011	Date of grant (dd/mm/yy)	Exercise period (dd/mm/yy)	Exercise price HK\$
		Granted during the year	lapsed during the year					
Tse Ching Leung	700,000	-	-	-	700,000	01/09/09	01/09/09 to 31/08/19	0.160
Tse Ching Leung	1,000,000	-	-	-	1,000,000	15/11/10	15/11/10 to 14/11/20	0.166
Wang Qingyi	1,000,000	-	-	-	1,000,000	15/11/10	15/11/10 to 14/11/20	0.166
Sub-total	<u>73,700,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>73,700,000</u>			

Grantee	As at 1 April 2011	Cancelled/		Exercised during the year	As at 30 June 2011	Date of grant (dd/mm/yy)	Exercise period (dd/mm/yy)	Exercise price HK\$
		Granted during the year	lapsed during the year					
<b>Employees and consultants</b>								
In aggregate	3,500,000	-	-	-	3,500,000	20/02/08	20/02/08 to 19/02/18	0.244
In aggregate	500,000	-	-	-	500,000	22/02/08	22/02/08 to 21/02/18	0.248
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	8,750,000	-	-	-	8,750,000	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
In aggregate	28,000,000	-	-	-	28,000,000	15/11/10	15/11/10 to 14/11/20	0.166
In aggregate	20,000,000	-	-	-	20,000,000	10/01/11	10/01/11 to 09/01/21	0.175
Sub-total	<u>109,500,507</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>109,500,507</u>			
<b>Total</b>	<u>183,200,507</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>183,200,507</u>			

**Notes:**

1. Resigned on 29 April 2011.

## **DIRECTORS**

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

### *Executive Directors*

Mr. Wong Kam Leong

Mr. Hu Dongguang

Mr. Wu Bingxiang

Dr. Guo Wanda

### *Non-executive Directors*

Mr. Zhang Chi (Resigned on 29 April 2011)

### *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 2011, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

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

Name	Type of interest	Number of ordinary shares of the Company	Number of underlying shares of the Company	Total	Percentage of Shareholding
Directors					
Wong Kam Leong	Corporate Interest	654,125,000 (Note 1)		669,125,000	25.50%
	Personal Interest		15,000,000 (Note 2)		
Hu Dongguang	Personal Interest	-	15,000,000 (Note 2)	15,000,000	0.57%
Wu Bingxiang	Personal Interest	-	14,000,000 (Note 3)	14,000,000	0.53%
Guo Wanda	Personal Interest	-	14,000,000 (Note 3)	14,000,000	0.53%
Zhang Chi (Note 8)	Personal Interest	36,350,000	10,000,000 (Note 4)	46,350,000	1.77%
Ng Kwok Chu, Winfield	Personal Interest	-	1,500,000 (Note 5)	1,500,000	0.06%
Ng Chau Tung, Robert	Personal Interest	-	1,500,000 (Note 5)	1,500,000	0.06%
Tse Ching Leung	Personal Interest	-	1,700,000 (Note 6)	1,700,000	0.06%
Wang Qingyi	Personal Interest	-	1,000,000 (Note 7)	1,000,000	0.04%

#### Notes:

- Out of the 654,125,000 shares in the Company, 248,125,000 shares are beneficially owned by and registered in the name of Wide Fine International Limited, a company incorporated in Hong Kong with limited liability and is wholly-owned by Mr. Wong Kam Leong, an executive Director and 406,000,000 shares are beneficially owned by and registered in the name of View Good International Limited, a company incorporated in Hong Kong with limited liability and is wholly-owned by Ms. Tam Sio Wan, the wife of Mr. Wong Kam Leong.

2. As at 30 June 2011, 15,000,000 share options conferring rights to subscribe for 15,000,000 shares.
3. As at 30 June 2011, 14,000,000 share options conferring rights to subscribe for 14,000,000 shares.
4. As at 30 June 2011, 10,000,000 share options conferring rights to subscribe for 10,000,000 shares.
5. As at 30 June 2011, 1,500,000 share options conferring rights to subscribe for 1,500,000 shares.
6. As at 30 June 2011, 1,700,000 share options conferring rights to subscribe for 1,700,000 shares.
7. As at 30 June 2011, 1,000,000 share options conferring rights to subscribe for 1,000,000 shares.
8. Resigned on 29 April 2011.

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 2011.

## 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 2011, the Company had been notified of the following substantial shareholders' interests, being 5% or more of the Company's issued share capital.

### Long positions in shares of the Company:

Name	Number of ordinary shares held	Number of underlying shares held	Aggregate long positions in shares of the Company	Percentage of shareholding
Wide Fine International Limited (Note 1)	248,125,000(L)	-	248,125,000(L)	9.46%
View Good International Limited (Note 2)	406,000,000(L)	-	406,000,000(L)	15.47%
Sam Hon Sum	2,000,000(L) 160,000,000(S)	-	2,000,000(L) 160,000,000(S)	0.08% 6.10%
Yardley Finance Limited (Note 3)	160,000,000(L)	-	160,000,000(L)	6.10%
Nicky International Limited (Note 4)	216,000,000(L)	-	216,000,000(L)	8.23%
Leung Wa (Note 5)	222,000,000(L)	-	222,000,000(L)	8.46%

*The letter "L" denotes a long position in the shares.*

*The letter "S" denotes a short position in the shares.*

*Note:*

- Wide Fine International Limited is beneficially and wholly owned by Mr. Wong Kam Leong, an executive Director.
- View Good International Limited is beneficially and wholly owned by Ms. Tam Sio Wan, the wife of Mr. Wong Kam Leong.
- Yardley Finance Limited is beneficially and wholly owned by Mr. Chan Kin Sun.

4. Nicky International Limited is beneficially and wholly owned by Mr. Chen Jianqiu and Mr. Leung Wa in equal shares.
5. 216,000,000 out of 222,000,000 shares are attributable by shares held by Nicky International Limited.

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 2011.

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

As at 30 June 2011, 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 2011 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 2011, the Company has complied with Rules 5.34 of the GEM Listing Rules concerning board practices and procedures.

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

During the three months ended 30 June 2011, neither the Company nor any of its holding companies or subsidiaries purchased, sold or redeemed any listed securities of the Company.



## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

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

On behalf of the Board  
**Wong Kam Leong**  
Chairman

12 August 2011, Hong Kong

*As at the date hereof, the Board comprises four executive directors, namely Mr. Wong Kam Leong, Mr. Hu Dongguang, Mr. Wu Bingxiang, and Dr. Guo Wanda; 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.*