LONG SUCCESS
百齡國際

LONG SUCCESS
INTERNATIONAL (HOLDINGS) LIMITED

(incorporated in Bermuda with limited liability)

(Stock Code : 8017)

2014
ANNUAL REPORT

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

Contents

DIRECTORS

Executive Directors

Mr. Kaneko Hiroshi *(Chairman)*
Mr. Siu Chi Keung
Mr. Hui Ngai Hon, Edward

Independent Non-Executive Directors

Mr. Yau Paul
Mr. Wong Ka Shing
Ms. Leung Shuk Lan

COMPANY SECRETARY

Mr. Wong Wai Leung

COMPLIANCE OFFICER

Mr. Kaneko Hiroshi

AUTHORISED REPRESENTATIVES

Mr. Kaneko Hiroshi
Mr. Siu Chi Keung

AUDIT COMMITTEE

Mr. Wong Ka Shing *(Chairman)*
Mr. Yau Paul
Ms. Leung Shuk Lan

NOMINATION COMMITTEE

Mr. Yau Paul *(Chairman)*
Mr. Wong Ka Shing
Ms. Leung Shuk Lan

REMUNERATION COMMITTEE

Mr. Yau Paul *(Chairman)*
Mr. Wong Ka Shing
Ms. Leung Shuk Lan

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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Kwai Chung, New Territories
Hong Kong

BERMUDA PRINCIPAL REGISTRAR

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

HONG KONG BRANCH SHARE REGISTRAR

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

AUDITORS

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

BERMUDA LEGAL ADVISOR

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

PRINCIPAL BANKERS

Hang Seng Bank Limited
Chong Hing Bank Limited

STOCK CODE

8017

WEBSITE

http://www.long-success.com

Financial Highlights

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

CONSOLIDATED RESULTS

	For the year ended 31 March				
	2014	2013	2012	2011	2010
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**25,697**	190,048	241,220	288,970	159,432
Loss attributable to owners of the Company	**(37,031)**	(426,444)	(42,774)	(26,870)	(45,026)

CONSOLIDATED ASSETS AND LIABILITIES

	As of 31 March				
	2014	2013	2012	2011	2010
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**12,413**	364,596	971,263	866,235	483,188
Total liabilities	**(19,032)**	(421,592)	(479,245)	(364,556)	(290,693)
Net (liabilities)/assets	**(6,619)**	(56,996)	492,018	501,679	192,495

Notes:

(i) The results of operations of information technology segment and Macau Casino Junket profit sharing segment which was discontinued in the financial year of 2011 have not been restated or reclassified prior to the financial year of 2010.

(ii) The results of money-lending business segment which was discontinued in the financial year of 2014 has not been restated or reclassified prior to the financial year of 2013.

On behalf of the board of directors (the "Board") of the Company and its subsidiaries (collectively, the "Group"), I hereby present to the shareholders the annual report of the Group for the financial year ended 31 March 2014.

FINANCIAL PERFORMANCE

The Group's total revenue for the year ended 31 March 2014 was approximately HK$25.70 million, representing a decrease of 86.46% as compared with that for the year ended 31 March 2013 (2013: HK$189.72 million). The Group's revenue mainly came from general trading business, which recorded a revenue of HK$25.70 million for the year ended 31 March 2014. During the year under review, the Group recorded a net loss of HK$37.03 million as against a net loss of HK$426.44 million in 2013. The net loss attributable to the shareholders was mainly due to the net gain on de-consolidation of subsidiaries, the impairment loss on amounts due from de-consolidated subsidiaries and the operating loss.

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 annual report.

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 materials manufacturing 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 (wind 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 expend 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.

OUR APPRECIATION

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

Kaneko Hiroshi
Chairman

Hong Kong, 27 June 2014

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 places 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 dishonored 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) to the consolidated financial statements, 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 deconsolidation 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 deconsolidation 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 deconsolidation 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 deconsolidation 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 deconsolidated 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) to the consolidated financial statements, 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 HK$,000	The results for the paper manufacturing segment for the period from 1 April 2013 to 30 September 2013 Increase/ (decrease) HK$,000	If the de-consolidation was carried out as from 1 October 2013 HK$,000
Revenue	25,697	67,874	93,571
Gross profit/(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 deconsolidation.

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

Details of the contingent liabilities are set out in note 40 to the consolidated financial statements.

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.

Profile of Directors

Profile of the Directors are set out as follows:

EXECUTIVE DIRECTORS

Mr. Kaneko Hiroshi, aged 49, has been appointed as the chairman of the Company on 17 April 2013. Mr. Kaneko holds a Master degree of Engineering from Dalian University of Technology, Doctor of Philosophy programs in Fudan University and doctoral degree of the apex science and technology from University of Tokyo. Mr. Kaneko has extensive research experience in the field of environment, development and economic science. He has been engaged in comprehensive utilization of environmental friendly materials and international trade for number of years. Mr. Kaneko is an executive director and chief executive officer of China Household Holdings Limited (a listed company in Hong Kong).

Mr. Siu Chi Keung, aged 68, has been appointed as an executive director of the Company on 15 January 2013. Mr. Siu has over 30 years of experience in the manufacturing business, in particular, he also possess expertise in running paper and plastic factories in China.

Mr. Hui Ngai Hon, Edward, aged 39, holds a Bachelor's Degree of Art from The University of British Columbia, Canada and a Certificate of Mining Economics issued by the Runge Limited, Australia. Mr. Hui has a wide range of experiences in the industry of stock brokerage, fund broker, asset management, financial projects, land development, mining and resource business. Mr. Hui is currently one of the shareholder and a director of Race Resources Limited and was responsible in numerous inspection, assessment, exploration and exploitation work involving different types of mineral resources (including iron, nickel, tin, copper and gold mines) in different countries including Mongolia, Philippines, the PRC and Indonesia.

INDEPENDENT NON-EXECUTIVE DIRECTORS ("INED")

Mr. Yau, Paul, aged 40, obtained the Postgraduate Certificate in Laws and Bachelor of Laws from The City University of Hong Kong. He has over 15 years of experience in legal field. He is a qualified solicitor of the High Court of the Hong Kong Special Administrative Region and a member of the Law Society of Hong Kong and currently a consultant of Tam, Pun & Yipp, Solicitors.

Mr. Wong Ka Shing, aged 35, holds a Bachelor of Arts (Hon) degree in Accounting and Finance from The Leeds Metropolitan University. Mr. Wong is a member of The Association of Chartered Certified Accountants and a member of The Hong Kong Institute of Certified Public Accountants. Mr. Wong has accumulated over 12 years of auditing, taxation and financial management related experience from accounting firms and listed group.

Ms. Leung Shuk Lan, aged 56, is one of the founding members of Professional Insurance Brokers Association in 1998 and the Chairman of Professional Insurance Brokers Association from 2008–2011.

Ms. Leung is currently the Chief Executive of K U M Insurance Brokers Ltd and Charter Management Company. Ms. Leung has accumulated over 30 years of experience in the Hong Kong Insurance Industry.

The Directors present their report together with the audited accounts for the year ended 31 March 2014.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The activities of the subsidiaries are set out in note 18 to the consolidated financial statements. An analysis of the Group's performance for the year by business and geographical segments is set out in note 14 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated statement of profit or loss and other comprehensive income on pages 40 to 41. The Directors do not recommend the payment of a dividend for the year ended 31 March 2014 (2013: Nil).

RESERVES

Movements in the reserves of the Group and of the Company during the year are set out in note 35 to the consolidated financial statements and in the consolidated statement of changes in equity on pages 45 to 46 respectively.

Details of distributable reserves of the Company as at 31 March 2014 are set out in note 35(vii) to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in note 15 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital are set out in note 34 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

FINANCIAL INFORMATION SUMMARY

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

CONNECTED TRANSACTIONS

Details of the connected transactions entered into by the Company are set out in note 41 to the consolidated financial statements.

Details about other related party transactions undertaken in the normal course of business but not constituting a discloseable connected transaction as defined under the GEM Listing Rules are set out in note 41 to the consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

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

DIRECTORS

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

Executive Directors	
Mr. Kaneko Hiroshi	(appointed on 17 April 2013)
Mr. Siu Chi Keung	
Mr. Lu Shiyou	(resigned on 17 September 2013)
Mr. Wong Kam Leong	(resigned on 17 April 2013)
Mr. Hui Ngai Hon, Edward	(appointed on 17 September 2013)
Independent Non-executive Directors	
Mr. Ho Lok Cheong	(resigned on 17 September 2013)
Mr. Tam Yuk Sang, Sammy	(resigned on 18 October 2013)
Dr. Ng Chi Yeung, Simon	(resigned on 18 October 2013)
Mr. Yau Paul	(appointed on 17 September 2013)
Mr. Wong Ka Shing	(appointed on 18 October 2013)
Ms. Leung Shuk Lan	(appointed on 18 October 2013)

In accordance with the Bye-Laws of the Company, Mr. Hui Ngai Hon, Edward, Mr. Yau Paul, Mr. Wong Ka Shing and Ms. Leung Shuk Lan being the new Directors appointed by the Board, shall retire from office at the forthcoming AGM and, being eligible, offer themselves for re-election at the AGM.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' INTERESTS IN CONTRACTS

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

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

As at 31 March 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.

OPTION SCHEMES

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

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

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

Grantee	As at 1 April 2013	Granted during the year	Cancelled/ lapsed during the year	Exercised during the year	As at 31 March 2014	Date of grant (dd/mm/yy)	Exercisable period (dd/mm/yy)	Exercise price HK$
Directors								
Hu Dongguang*	550,000	–	(550,000)	–	–	30/03/10	30/03/10 to 29/03/20	5.72
Hu Dongguang*	200,000	–	(200,000)	–	–	15/11/10	15/11/10 to 14/11/20	3.32
Tse Ching Leung**	35,000	–	(35,000)	–	–	01/09/09	01/09/09 to 31/08/19	3.20
Tse Ching Leung**	50,000	–	(50,000)	–	–	15/11/10	15/11/10 to 14/11/20	3.32
Wong Kam Leong***	337,500	–	(337,500)	–	–	09/05/08	09/05/08 to 08/05/18	3.84
Wong Kam Leong***	37,500	–	(37,500)	–	–	18/05/09	18/05/09 to 17/05/19	3.36
Wong Kam Leong***	37,500	–	(37,500)	–	–	01/09/09	01/09/09 to 31/08/19	3.20
Wong Kam Leong***	150,000	–	(150,000)	–	–	30/03/10	30/03/10 to 29/03/20	5.72
Wong Kam Leong***	187,500	–	(187,500)	–	–	15/11/10	15/11/10 to 14/11/20	3.32
Sub-total	1,585,000	–	(1,585,000)	–	–			

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

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

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

Grantee	As at 1 April 2013	Granted during the year	Cancelled/ lapsed during the year	Exercised during the year	As at 31 March 2014	Date of grant (dd/mm/yy)	Exercisable period (dd/mm/yy)	Exercise price HK$
Other employees and consultants								
In aggregate	125,000	–	(125,000)	–	–	20/02/08	20/02/08 to 19/02/18	4.88
In aggregate	225,000	–	(225,000)	–	–	02/05/08	02/05/08 to 01/05/18	3.92
In aggregate	1,250,000	–	–	–	1,250,000	09/05/08	09/05/08 to 08/05/18	3.84
In aggregate	675,000	–	–	–	675,000	17/09/08	17/09/08 to 16/09/18	4.048
In aggregate	325,000	–	(325,000)	–	–	31/12/08	31/12/08 to 30/12/18	2.80
In aggregate	400,000	–	–	–	400,000	01/09/09	01/09/09 to 31/08/19	3.20
In aggregate	125,000	–	(125,000)	–	–	30/03/10	30/03/10 to 29/03/20	5.72
In aggregate	1,575,000	–	(825,000)	–	750,000	15/11/10	15/11/10 to 14/11/20	3.32
In aggregate	1,000,000	–	–	–	1,000,000	10/01/11	10/01/11 to 09/01/21	3.50
In aggregate	700,000	–	(300,000)	–	400,000	12/07/11	12/07/11 to 11/07/21	3.00
Sub-total	6,400,000	–	(1,925,000)	–	4,475,000			
Total	7,985,000	–	(3,510,000)	–	4,475,000			

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.

MANAGEMENT CONTRACTS

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

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers and purchases from the five largest suppliers accounted for approximately 100.00% and 100.00% of the total sales and purchases for the year, respectively.

The Group's largest customer and supplier accounted for approximately 62.04% and 59.72% of the total sales and purchases for the year, respectively.

None of the Directors, their associates or the Shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) has a beneficial interest in these major customers or suppliers.

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

A report on the principle corporate governance practices adopted by the Company is set out on pages 25 to 34 of this report.

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.

BOARD PRACTICES AND PROCEDURES

Save as disclosed above, throughout the year ended 31 March 2014, the Company has complied with Rules 5.34 to 5.45 of the GEM Listing Rules concerning board practices and procedures.

AUDITORS

The accounts for the year ended 31 March 2014 have been audited by Crowe Horwath (HK) CPA Limited who will retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Kaneko Hiroshi
Chairman

Hong Kong, 27 June 2014

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.

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.

BOARD OF DIRECTORS

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

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

Executive Directors
Mr. Kaneko Hiroshi *(Chairman)*
Mr. Siu Chi Keung
Mr. Hui Ngai Hon, Edward

Independent non-executive Directors
Mr. Yau Paul
Mr. Wong Ka Shing
Ms. Leung Shuk Lan

Under the Bye-Laws of the Company, Mr. Hui Ngai Hon, Edward, Mr. Yau Paul, Mr. Wong Ka Shing and Ms. Leung Shuk Lan being the new Directors appointed by the Board, shall retire from office at the forthcoming AGM and, being eligible, offer themselves for re-election at the AGM.

Detail of backgrounds and qualifications of the Chairman of the Company and the other Directors are set out in page 16 of this Annual Report. The Board comprises a balanced composition of executive Directors and independent non-executive Directors who possesses a wide spectrum of relevant skills and experience.

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

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

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

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

Board meetings

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

Name of Directors	Attendance/ Number of meetings
Executive Directors	
Mr. Kaneko Hiroshi (appointed on 17 April 2013)	13/13
Mr. Siu Chi Keung (appointed on 15 January 2013)	13/13
Mr. Lu Shiyou (resigned on 17 September 2013)	1/2
Mr. Wong Kam Leong (resigned on 17 April 2013)	–
Mr. Hui Ngai Hon, Edward (appointed on 17 September 2013)	10/10
Independent Non-executive Directors	
Mr. Ho Lok Cheong (resigned on 17 September 2013)	2/3
Mr. Tam Yuk Sang, Sammy (resigned on 18 October 2013)	5/5
Dr. Ng Chi Yeung, Simon (resigned on 18 October 2013)	3/5
Mr. Yau Paul (appointed on 17 September 2013)	10/10
Mr. Wong Ka Shing (appointed on 18 October 2013)	7/7
Ms. Leung Shuk Lan (appointed on 18 October 2013)	6/7

Chairman and Chief Executive Officer

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

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

Independent Non-executive Directors

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

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

NOMINATION COMMITTEE

The Board is responsible for the selection and approval of candidates for appointment and the Company has established a nomination committee (the "Nomination Committee") since 9 May 2006 which currently consists of three independent non-executive Directors, namely Mr. Yau Paul, Mr. Wong Ka Shing and Ms. Leung Shuk Lan. Mr. Yau Paul currently presides as chairman of the Nomination Committee. The primary role and function of the Nomination Committee is to make recommendations to the Board on potential candidates to fill vacancies or additional appointment on the Board and senior management. In selecting the suitable candidates, the Board will take into account the qualifications, ability, working experience, leadership and professional ethics of the candidates.

During the year, a total of 2 Nomination Committee meetings were held. Details of the attendance of the Nomination Committee meetings are as follows:

Name of Nomination Committee members	Attendance/ Number of meetings
Independent Non-executive Directors	
Mr. Ho Lok Cheong (resigned on 17 September 2013)	1/2
Mr. Tam Yuk Sang, Sammy (resigned on 18 October 2013)	1/1
Dr. Ng Chi Yeung, Simon (resigned on 18 October 2013)	2/2
Mr. Yau Paul (appointed on 17 September 2013)	1/1
Mr. Wong Ka Shing (appointed on 18 October 2013)	–
Ms. Leung Shuk Lan (appointed on 18 October 2013)	–

REMUNERATION COMMITTEE

The Company has established the Remuneration Committee since 9 May 2006 which currently consists of three independent non-executive Directors, namely Mr. Yau Paul, Mr. Wong Ka Shing and Ms. Leung Shuk Lan. The Chairman of the Remuneration Committee is Mr. Yau Paul.

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

During the year, a total of 2 Remuneration Committee meetings were held. Details of the attendance of the Remuneration Committee meetings are as follows:

Name of Remuneration Committee members	Attendance/ Number of meetings
Independent Non-executive Directors	
Mr. Ho Lok Cheong (resigned on 17 September 2013)	1/2
Mr. Tam Yuk Sang, Sammy (resigned on 18 October 2013)	1/1
Dr. Ng Chi Yeung, Simon (resigned on 18 October 2013)	2/2
Mr. Yau Paul (appointed on 17 September 2013)	1/1
Mr. Wong Ka Shing (appointed on 18 October 2013)	–
Ms. Leung Shuk Lan (appointed on 18 October 2013)	–

AUDIT COMMITTEE

The Audit Committee currently consists of three independent non-executive Directors, namely, Mr. Yau Paul, Mr. Wong Ka Shing and Ms. Leung Shuk Lan. The Chairman of the Audit Committee is Mr. Wong Ka Shing.

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

During the year, the Audit Committee held 4 meetings to review and supervise the financial reporting process and has reviewed the quarterly, interim and annual results of the Group. The Audit Committee was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements except for the deconsolidation as mentioned in note 2(b) to the consolidated financial statement and that adequate disclosures have been made. The Audit Committee also carried out and discharged its other duties as set out in the Code.

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

Name of Audit Committee members	Attendance/ Number of meetings
Independent Non-executive Directors	
Mr. Ho Lok Cheong (resigned on 17 September 2013)	1/2
Mr. Tam Yuk Sang, Sammy (resigned on 18 October 2013)	2/2
Dr. Ng Chi Yeung, Simon (resigned on 18 October 2013)	2/2
Mr. Yau Paul (appointed on 17 September 2013)	2/2
Mr. Wong Ka Shing (appointed on 18 October 2013)	2/2
Ms. Leung Shuk Lan (appointed on 18 October 2013)	2/2

The audited consolidated results of the Group for the year ended 31 March 2014 have been reviewed by the Audit Committee.

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

AUDITORS' REMUNERATION

The amount of fees charged by the auditors generally depends on the scope and volume of the auditors' work. For the year ended 31 March 2014, the total remuneration of the Group's auditor for the statutory audit services is approximately HK$1,200,000 (2013: HK$1,650,000).

COMPANY SECRETARY

During the year ended 31 March 2014, the Company Secretary has duly complied with the relevant professional training requirement under Rule 5.15 of the GEM Listing Rules.

SHAREHOLDERS' RIGHTS

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

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

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

INVESTOR RELATIONS

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

The 2013 annual general meeting was held on 9 August 2013. The attendance record of the Directors at the general meetings is set out below:

Name of Directors	Attendance/ Number of meetings
Executive Directors	
Mr. Kaneko Hiroshi (appointed on 17 April 2013)	1/1
Mr. Siu Chi Keung (appointed on 15 January 2013)	1/1
Mr. Lu Shiyou (resigned on 17 September 2013)	0/1
Mr. Wong Kam Leong (resigned on 17 April 2013)	–
Mr. Hui Ngai Hon, Edward (appointed on 17 September 2013)	–
Independent Non-executive Directors	
Mr. Ho Lok Cheong (resigned on 17 September 2013)	0/1
Mr. Tam Yuk Sang, Sammy (resigned on 18 October 2013)	1/1
Dr. Ng Chi Yeung, Simon (resigned on 18 October 2013)	1/1
Mr. Yau Paul (appointed on 17 September 2013)	–
Mr. Wong Ka Shing (appointed on 18 October 2013)	–
Ms. Leung Shuk Lan (appointed on 18 October 2013)	–

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

GOING CONCERN

The Group incurred loss for the year ended 31 March 2014 of approximately HK$37,031,000 and as of that date, the Group's and the Company's current liabilities exceeded its current assets by HK$7,839,000 and HK$8,235,000 respectively, while net liabilities of the Group and the Company amounted to HK$6,919,000 and HK$5,804,000 respectively. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's and the Company's ability to continue as a going concern.

The directors of the Company have been taking active steps to improve the liquidity position of the Group. These steps included (1) one of the existing director of the Company have confirmed their intention and ability to provide continuing financial support to the Group so as to enable it to meet its liabilities as and when they fall due and to carry on its business for the foreseeable future; (2) the directors of the Company are considering various alternatives to strengthen the capital base of the Company through various fund raising exercises, including but not limit to, private 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 to attaining profitable and positive cash flow operations.

The directors are of the opinion that, taking into account the above-mentioned measures, the Group will have sufficient working capital to meet its financial obligation as and when they fall due in the next twelve months from 31 March 2014. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

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

CORPORATE GOVERNANCE FUNCTIONS

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

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

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

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

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

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

INTERNAL CONTROL AND RISK MANAGEMENT

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

The internal control system is reviewed on an ongoing basis by the Audit Committee and the Board in order to make it practical and effective in providing reasonable assurance in relation to protection of material assets and identification of business risks. During the year, the Board has conducted reviews on the internal control systems and the Audit Committee has discussed the internal control system of the Company and its subsidiaries with the management of the Company. 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 of the Group.

During the year, the Company was unable to obtain sufficient controls on operations and financial reporting over the PRC subsidiaries of the paper manufacturing business segment (PRC Subsidiaries), due to the non-cooperation of the management and accounting personnel of Jining Gangning. The Board considered it more appropriate to deconsolidate the PRC Subsidiaries for the current year in view of the above, despite the deconsolidation is not in compliance with the Hong Kong Financial Reporting Standard 10 "Consolidated Financial Statements". Full details are also provided in Note 2(b) of the consolidated financial statements.

Crowe Horwath™

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

9/F, Leighton Centre,
77 Leighton Road,
Causeway Bay, Hong Kong

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

We were engaged to audit the consolidated financial statements of Long Success International (Holdings) Limited ("the Company") and its subsidiaries (together "the Group") set out on pages 40 to 134 which comprise the consolidated and company statements of financial position as at 31 March 2014, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

BASIS FOR DISCLAIMER OF OPINION

1. De-consolidation of subsidiaries

(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 note 40(i) to the consolidated financial statements, which states that during the year, a litigation was brought against the Company as defendant for an alleged dishonoured cheque in the sum of HK$80,000,000 together with interest and costs. 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.

Crowe Horwath (HK) CPA Limited
Certified Public Accountants
Hong Kong, 27 June 2014

Lau Kwok Hung
Practising Certificate No.: P04169

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	4	**25,697**	189,719
Cost of sales		**(24,813)**	(213,192)
Gross profit/(loss)		**884**	(23,473)
Other income and net gains	5	**100**	16,783
Selling expenses		**–**	(762)
Administrative expenses		**(13,617)**	(33,549)
Operating loss		**(12,633)**	(41,001)
Finance costs	6	**(3,686)**	(10,696)
Impairment loss on property, plant and equipment	15	**(287)**	(91,926)
Impairment loss on prepaid lease payments	16	**–**	(1,074)
Impairment loss on goodwill	17	**–**	(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		**(184,883)**	(265,649)
Net gain/(loss) on de-consolidation of subsidiaries	38	**164,183**	(10,223)
Loss before taxation	7	**(37,306)**	(539,102)
Income tax	8	**608**	4,595
Loss for the year from continuing operations		**(36,698)**	(534,507)
Discontinued operations			
Loss for the year from discontinued operations	9	**(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)

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)
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	13		
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)

The notes on pages 49 to 134 form part of these financial statements.

Consolidated Statement of Financial Position

As at 31 March 2014

	Note	2014 HK$'000	2013 HK$'000
Non-current assets			
Property, plant and equipment	15	**1,040**	96,480
Prepaid lease payments	16	**–**	17,702
Goodwill	17	**–**	90
Available-for-sale financial asset	19	**180**	180
Deposits for acquisition of property, plant and equipment	20	**–**	12,209
Total non-current assets		**1,220**	126,661
Current assets			
Inventories	22	**–**	47,646
Trade receivables	23	**7,438**	16,902
Prepayments, deposits and other receivables	24	**271**	2,597
Pledged bank deposits	28	**–**	156,051
Cash and cash equivalents	26	**3,484**	14,739
Total current assets		**11,193**	237,935
Current liabilities			
Trade payables	27	**9,713**	17,066
Other payables	27	**9,319**	41,403
Bank acceptance notes payable	28	**–**	231,227
Current portion of interest-bearing loans	29	**–**	97,150
Convertible bonds	31	**–**	29,923
Derivative financial liabilities	31	**–**	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	30(a)	**–**	4,064
Total non-current liabilities		**–**	4,064
NET LIABILITIES		**(6,619)**	(56,996)

Consolidated Statement of Financial Position

As at 31 March 2014

	Note	2014 HK$'000	2013 HK$'000
EQUITY			
Share capital	34	**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)

Approved and authorised for issue by the board of directors on 27 June 2014.

Kaneko Hiroshi
Director

Siu Chi Keung
Director

The notes on pages 49 to 134 form part of these financial statements.

Statement of Financial Position

As at 31 March 2014

	Note	2014 HK$'000	2013 HK$'000
Non-current assets			
Interests in subsidiaries	18	**1**	1
Amounts due from subsidiaries	25	**2,430**	40,616
Total non-current assets		**2,431**	40,617
Current assets			
Prepayments, deposits and other receivables	24	**30**	18
Cash and cash equivalents	26	**137**	304
Total current assets		**167**	322
Current liabilities			
Other payables	27	**8,402**	7,553
Convertible bonds	31	**–**	29,923
Derivative financial liabilities	31	**–**	759
Total current liabilities		**8,402**	38,235
Net current liabilities		**(8,235)**	(37,913)
Total assets less current liabilities		**(5,804)**	2,704
Non-current liability			
Deferred tax liabilities	30(a)	**–**	4,064
Total non-current liabilities		**–**	4,064
NET LIABILITIES		**(5,804)**	(1,360)
CAPITAL AND RESERVES			
Equity attributable to owners of the Company			
Share capital	34	**14,682**	6,857
Reserves	35	**(20,486)**	(8,217)
TOTAL EQUITY		**(5,804)**	(1,360)

Approved and authorised for issue by the board of directors on 27 June 2014.

Kaneko Hiroshi
Director

Siu Chi Keung
Director

The notes on pages 49 to 134 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 March 2014

		Attributable to owners of the Company										
	Note	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	38	–	–	(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	30(a)	–	–	–	–	–	(6,662)	–	–	(6,662)	–	(6,662)
Placing of new shares	34(b)(i)	410	7,006	–	–	–	–	–	–	7,416	–	7,416
Share issuance expenses		–	(146)	–	–	–	–	–	–	(146)	–	(146)
De-consolidation of subsidiaries	38	–	–	–	–	–	–	–	–	–	(61,843)	(61,843)
Conversion of convertible bonds	34(b)(ii)	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)

The notes on pages 49 to 134 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 March 2014

		Attributable to owners of the Company										
	Note	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	38	–	–	(14,341)	–	–	–	–	–	(14,341)	–	(14,341)
Total comprehensive loss for the year		–	–	(14,341)	–	–	–	(37,031)	–	(51,372)	–	(51,372)
Placing of new shares	34(b)(iii)	200	12,200	–	–	–	–	–	–	12,400	–	12,400
Share issuance expenses		–	(310)	–	–	–	–	–	–	(310)	–	(310)
De-consolidation of subsidiaries	38	–	–	–	–	–	–	1,042	(1,042)	–	51,936	51,936
Conversion of convertible bonds	34(b)(iv)	7,625	50,663	–	–	–	(24,021)	–	–	34,267	–	34,267
Release of deferred tax liability upon conversion of convertible bonds	30(a)	–	–	–	–	–	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).

The notes on pages 49 to 134 form part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 March 2014

	Note	2014 HK$'000	2013 HK$'000
Operating activities			
Loss for the year		**(37,031)**	(539,947)
Adjustments for:			
Net (gain)/loss on de-consolidation of subsidiaries	38	**(164,183)**	10,223
Net (gain) on disposal of a subsidiary	39	**(49)**	–
Net loss on disposal of property, plant and equipment	7	**63**	–
Income tax (credit)	8	**(608)**	(4,595)
Finance costs	6	**3,686**	10,696
Amortisation of prepaid lease payments	16	**–**	507
Depreciation of property, plant and equipment	15	**985**	23,237
Impairment loss on prepaid lease payments	16	**–**	1,074
Impairment loss on property, plant and equipment	15	**287**	91,926
Impairment loss on trade receivables	23(b)	**–**	753
Impairment loss on other receivables	7	**122**	1,478
Impairment loss on loan receivables	21	**–**	4,141
Impairment loss on goodwill	7	**–**	24,559
Impairment loss on amounts due from de-consolidated subsidiaries	7	**184,883**	265,649
Impairment loss on deposit for acquisition for property, plant and equipment	7	**–**	60,939
Impairment loss on deposits to suppliers	7	**–**	33,035
Fair value change on derivative financial liabilities	5	**(100)**	(9,856)
Interest income, other than that from money-lending operation	5	**–**	(3,264)
Write down of inventories	7	**–**	13,251
Waiver of bond payable	5	**–**	(2,459)
Operating cash flows before working capital changes		**(11,945)**	(18,653)
(Increase) in inventories		**–**	(20,859)
(Increase) in trade receivables		**(6,725)**	(8,469)
Decrease in loans receivable		**–**	1,339
(Increase)/decrease in prepayments, deposits and other receivables		**(242)**	19,052
Increase in trade payables		**9,120**	5,157
Increase in other payables		**1,260**	9,209
Cash (used in) operations		**(8,532)**	(13,224)
Interest paid		**(1)**	(6,742)
Income tax paid		**–**	(174)
Net cash (used in) operating activities		**(8,533)**	(20,140)

Consolidated Statement of Cash Flows

For the year ended 31 March 2014

	Note	2014 HK$'000	2013 HK$'000
Investing activities			
Interest received, other than that from money-lending operation		–	3,264
Deposits paid for acquisition of property, plant and equipment		–	(11,956)
Net cash outflow from de-consolidation of subsidiaries	38	**(13,918)**	(3,253)
Net cash inflow from disposal of a subsidiary	39	–	–
Sales proceeds from disposal of property, plant and equipment		**3**	–
Purchase of property, plant and equipment		**(897)**	(6,931)
Net cash (used in) investing activities		**(14,812)**	(18,876)
Financing activities			
Proceeds from issue of shares		**12,400**	7,416
Share issuance expenses		**(310)**	(146)
Settlement of bond payable		–	(93,000)
Increase in bank acceptance notes payable		–	20,205
Proceeds from bank borrowings		–	121,181
Advance from a director		**6,000**	–
Repayment to a director		**(6,000)**	–
Repayment of other loan		–	(3,000)
Proceeds from issue of convertible bonds		–	97,369
Repayment of interest-bearing loans		–	(104,951)
Net cash generated from financing activities		**12,090**	45,074
Net (decrease)/increase in cash and cash equivalents		**(11,255)**	6,058
Cash and cash equivalents at the beginning of the year		**14,739**	7,938
Effect of foreign exchange rate changes		–	743
Cash and cash equivalents at the end of the year	26	**3,484**	14,739

The notes on pages 49 to 134 form part of these financial statements.

1. GENERAL INFORMATION

Long Success International (Holdings) Limited ("the Company") is an exempted company incorporated in Bermuda with limited liability and its shares are listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of its registered office is Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda. The address of its principal place of business was 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. SIGNIFICANT ACCOUNTING POLICIES

(a) Adoption of Hong Kong Financial Reporting Standards

Except for the matters regarding the de-consolidation of subsidiaries as mentioned in note 2(b) below, these financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong. 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 as explained in the accounting policies set out below.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

Judgements made by management in the application of HKFRSs that have a significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 43.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

De-consolidation of subsidiaries (Continued)

Paper products operating segment (Continued)

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

De-consolidation of subsidiaries (Continued)

Biodegradable products operating segment (Continued)

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.

(c) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability.

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

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or a joint venture.

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

(d) Business combinations

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Business combinations (Continued)

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

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

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Business combinations (Continued)

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

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

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

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

(e) Goodwill

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

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

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

On the disposal of the relevant cash generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Property, plant and equipment

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

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

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

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

Buildings	5%
Plant and machinery	$6\frac{2}{3}$%–10%
Leasehold improvements	10% or over the lease term whichever is shorter
Furniture and fixtures	10%–25%
Computer equipment	10%–25%
Motor vehicles	10%–25%

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Leased assets

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

(i) Classification of assets leased to the Group

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

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

(ii) Operating lease charges

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Impairment of assets

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

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

— significant financial difficulty of the debtor;

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

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

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

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

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

— For investments in associates accounted for under the equity method in the consolidated financial statements, the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 2(h)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 2(h)(ii).

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Impairment of assets (Continued)

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

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

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

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

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

(ii) Impairment of other assets

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

— property, plant and equipment;

— prepaid lease payments;

— intangible assets;

— deposit for acquisition for property, plant and equipment;

— goodwill; and

— investments in subsidiaries and associates in the Company's statement of financial position.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Impairment of assets (Continued)

(ii) Impairment of other assets (Continued)

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

— Calculation of recoverable amount

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

— Recognition of impairment losses

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

— Reversals of impairment losses

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

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

(i) Inventories

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Inventories (Continued)

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

(j) Trade and other receivables

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

(k) Available-for-sale investment

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

(l) Interest-bearing borrowings

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

(m) Trade and other payables

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

(n) Cash and cash equivalents

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Convertible bonds/notes

(i) Convertible notes that contain an equity component

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

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

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

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

(ii) Other convertible notes

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Derivative financial instruments

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

(q) Financial guarantee contracts

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

A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of obligation under the contract, as determined in accordance with HKAS 37: *Provisions, Contingent Liabilities and Contingent Assets*; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the revenue recognition policy.

(r) Employee benefits

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

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

(ii) Share-based payments

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

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

(iii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Income tax

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

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

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Income tax (Continued)

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

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

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

  — the same taxable entity; or

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

(t) Provision and contingent liabilities

(i) Contingent liabilities assumed in business combinations

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

(ii) Other provisions and contingent liabilities

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Revenue recognition

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

(i) Sale of goods

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

(ii) Interest income from money-lending operation

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

(v) Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. It also occurs if the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of the statement of profit or loss, which comprises:

— the post-tax profit or loss of the discontinued operation; and

— the post-tax gain or loss recognised on the measurement to fair value less costs to sell or on the disposal of the assets or disposal group(s) constituting the discontinued operation.

(w) Translation of foreign currencies

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Translation of foreign currencies (Continued)

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

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

(x) Borrowing costs

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

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

(y) Related parties

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

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or the Group's parent.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(y) Related parties (Continued)

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

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

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

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

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

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

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

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

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

(z) Segment reporting

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

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

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

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

Amendments to 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 these 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.

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

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. To the extent that the requirements are applicable to the Company, the Company has provided those disclosures in note 18.

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. To the extent that the requirements are applicable to the Group, the Group has provided those disclosures in note 42.

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

5. OTHER INCOME AND NET GAINS

	2014 HK$'000	2013 HK$'000
Continuing Operations		
Other income		
Interest income, other than that from money-lending operation	–	3,264
Total interest income on financial assets not at fair value through profit or loss	–	3,264
Waiver of bond payable	–	2,459
Government grants	–	787
Sundry income	–	417
	–	6,927
Net gains		
Fair value change on derivative financial liabilities (note 31)	**100**	9,856
	100	9,856
	100	16,783

6. FINANCE COSTS

	2014 HK$'000	2013 HK$'000
Continuing Operations		
Interest on bank borrowings wholly repayable within five years	**1**	6,742
Imputed interest on convertible bonds (note 31)	**3,685**	3,954
Total interest expense on financial liabilities not at fair value through profit or loss	**3,686**	10,696

7. LOSS BEFORE TAXATION

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

	2014 HK$'000	2013 HK$'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

8. 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 HK$'000	2013 HK$'000
Continuing Operations		
Current tax — (over)/under-provision in previous year:		
— PRC	–	108
— Macau	–	(833)
Deferred tax		
— Current year (note 30(a))	**(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 HK$'000	2013 HK$'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)

9. DISCONTINUED OPERATIONS

Disposal of money-lending business

During the year, the Group entered into a sale and purchase agreement to dispose of its subsidiary, Success Finance Limited, which carried out the Group's money-lending business which had performed unsatisfactorily. As a result of keen competition in the money-lending business, the directors expected that the money-lending business would continue making loss unless substantial resources were allocated thereto. In view of the above, the directors decided to dispose of the money-lending business and to devote resources to its existing business and any other potential business.

The disposal was completed on 27 September 2013, on which date where control of the money-lending operations passed to the acquirer. Details of the assets and liabilities disposed of, and the calculation of the profit or loss on disposal, are disclosed in note 39.

(i) The results of the discontinued operations included in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows up to the date of disposals are set out below.

	2014 HK$'000	2013 HK$'000
Revenue	**–**	329
Cost of sales	**–**	–
Gross profit	**–**	329
Administrative expenses	**(382)**	(5,769)
(Loss) before taxation	**(382)**	(5,440)
Gain on disposal of subsidiary (note 39)	**49**	–
(Loss) for the year from discontinued operations	**(333)**	(5,440)
Attributable to:		
Owners of the Company	**(333)**	(5,440)
Non-controlling interests	**–**	–
	(333)	(5,440)

9. DISCONTINUED OPERATIONS (CONTINUED)

(i) (Continued)

	2014 HK$'000	2013 HK$'000
Loss for the year from discontinued operations included the following:		
Auditor's remuneration	–	40
Depreciation and amortisation	**78**	67
Impairment loss on loan receivables	–	4,141
Minimum lease payments under operating leases in respect of leased premises	**261**	522
Staff costs		
— Contributions to defined contribution retirement plan	–	38
— Salaries, wages and other benefits	–	725
	–	763
Cash flows from discontinued operations:		
Net cash (used in)/generated from operating activities	**(26)**	43
Net cash (used in) investing activities	–	(313)
Net cash generated from financing activities	–	203
Net cash outflow	**(26)**	(67)

(ii) Segment revenues and results

The following is an analysis of segment revenues and results from the money-lending business segment:

	2014 HK$'000	2013 HK$'000
Segment revenue		
Revenue from external customers	–	329
Segment results	**(333)**	(5,440)
Other information		
Capital expenditure	–	313
Depreciation and amortisation	**78**	67
Impairment loss on loan receivables	–	4,141
Interest expenses	–	27

9. DISCONTINUED OPERATIONS (CONTINUED)

(iii) Segment assets and liabilities

The following is an analysis of segment assets and liabilities of the money-lending business segment as at 31 March 2013:

	HK$'000
Segment assets	346
Segment liabilities	130

(iv) Geographical information

The Group's operation of money-lending business was principally located in Hong Kong.

The Group's non-current assets (other than financial instruments) of money-lending business were located in Hong Kong.

10. LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

The loss attributable to owners of the Company dealt with in the financial statements of the Company for the year ended 31 March 2014 was HK$54,257,000 (2013: HK$425,331,000).

11. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

Directors' remuneration disclosed pursuant to section 78 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622), with reference to section 161 of the predecessor Hong Kong Companies Ordinance (Cap. 32), and senior management's remuneration are as follows:

	2014 HK$'000	2013 HK$'000
Fees	**1,754**	1,454
Salaries, allowances and other benefits	**–**	107
Contributions to retirement benefits schemes	**9**	5
	1,763	1,566

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

(a) Directors' emoluments (Continued)

2014

	Fees HK$'000	Salaries, allowance and other benefits HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
Executive directors				
Hui Ngai Hon Edward (Appointed on 17 September 2013)	338	–	9	347
Kaneko Hiroshi (Appointed on 17 April 2013)	200	–	–	200
Siu Chi Keung	360	–	–	360
Lu Shiyou (Resigned on 17 September 2013)	210	–	–	210
Wong Kam Leong (Resigned on 17 April 2013)	–	–	–	–
Independent non-executive directors				
Yau Paul (Appointed on 17 September 2013)	108	–	–	108
Wong Ka Shing (Appointed on 18 October 2013)	91	–	–	91
Leung Shuk Lan (Appointed on 18 October 2013)	91	–	–	91
Tam Yuk Sang, Sammy (Resigned on 18 October 2013)	120	–	–	120
Ho Lok Cheong (Resigned on 17 September 2013)	116	–	–	116
Ng Chi Yeung, Simon (Resigned on 18 October 2013)	120	–	–	120
	1,754	–	9	1,763

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

(a) Directors' emoluments (Continued)

2013

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

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

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2013: two) directors whose emoluments are reflected in the analysis presented above.

The emoluments paid and payable to the remaining three (2013: three) individuals for the year ended 31 March 2014 are as follows:

	2014 HK$'000	2013 HK$'000
Salaries, bonus and allowances	1,432	1,101
Employee share options benefits	–	–
Retirement scheme contributions	38	54
	1,470	1,155

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

	Number of individuals 2014	2013
Nil to HK$1,000,000	3	3
HK$1,000,001–HK$1,500,000	–	–
	3	3

During the year ended 31 March 2014, no emoluments were paid or payable by the Group to the directors and the five highest paid individuals as an inducement to join, or upon joining the Group, or as compensation for loss of office (2013: Nil). During the year, none of the directors have agreed to waive any emoluments (2013: HK$281,667).

12. 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).

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

Weighted average number of ordinary shares (basic)

	2014 '000	2013 '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 HK$'000	2013 HK$'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.

13. LOSS PER SHARE (CONTINUED)

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.

14. 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 — note 38);

(ii) Biodegradable products — manufacturing, processing and sales of biodegradable products (subsidiaries under this operating segment had been de-consolidated in the previous year — note 38); 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 HK$'000	2013 HK$'000 (restated)
Package and paper products	**–**	183,853
Biodegradable products	**–**	–
Wine and alcohol	**25,697**	–
Others	**–**	5,866
	25,697	189,719

14. SEGMENT INFORMATION (CONTINUED)

(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 HK$'000	Biodegradable products HK$'000	Wine and alcohol HK$'000	Total HK$'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

14. SEGMENT INFORMATION (CONTINUED)

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

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

14. SEGMENT INFORMATION (CONTINUED)

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

	2014 HK$'000	2013 HK$'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

14. SEGMENT INFORMATION (CONTINUED)

(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 HK$'000	2013 HK$'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 HK$'000	2013 HK$'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 HK$'000	2013 HK$'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.

15. PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings HK$'000	Plant and machinery HK$'000	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Computer equipment HK$'000	Motor vehicles HK$'000	Display gemstones HK$'000	Construction in progress HK$'000	Total HK$'000
Cost									
At 1 April 2012	47,263	222,840	8,462	1,296	688	2,484	3,996	49	287,078
Additions	269	2,487	410	35	30	–	–	1,541	4,772
De-consolidation of subsidiaries (note 38)	–	(19,085)	(3,639)	(339)	(619)	(429)	–	(49)	(24,160)
Disposals	–	–	(531)	–	–	–	–	–	(531)
Exchange realignment	86	390	1	1	–	4	–	2	484
At 31 March 2013	47,618	206,632	4,703	993	99	2,059	3,996	1,543	267,643
At 1 April 2013	47,618	206,632	4,703	993	99	2,059	3,996	1,543	267,643
Additions	–	–	–	–	–	897	–	–	897
Disposals	–	–	(3,131)	–	–	–	(25)	–	(3,156)
Derecognised on disposal of a subsidiary (note 39)	–	–	(313)	–	(6)	–	–	–	(319)
De-consolidation of subsidiaries (note 38)	(47,618)	(206,632)	(1,259)	(884)	–	(2,059)	–	(1,543)	(259,995)
At 31 March 2014	–	–	–	109	93	897	3,971	–	5,070
Accumulated depreciation and impairment									
At 1 April 2012	6,556	44,454	3,237	540	99	514	3,496	–	58,896
Charges for the year	2,245	19,579	949	94	8	362	–	–	23,237
Eliminated on de-consolidation of subsidiaries (note 38)	–	(2,188)	(220)	(18)	(32)	(133)	–	–	(2,591)
Written back on disposals	–	–	(531)	–	–	–	–	–	(531)
Impairment loss recognised in profit or loss	12,418	79,073	–	319	–	116	–	–	91,926
Exchange realignment	25	197	–	1	–	3	–	–	226
At 31 March 2013	21,244	141,115	3,435	936	75	862	3,496	–	171,163
At 1 April 2013	21,244	141,115	3,435	936	75	862	3,496	–	171,163
Charges for the year	–	–	892	6	12	75	–	–	985
Eliminated on disposals of assets	–	–	(3,090)	–	–	–	–	–	(3,090)
Eliminated on disposal of a subsidiary (note 39)	–	–	(144)	–	(6)	–	–	–	(150)
Impairment loss recognised in profit or loss	–	–	–	–	–	–	287	–	287
Eliminated on de-consolidation of subsidiaries (note 38)	(21,244)	(141,115)	(1,093)	(850)	–	(863)	–	–	(165,165)
At 31 March 2014	–	–	–	92	81	74	3,783	–	4,030
Carrying amount									
At 31 March 2014	–	–	–	17	12	823	188	–	1,040
At 31 March 2013	26,374	65,517	1,268	57	24	1,197	500	1,543	96,480

15. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Notes:

(i) As of 31 March 2014, the Group's buildings with a total carrying amount of approximately HK$Nil (2013: HK$25,514,000) were pledged as security against the Group's bank loans (see note 29).

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

(iii) In the year 2013, the paper products segment incurred loss. The Group carried out a review of the recoverable amount of the property, plant and equipment under this segment. The review led to the recognition of an impairment loss on buildings, plant and machinery, furniture and fixtures and motor vehicles of HK$12,418,000, HK$79,073,000, HK$319,000 and HK$116,000 respectively, which have been recognised in profit or loss. The recoverable amount of the relevant assets has been determined on the basis of fair value less costs to sell with reference to valuation reports prepared by LCH (Asia Pacific) Surveyors Limited, an independent qualified professional valuer.

(iv) As mentioned in note 2(b) to the consolidated financial statements, the subsidiaries of the paper products operation were de-consolidated as from 1 April 2013. As a result, property, plant and equipment at a total cost of HK$259,995,000 and net book value of approximately HK$94,830,000 were also de-consolidated during the year (note 38).

(v) As mentioned in note 2(b) to the consolidated financial statements, the subsidiaries of the biodegradable products operation were de-consolidated as from 1 April 2012. As a result, property, plant and equipment at a total cost of HK$24,160,000 and net book value of approximately HK$21,569,000 were also de-consolidated in last year (note 38).

16. PREPAID LEASE PAYMENTS

The Group

	HK$'000
Cost	
At 1 April 2012	21,301
Exchange realignment	38
At 31 March 2013	21,339
At 1 April 2013	21,339
De-consolidation of subsidiaries (note 38)	(21,339)
At 31 March 2014	–
Accumulated amortisation and impairment	
At 1 April 2012	1,572
Amortisation for the year	507
Impairment loss recognised in profit or loss	1,074
Exchange realignment	6
At 31 March 2013	3,159
At 1 April 2013	3,159
Elimination on de-consolidation of subsidiaries (note 38)	(3,159)
At 31 March 2014	–
Carrying amount	
At 31 March 2014	–
At 31 March 2013	18,180

	2014 HK$'000	2013 HK$'000
Analysed for reporting purposes as:		
Current assets included in other receivables (note 24)	–	478
Non-current assets	–	17,702
	–	18,180

16. PREPAID LEASE PAYMENTS (CONTINUED)

Notes:

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

(ii) As of 31 March 2013, all of the Group's land use rights were pledged as security against bank loans (note 29).

(iii) In the year 2013, the Group carried out a review of the recoverable amount of the prepaid lease payments. The review led to the recognition of an impairment loss of HK$1,074,000, which have been recognised in profit or loss. The recoverable amount of the relevant assets has been determined on the basis of fair value less costs to sell with reference to valuation reports prepared by LCH (Asia Pacific) Surveyors Limited, an independent qualified professional valuer.

(iv) As mentioned in note 2(b) to the consolidated financial statements, the subsidiaries of the paper products operation were de-consolidated as from 1 April 2013. As a result, the prepaid lease payments at a total cost of approximately HK$21,339,000 and net book value of approximately HK$18,180,000 was also de-consolidated (note 38).

17. GOODWILL

The Group

	HK$'000
Cost	
At 1 April 2012	137,281
De-consolidation of subsidiaries (note 38)	(92,120)
Exchange realignment	81
At 31 March 2013	45,242
At 1 April 2013	45,242
De-consolidation of subsidiaries (note 38)	(45,152)
Disposal of a subsidiary (note 39)	(90)
At 31 March 2014	–
Accumulated impairment losses	
At 1 April 2012	20,556
Impairment loss recognised in profit or loss (note 17(a)(i))	24,559
Exchange realignment	37
At 31 March 2013	45,152
At 1 April 2013	45,152
Elimination on de-consolidation of subsidiaries (note 38)	(45,152)
At 31 March 2014	–
Carrying amount	
At 31 March 2014	–
At 31 March 2013	90

17. GOODWILL (CONTINUED)

(a) Impairment tests for goodwill

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

— Paper products operation
— Money-lending operation

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

		Group	
		2014	2013
		HK$'000	HK$'000
Paper products operation	(i)	**–**	–
Money-lending operation	(ii)	**–**	90
		–	90

As mentioned in note 2(b) to the consolidated financial statements, the subsidiaries of the paper products operation were de-consolidated as from 1 April 2013. As a result, allocated goodwill of HK$Nil was also de-consolidated (note 38).

As mentioned in note 9 to the consolidated financial statements, the money-lending business was discontinued during the year ended 31 March 2014.

(i) Paper products operation

The recoverable amounts of these CGU for the year ended 31 March 2013 were determined based on value in use calculations and with reference to valuation reports prepared by LCH (Asia-Pacific) Surveyors Limited, an independent qualified professional valuer. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The estimated growth rate for the paper products segment is based on the historical Consumer Price Index of the PRC for which the directors considered does not exceed the long-term average growth rate for such industry.

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

	Paper products operation	
	2014	2013
Growth rate	**N/A**	3%
Discount rate	**N/A**	15.91%

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

17. GOODWILL (CONTINUED)

(a) Impairment tests for goodwill (Continued)

(i) Paper products operation (Continued)

As a result of the decrease in revenue of the paper products operation, the carrying amount of the CGU relating to paper products operation was determined to be higher than its recoverable amount and an impairment loss of HK$24,559,000 was recognised in the year 2013. The impairment loss was allocated fully to goodwill and is presented on the face of consolidated statement of comprehensive income.

(ii) Money-lending operation

The directors considered the recoverable amount of the CGU of money-lending operation was above the carrying amount of the CGU as at 31 March 2013.

18. INTERESTS IN SUBSIDIARIES

	The Company	
	2014	2013
	HK$'000	HK$'000
Unlisted investments, at cost	**1**	1
Less: Accumulated impairment losses	**–**	–
	1	1

(a) The following is a list of the Group's principal subsidiaries which have been consolidated as at 31 March 2014:

Name	Place of incorporation and business	Particulars of issued share capital/paid up registered capital	Proportion of equity interest attributable to the Company Directly	Indirectly	Principal activities
Cherry Oasis (Far East) Limited (iii)	Hong Kong	Ordinary shares of HK$1	100%	–	Investment holding
Wondertime Investments Limited (iii)	British Virgin Islands	Ordinary shares of US$1	100%	–	Investment holding
Jewel Star Global Limited (iii)	British Virgin Islands	Ordinary shares of US$100	100%	–	Investment holding
Wider Enterprises Limited (iii)	Hong Kong	Ordinary shares of HK$1	–	100%	Trading of wine and alcohol
Beauty Ocean Trading Limited (iii)	British Virgin Islands	Ordinary shares of US$100	–	100%	Trading of electronic products

18. INTERESTS IN SUBSIDIARIES (CONTINUED)

(a) (Continued)

The following is a list of the subsidiaries which have been de-consolidated from 1 April 2013:

Name	Place of incorporation and business	Particulars of issued share capital/paid up registered capital	Proportion of equity interest attributable to the Company Directly	Indirectly	Principal activities
Glory Smile Enterprises Limited (iii)	British Virgin Islands	Ordinary shares of US$1	100%	–	Investment holding
Mega Bright Investment Development Limited (iii)	Hong Kong	Ordinary shares of HK$1	–	100%	Investment holding
Jining Gangning Paper Company Limited 濟寧港寧紙業有限公司 (ii)	People's Republic of China ("PRC")	Registered capital of US$20,947,600	–	51%	Manufacturing, processing and sales of paper products

The following is a list of the subsidiaries which have been de-consolidated from 1 April 2012:

Name	Place of incorporation and operation	Particulars of issued share capital/paid up registered capital	Proportion of equity interest attributable to the Company Directly	Indirectly	Principal activities
Fast Rise Development Limited (iii)	British Virgin Islands	Ordinary shares of US$1	100%	–	Investment holding
Ever Stable Holdings Limited (iii)	British Virgin Islands	Ordinary shares of US$1	–	100%	Investment holding
World Champion Investments Limited (iii)	Hong Kong	Ordinary shares of HK$1	–	100%	Investment holding
Dongguan Jiu He Bioplastics Company Limited 東莞九禾生物塑料有限公司 (ii)	PRC	Registered capital of US$3,440,474	–	60%	Development, production and sales of biodegradable resin and related products
Zhongshan Jiu He Bioplastics Company Limited 中山九禾生物塑料有限公司 (iv)	PRC	Registered capital of US$1,924,653	–	60%	Development, production and sales of biodegradable resin and related products

18. INTERESTS IN SUBSIDIARIES (CONTINUED)

(a) (Continued)

Notes:

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

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

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

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

(b) Material non-controlling interests

The following table lists out the summarised financial information relating to Jining Gangning which has material non-controlling interest (NCI) for the year ended 31 March 2013. The summarised financial information presented below represents the amounts before any inter-company elimination. No financial information has been presented for the year ended 31 March 2014 as Jining Gangning was de-consolidated as from 1 April 2013.

Summarised statement of financial position

	2013 HK$'000
Non-current assets	125,732
Current assets	236,199
Current liabilities	(409,620)
Net liabilities	(47,689)
Non-controlling interests percentage	49%

18. INTERESTS IN SUBSIDIARIES (CONTINUED)

(b) Material non-controlling interests (Continued)

Summarised statement of profit or loss and other comprehensive income

	2013 HK$'000
Revenue	183,853
Loss for the year	(231,639)
Other comprehensive loss	(507)
Total comprehensive loss for the year	(232,146)
Loss allocated to non-controlling interests	(113,503)
Total comprehensive loss attributable to non-controlling interests	(113,752)
Dividend paid to non-controlling interests	–

Summarised cash flows

	2013 HK$'000
Net cash (used in) operating activities	(7,325)
Net cash (used in) investing activities	(16,280)
Net cash generated from financing activities	36,435
Net increase in cash and cash equivalents	12,830
Cash and cash equivalents at beginning of year	1,720
Effect of foreign exchange rate changes	(659)
Cash and cash equivalents at end of year	13,891

19. AVAILABLE-FOR-SALE FINANCIAL ASSET

	The Group	
	2014	2013
	HK$'000	HK$'000
Non-current		
Club membership, at cost	**180**	180

Note:

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

20. DEPOSITS FOR ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

The balance of HK$12,209,000 as at 31 March 2013 represents the deposit paid by the Company's subsidiary for the acquisition of plant and equipment for the paper manufacturing business in Jining, Shandong Province, PRC.

During the year ended 31 March 2013, the deposit for acquisition of land in Jining, Shandong Province, PRC of HK$60,939,000, was impaired, since the directors of the Company cannot assess the recoverability of the deposit paid as the date for the fulfillment of the remaining payment obligation under the sales and purchase agreement has expired and no completion has taken place by the Company's subsidiary due to shortfall of additional cash flow to settle the remaining outstanding balance of HK$16,043,000.

As mentioned in note 2(b) to the consolidated financial statements, the subsidiaries of the paper products operation were de-consolidated as from 1 April 2013. As a result, the deposits for acquisition of property, plant and equipment of HK$12,209,000 were also de-consolidated (note 38).

21. LOANS RECEIVABLE

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

	The Group	
	2014	2013
	HK$'000	HK$'000
Secured loans receivable	**–**	3,750
Less: Allowance for impairment	**–**	(3,750)
	–	–

Impairment of loans receivable

Loans receivable of HK$3,750,000 that were determined to be individually impaired as at 31 March 2013 related to several borrowers who have defaulted in payments.

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

21. LOANS RECEIVABLE (CONTINUED)

Movements in the allowance for impairment are as follows:

	The Group	
	2014	2013
	HK$'000	HK$'000
At beginning of year	**3,750**	160
Provision for impairment	**–**	4,141
Loans receivable written off	**–**	(551)
Eliminated on disposal of a subsidiary (note 39)	**(3,750)**	–
At end of year	**–**	3,750

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

22. INVENTORIES

	The Group	
	2014	2013
	HK$'000	HK$'000
Raw materials	**–**	16,588
Work-in-progress	**–**	1,208
Finished goods	**–**	29,850
	–	47,646

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

	The Group	
	2014	2013
	HK$'000	HK$'000
Carrying amount of inventories sold	**24,813**	199,941
Write down of inventories	**–**	13,251
	24,813	213,192

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

23. 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 (see note 2(h)).

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 (note 38)	**(757)**	–
At end of year	**–**	757

23. TRADE RECEIVABLES (CONTINUED)

(c) Trade receivables that are not impaired

The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired are as follows:

	The Group	
	2014	2013
	HK$'000	HK$'000
Past due but not impaired:		
— Less than three months past due	–	743
— Over three months but within six months past due	–	13
	–	756
Neither past due nor impaired	7,438	16,146
	7,438	16,902

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

24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	The Group	
	2014	2013
	HK$'000	HK$'000
Current portion of prepaid lease payment (note 16)	–	478
Deposits to suppliers	–	1,782
Deposits for rental and utilities	230	173
Prepayments	31	94
Other receivables	10	70
	271	2,597

	The Company	
	2014	2013
	HK$'000	HK$'000
Prepayments	30	18

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

25. AMOUNTS DUE FROM SUBSIDIARIES

Amounts due from subsidiaries

	The Company	
	2014	2013
	HK$'000	HK$'000
Amounts due from subsidiaries	**470,650**	454,228
Less: Impairment loss	**(468,220)**	(413,612)
	2,430	40,616

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

The amounts due from subsidiaries that were de-consolidated were fully impaired as the directors consider that the amounts were not recoverable. The directors consider that the recoverable amounts of the amounts due by subsidiaries other than those being de-consolidated were below their carrying amounts because of the net liabilities position as at 31 March 2014 and 2013. Accordingly, impairment loss has been recognised.

26. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash at banks and in hand	**3,484**	14,739	**137**	304

At the end of the reporting period, the cash and bank balances of the Group, which were denominated in Renminbi ("RMB"), amounted to approximately HK$1,000 (2013: HK$13,891,000). RMB is not freely convertible into other currencies. However, under PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

The interest rates on the cash at bank and deposits with banks was 0.01% (2013: 0.01% to 0.35%) per annum.

27. 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

	The Company	
	2014	2013
	HK$'000	HK$'000
Other payables		
— Accruals	**4,352**	3,503
— Other payables	**4,050**	4,000
— Amount due to a director	**–**	50
	8,402	7,553

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.

27. TRADE PAYABLES AND OTHER PAYABLES (CONTINUED)

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

28. PLEDGED BANK DEPOSITS AND BANK ACCEPTANCE NOTES PAYABLE

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

As at 31 March 2013, the Group's bank deposits of approximately HK$1,673,000 were pledged as security against the Group's import loan (note 29).

The Company's subsidiary Jining Gangning and certain of its suppliers entered into financing arrangements with certain PRC banks by issuing bank acceptance notes. Under these arrangements, Jining Gangning would instruct the PRC banks to issue bank acceptance notes to its suppliers. The PRC banks would require Jining Gangning to pledge bank deposits of 60% to 70% of the face value of the bank acceptance notes issued. The suppliers eventually remitted the proceeds back to Jining Gangning or returned to Jining Gangning the bank acceptance notes after endorsement. Jining Gangning was de-consolidated from the Group's consolidated financial statements as from 1 April 2013.

29. INTEREST-BEARING LOANS

	The Group			
	Effective interest rate	**2014 HK$'000**	Effective interest rate	2013 HK$'000
Unsecured bank loan (note 29(i))	**N/A**	**–**	7.44% to 12.68%	68,680
Secured bank loans (note 29(ii))	**N/A**	**–**	10.69% to 11.74%	25,988
Secured import loan (note 29(iii))	**N/A**	**–**	7.23%	2,482
		–		97,150
Carrying amount repayable:				
— within 1 year		**–**		97,150
Total		**–**		97,150
Amount classified as current liabilities		**–**		(97,150)
Amount classified as non-current liabilities		**–**		–

Notes:

(i) The unsecured bank loan was guaranteed by a customer and certain independent third parties.

(ii) As at 31 March 2013, the secured bank loans are secured by legal charges over the Group's prepaid lease payments (note 16) with an aggregate carrying amount of HK$18,180,000 and buildings (note 15) with an aggregate carrying amount of HK$25,514,000.

(iii) The secured import loan is denominated in USD and secured by bank deposit of approximately HK$1,673,000 (note 28).

(iv) As mentioned in note 2(b) to the consolidated financial statements, the subsidiaries of the paper products operation were de-consolidated as from 1 April 2013. As a result, the interest-bearing loans of HK$97,150,000 were also de-consolidated (note 38).

30. INCOME TAX IN THE STATEMENT OF FINANCIAL POSITION

(a) Deferred tax assets and liabilities recognised:

The components of deferred tax liabilities recognised at 31 March 2014 and the movements during the two years ended 31 March 2013 and 2014 are as follows:

The Group

		Fair value adjustment of				
	Note	Property, plant and equipment HK$'000	Prepaid lease payment HK$'000	Intangible assets HK$'000	Convertible bonds HK$'000	Total HK$'000
At 1 April 2012		1,201	70	46,619	–	47,890
Recognised directly in equity		–	–	–	6,662	6,662
Exchange realignment		1	–	–	–	1
De-consolidation of subsidiaries	38	–	–	(46,619)	–	(46,619)
Credit to profit or loss	8(a)	(1,202)	(70)	–	(2,598)	(3,870)
At 31 March 2013		–	–	–	4,064	4,064
At 1 April 2013		–	–	–	4,064	4,064
Credit to equity		–	–	–	(3,456)	(3,456)
Credit to profit or loss	8(a)	–	–	–	(608)	(608)
At 31 March 2014		–	–	–	–	–

The Company

	Convertible bonds HK$'000
At 1 April 2012	–
Recognised directly in equity	6,662
Credit to profit or loss	(2,598)
At 31 March 2013	4,064
At 1 April 2013	4,064
Credit to equity	(3,456)
Credit to profit or loss	(608)
At 31 March 2014	–

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

(b) Deferred tax assets and liabilities not recognised:

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

	The Group	
	2014	2013
	HK$'000	HK$'000
Tax losses	**1,799**	9,125
Temporary differences	**(91)**	25,793
	1,708	34,918

At the end of the reporting period, the Group and the Company have unused tax losses of approximately HK$10,902,000 and HK$1,067,000 (2013: HK$46,109,000 and HK$1,067,000) respectively available to offset against future profits. No deferred tax assets has been recognised in respect of the tax losses (2013: HK$Nil) due to unpredictability of future profit stream. The tax losses do not expire under current tax legislation except for an amount of HK$Nil (2013: HK$31,073,000), which will expire in five years.

As at 31 March 2014, the Group has taxable temporary differences of HK$91,000 (2013: deductible temporary differences of HK$25,793,000). No deferred tax liability has been recognised in 2014 in view of the insignificant amount and no deferred tax assets has been recognised in 2013 due to unpredictability of future profit streams.

31. CONVERTIBLE BONDS AND DERIVATIVE FINANCIAL LIABILITIES

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

		Derivative financial instruments
	Liability component	Put option
	HK$'000	HK$'000
At 1 April 2012	–	–
Issuance during the year (note (i))	44,708	12,286
Interest expense charged for the year (note 6)	3,954	–
Fair value change of embedded derivatives (note 5)	–	(9,856)
Conversion	(18,739)	(1,671)
At 31 March 2013	29,923	759
Interest expense charged for the year (note 6)	3,685	–
Fair value change of embedded derivatives (note 5)	–	(100)
Conversion	(33,608)	(659)
At 31 March 2014	–	–

31. CONVERTIBLE BONDS AND DERIVATIVE FINANCIAL LIABILITIES (CONTINUED)

Notes:

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

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

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

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

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

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

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

31. CONVERTIBLE BONDS AND DERIVATIVE FINANCIAL LIABILITIES (CONTINUED)

Notes: (Continued)

(ii) (Continued)

The inputs into the model on initial recognition date of 6 December 2012 and at subsequent dates of conversion on 28 December 2012, 27 February 2013, 1 March 2013, 14 March 2013, 21 March 2013, 9 April 2013, 30 May 2013, 17 July 2013, 30 August 2013, 16 September 2013, 16 October 2013, 18 October 2013, 23 October 2013, 28 October 2013, 29 October 2013, 2 December 2013 and at the year end date of 31 March 2013 respectively were as follows:

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

	31/3/2013	9/4/2013	30/5/2013	17/7/2013	30/8/2013	16/9/2013
Share price:	HK$0.600	HK$0.630	HK$0.770	HK$0.840	HK$0.780	HK$0.800
Conversion price:	HK$0.08	HK$0.08	HK$0.08	HK$0.08	HK$0.08	HK$0.08
Risk-free rate:	0.20%	0.19%	0.26%	0.37%	0.37%	0.35%
Expected dividend yield:	0%	0%	0%	0%	0%	0%
Annualised volatility:	107%	107%	110%	113%	115%	115%

	16/10/2013	18/10/2013	23/10/2013	28/10/2013	29/10/2013	2/12/2013
Share price:	HK$0.740	HK$0.840	HK$0.760	HK$0.770	HK$0.770	HK$0.510
Conversion price:	HK$0.08	HK$0.08	HK$0.08	HK$0.08	HK$0.08	HK$0.08
Risk-free rate:	0.29%	0.27%	0.24%	0.24%	0.24%	0.23%
Expected dividend yield:	0%	0%	0%	0%	0%	0%
Annualised volatility:	116%	117%	117%	118%	118%	114%

The liability component of the convertible bonds on initial recognition was estimated based on the present value of the contractual stream of cash flows using the effective interest rate of 32.24%.

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

During the year ended 31 March 2014, 762,500,000 ordinary shares of the Company of HK$0.01 each were issued upon conversion of convertible bonds with an aggregate principal amount of HK$61,000,000 at the conversion price of HK$0.08 in April 2013, May 2013, July 2013, August 2013, September 2013, October 2013 and December 2013.

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

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

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

The maximum aggregate number of shares permitted to be issued upon exercise of all outstanding options to be granted under the Existing Scheme is 3,872,225 (as adjusted for the share consolidation in year 2012) representing 10% of the total number of issued shares of the Company at 11 August 2009, being the date of approval of the refreshment of the maximum limit under the Existing Scheme.

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

The maximum aggregate number of shares permitted to be issued upon exercise of all outstanding options to be granted under the New Scheme is 7,594,725 (as adjusted for the share consolidation in year 2012) representing 10% of the total number of issued shares of the Company at 23 August 2010, being the date of approval of the refreshment of the maximum limit under the New Scheme.

Under the Existing Scheme, 2,325,000 (as adjusted for the share consolidation in year 2012) outstanding options shall continue to be valid and exercisable in accordance with the rules of the Existing Scheme. The directors confirm that no further options would be granted under the Existing Scheme prior to 23 August 2010.

The maximum aggregate number of shares permitted to be issued upon exercise of all outstanding options to be granted under the New Scheme is 13,119,725 (as adjusted for the share consolidation in year 2012), representing 10% of the total number of issued shares of the Company at 11 August 2011, being the date of approval of the refreshment of the maximum limit under the New Scheme.

As at 31 March 2014, a total of 2,325,000 and 2,150,000 shares (as adjusted for the share consolidation in year 2012) (2013: 4,272,500 and 3,712,500 shares) was issuable upon exercise of all share options granted under the Existing Scheme and the New Scheme respectively (collectively the "Schemes"), which represented 0.16% and 0.15% (2013: 0.6% and 0.5%) of the Company's issued share capital at that date.

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

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

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

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

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

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

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

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

	2014		2013	
	Weighted average exercise price HK$	**Shares underlying the options '000**	Weighted average exercise price HK$	Shares underlying the options '000
Outstanding at beginning of year	**3.741**	**7,985**	3.637	11,260
Lapsed during the year	**3.951**	**(3,510)**	3.385	(3,275)
Outstanding at end of year	**3.576**	**4,475**	3.741	7,985
Exercisable at end of year	**3.576**	**4,475**	3.741	7,985

The share options outstanding at 31 March 2014 had a weighted average remaining contractual life of 5.58 years (2013: 6.69 years).

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

The fair values of the share options were estimated as at the measurement date by using the Black-Scholes Options-Pricing Model, taking into account the terms and conditions upon which the options were granted. The significant assumptions and inputs used in the valuation model are as follows:

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

Notes:

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

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

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

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

33. EMPLOYEE RETIREMENT BENEFITS

Defined contribution retirement plan

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

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

No forfeited contributions were recognised during the year and there were no material forfeitures available to reduce the Group's future contributions at 31 March 2014 and 2013.

34. SHARE CAPITAL

(a) Ordinary shares

	2014 No. of shares '000	2014 Amount HK$'000	2013 No. of shares '000	2013 Amount HK$'000
Authorised				
Ordinary shares of HK$0.01 each (2013: HK$0.01 each)	**30,000,000**	**300,000**	30,000,000	300,000

	2014 HK$'000	2013 HK$'000
Issued and fully paid		
1,468,197,250 shares of HK$0.01 each (2013: 685,697,250 shares of HK$0.01 each)	**14,682**	6,857

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

	Note	Number of ordinary shares of HK$0.01 per share	Issued share capital HK$'000
At 1 April 2012		157,197,250	1,572
Placing of new shares	b(i)	41,000,000	410
Conversion of convertible bonds	b(ii)	487,500,000	4,875
At 31 March 2013		685,697,250	6,857
At 1 April 2013		685,697,250	6,857
Placing of new shares	b(iii)	20,000,000	200
Conversion of convertible bonds	b(iv)	762,500,000	7,625
At 31 March 2014		1,468,197,250	14,682

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

34. SHARE CAPITAL (CONTINUED)

(b) (Continued)

Notes:

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

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

(iii) On 11 October 2013, the Company placed and issued 20,000,000 ordinary shares with a par value of HK$0.01 each and recognised an increase in share capital of HK$200,000. These shares rank pari passu in all aspects with the then existing shares.

(iv) During the year ended 31 March 2014, 762,500,000 ordinary shares of the Company at HK$0.01 each were issued upon the conversion of convertible bonds with an aggregate principal amount of HK$61,000,000 at the conversion price of HK$0.08 in April 2013, May 2013, July 2013, August 2013, September 2013, October 2013 and December 2013. The shares issued rank pari passu in all aspects with the then existing shares.

35. RESERVES

The Group

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

The Company

	Share premium HK$'000	Accumulated losses HK$'000	Share options reserve HK$'000	Convertible bonds equity reserve HK$'000	Warrants reserve HK$'000	Total HK$'000
At 1 April 2012	382,319	(44,943)	22,130	–	1,500	361,006
Issuance of convertible bonds, net of issuance expenses	–	–	–	40,375	–	40,375
Deferred tax liability on recognition of equity components of convertible bonds (note 30(a))	–	–	–	(6,662)	–	(6,662)
Placing of new shares (note 34(b)(i))	7,006	–	–	–	–	7,006
Share issuance expenses	(146)	–	–	–	–	(146)
Conversion of convertible bonds (note 34(b)(ii))	28,683	–	–	(13,148)	–	15,535
Lapse of share options and warrants	–	7,622	(6,122)	–	(1,500)	–
Loss for the year	–	(425,331)	–	–	–	(425,331)
At 31 March 2013	417,862	(462,652)	16,008	20,565	–	(8,217)
At 1 April 2013	417,862	(462,652)	16,008	20,565	–	(8,217)
Placing of new shares (note 34(b)(iii))	12,200	–	–	–	–	12,200
Share issuance expenses	(310)	–	–	–	–	(310)
Conversion of convertible bonds (note 34(b)(iv))	50,663	–	–	(24,021)	–	26,642
Release of deferred tax liability upon conversion of convertible bonds (note 30(a))	–	–	–	3,456	–	3,456
Lapse of share options	–	7,532	(7,532)	–	–	–
Loss for the year	–	(54,257)	–	–	–	(54,257)
At 31 March 2014	480,415	(509,377)	8,476	–	–	(20,486)

35. RESERVES (CONTINUED)

Nature and purpose of reserves

(i) Share premium

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

(ii) Share option reserve

The share option reserve relates to share options granted under the Company's share option scheme. Further information about share-based payments to employees is set out in note 32.

(iii) Convertible bonds equity reserve

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

(iv) Exchange reserve

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

(v) Warrant reserve

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

(vi) Statutory reserve

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

(vii) Distributability of reserve

At 31 March 2014, the Company had no distributable reserve (2013: Nil).

36. COMMITMENTS

(a) Capital commitments

The Group had the following capital commitments in respect of prepaid lease payments and the acquisition of property, plant and equipment at the end of the reporting period:

	The Group	
	2014	2013
	HK$'000	HK$'000
Contracted, but not provided for:	**–**	36,256

(b) Operating lease commitments

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

	The Group	
	2014	2013
	HK$'000	HK$'000
Within one year	**936**	360
In the second to fifth year inclusive	**780**	432
After fifth year	**–**	–
	1,716	792

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

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

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

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

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

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

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

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

The directors of the Company, by reference to the valuation report issued by a professional valuer, considered that the fair values of the Option at the date of grant and as at 31 March 2014 and 2013 were insignificant.

38. DE-CONSOLIDATION OF SUBSIDIARIES

As mentioned in note 2(b) to the consolidated financial statements, the Group's subsidiaries a) Jining Gangning Paper Company Limited, Mega Bright Investment Development Limited and Glory Smile Enterprises Limited have been de-consolidated from the consolidated financial statements of the Group as from 1 April 2013; and b) Zhongshan Jiu He Bioplastics Company Limited, Dongguan Jiu He Bioplastics Company Limited, Fast Rise Development Limited, Ever Stable Holdings Limited and, World Champion Investments Limited have been de-consolidated from the consolidated financial statements of the Group as from 1 April 2012 respectively.

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

(a) Jining Gangning Paper Company Limited, Mega Bright Investment Development Limited and Glory Smile Enterprises Limited:

	HK$'000
Property, plant and equipment	94,830
Goodwill	–
Prepaid lease payments	17,702
Deposit for acquisition for property, plant and equipment	12,209
Inventories	47,646
Trade receivables	16,189
Prepayments, deposits and other receivables	2,378
Pledged deposit	156,051
Cash and cash equivalents	13,918
Trade payables	(16,473)
Other payables	(217,851)
Bill payables	(231,227)
Short-term bank loan	(97,150)
	(201,778)
Exchange reserve	(14,341)
Non-controlling interests	51,936
Net gain on de-consolidation of subsidiaries	(164,183)
Analysis of net outflow of cash and cash equivalents arising from de-consolidation of subsidiaries	(13,918)

38. DE-CONSOLIDATION OF SUBSIDIARIES (CONTINUED)

(b) Zhongshan Jiu He Bioplastics Company Limited, Dongguan Jiu He Bioplastics Company Limited, Fast Rise Development Limited, Ever Stable Holdings Limited and, World Champion Investments Limited

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

39. DISPOSAL OF A SUBSIDIARY

On 27 September 2013, the Group disposed of Success Finance Limited which carried on the Group's money-lending business at a consideration of HK$1.

Consideration received

	2014 HK$'000
Consideration received in cash and cash equivalents	–
Total consideration received	–

39. DISPOSAL OF A SUBSIDIARY (CONTINUED)

Analysis of asset and liabilities over which control was lost

	2014 HK$'000
Net liabilities disposal of	
Current asset	
Other receivables	**68**
Non-current asset	
Property, plant and equipment	**169**
Goodwill	**90**
Current liability	
Other payables	**(376)**
	(49)
Gain on disposal of a subsidiary	
Consideration received	**–**
Net liabilities disposed of	**49**
Gain on disposal	**49**

The gain on disposal is included in the loss for the year from discontinued operation.

Net cash inflow on disposal of a subsidiary	
Consideration received in cash and cash equivalents	**–**

40. 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.

40. CONTINGENT LIABILITIES (CONTINUED)

Pending litigations (Continued)

(i) (Continued)

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.

40. CONTINGENT LIABILITIES (CONTINUED)

Pending litigations (Continued)

(ii) (Continued)

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) to the consolidated financial statements, 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.

40. CONTINGENT LIABILITIES (CONTINUED)

Alleged financial guarantee agreement (Continued)

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) to the consolidated financial statements, 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) to the consolidated financial statements, 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.

41. MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel compensation

Remuneration for key management personnel, including amounts paid to the Company's directors as disclosed in note 11(a) is as follows:

	The Group	
	2014	2013
	HK$'000	HK$'000
Short-term employee benefits	**1,763**	1,566
Equity compensation benefits	**–**	–
	1,763	1,566

The Company considers that all members of key management consist of directors of the Company. Details of the compensation of directors of the Company are included in note 11 to the financial statements.

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

(b) In the year 2013, one of the directors of Jining Gangning and his spouse together with another director of Jining Gangning had provided personal guarantees to a bank of RMB8,000,000 for general banking facilities granted to Jining Gangning. Jining Gangning was de-consolidated from the Group's consolidated financial statements as from 1 April 2013.

42. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Categories of financial instruments:

	The Group	
	2014	2013
	HK$'000	HK$'000
Financial assets		
Fair value through profit or loss	**–**	–
Loans and receivables (including cash and cash equivalents)	**11,162**	187,935
Available-for-sale financial assets	**180**	180
Financial liabilities		
Fair value through profit or loss	**–**	759
Amortised cost	**19,032**	411,731

	The Company	
	2014	2013
	HK$'000	HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**137**	304
Financial liabilities		
Fair value through profit or loss	**–**	759
Amortised cost	**8,402**	37,476

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

42. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

Capital management

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

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

The Group monitors capital using a gearing ratio, determined as the proportion of net debt to equity derived from the consolidated statement of financial position. The following table analyses the Group's capital structure as at 31 March 2014:

	2014 **HK$'000**	2013 HK$'000
Debts (note (i))	**–**	127,832
Less: Cash and cash equivalents (note 26)	**(3,484)**	(14,739)
Net debt	**(3,484)**	113,093
Total equity (note (ii))	**(6,619)**	(56,996)
Net debt to equity ratio	**N/A**	(198.42%)

Notes:

(i) Debt comprises long-term and short-term interest-bearing loans, convertible bonds and derivative financial liabilities as detailed in notes 29 and 31 respectively.

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

42. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Credit risk

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

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

(ii) In respect of trade receivables, the Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk. At the end of the reporting period, the Group has certain concentration of credit risk as approximately 74% (2013: 12%) and 100% (2013: 37%) of the Group's trade receivables was attributable to one single customer and five customers respectively.

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

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

(v) Further quantitative disclosures in respect of the Group's exposure to credit risk arising from loans receivable, trade receivables and other receivables are set out in notes 21, 23 and 24 respectively.

(b) Liquidity risk

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

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

42. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Liquidity risk (Continued)

The Group

At 31 March 2014

	Less than 1 year or on demand HK$'000	**Between 1 to 2 years HK$'000**	**Between 2 to 5 years HK$'000**	**Total contractual undiscounted cash flow HK$'000**	**Carrying amount HK$'000**
Trade payables	**9,713**	**–**	**–**	**9,713**	**9,713**
Other payables	**9,319**	**–**	**–**	**9,319**	**9,319**
	19,032	**–**	**–**	**19,032**	**19,032**

At 31 March 2013

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

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

42. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Liquidity risk (Continued)

The Company

At 31 March 2014

	Less than 1 year or on demand HK$'000	Between 1 to 2 years HK$'000	Between 2 to 5 years HK$'000	Total contractual undiscounted cash flow HK$'000	Carrying amount HK$'000
Other payables	**8,402**	**–**	**–**	**8,402**	**8,402**

At 31 March 2013

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

(c) Interest rate risk

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

The Group's interest rate risk arises primarily from short-term bank borrowings. As at 31 March 2014, except for the bank borrowing of HK$Nil (2013: HK$45,168,750) which had an average effective interest rate of nil per annum (2013: 9.47% per annum), the Group and the Company had no significant variable interest-bearing assets and liabilities.

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

42. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(c) Interest rate risk (Continued)

(ii) Sensitivity analysis

As at 31 March 2014, it is estimated that an increase/decrease of 50 basis points in interest rates, with all other variables held constant, would cause the Group's net loss and accumulated losses to increase/decrease by approximately HK$Nil (2013: HK$169,000), arising as a result of higher/lower interest expenses. There would be no impact on other components of the Group's equity.

As at 31 March 2014, it is estimated that an increase/decrease of 50 basis points in interest rates, with all other variables held constant, would cause the Company's net loss and accumulated losses to increase/decrease by approximately HK$Nil (2013: HK$Nil), arising as a result of higher/lower interest expenses. There would be no impact on other components of the Company's equity.

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

(d) Foreign currency risk

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

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

(i) Exposure to currency risk

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

	The Group Exposure to foreign currencies (expressed in HK$'000)	
	2014 **USD**	2013 USD
Accounts payables	**5,218**	2,519
Interest-bearing loan	**–**	2,482
Gross exposure arising from recognised assets and liabilities	**5,218**	5,001

42. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(d) Foreign currency risk (Continued)

(ii) Sensitivity analysis

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

	2014		2013	
	Increase/ (decrease) in foreign exchange rate	Effect on loss after tax and accumulated losses HK$'000	Increase/ (decrease) in foreign exchange rate	Effect on loss after tax and accumulated losses HK$'000
USD	**1%**	**44**	1%	38
	(1%)	**(44)**	(1%)	(38)

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

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the end of the next annual reporting period. The analysis is performed on the same basis for 2013.

(e) Other price risk

The Group is exposed to equity price risk arising from changes in the Company's own share price to the extent that the Company's own equity instruments underlie the fair values of derivatives or other financial liabilities of the Group. As at the end of the reporting period of 31 March 2014, the Group is exposed to this risk through the conversion rights attached to the convertible note issued by the Company as disclosed in note 31. The analysis is performed on the same basis for 2013.

(f) Fair value of financial instruments

Financial instruments carried at fair value

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

Level 1: Fair value measured using only Level 1 inputs, that is, unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2: Fair value measured using Level 2 inputs, that is, observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

Level 3: Fair value measured using significant unobservable inputs.

42. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(f) Fair value of financial instruments (Continued)

Financial instruments carried at fair value (Continued)

The Group held certain derivative financial instruments which are carried in the financial statements at fair value. The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

There were no financial instruments carried at fair value as at 31 March 2014.

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

In respect of the derivative financial liabilities, as further stated in note 31 to the financial statements, their fair value was measured based on a valuation technique for which all inputs, which have a significant effect on the recorded fair value, are observable either directly or indirectly.

Reconciliation of Level 3 fair value measurements of financial assets

	Contingent consideration asset	
	2014 HK$'000	2013 HK$'000
Opening balance	**–**	19,630
Fair value loss recognised in net loss on de-consolidation of subsidiaries (note 38)	**–**	(19,630)
Closing balance	**–**	–

The derivative financial assets of the Group as at 1 April 2012 represents the profit guarantee provided to the Group by the vendor in respect of the acquisition of the entire equity interest in Ever Stable Holdings Limited, which was de-consolidated as from 1 April 2012. The fair value of the profit guarantee as at 31 March 2012 was determined to be approximately HK$19,630,000 by reference to a valuation performed by LCH (Asia-Pacific) Surveyors Limited, an independent qualified professional valuer. The valuation was based on financial budget plans approved by management for 2012, 2013 and 2014.

42. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(f) Fair value of financial instruments (Continued)

Financial instruments carried at fair value (Continued)

Reconciliation of Level 3 fair value measurements of financial assets (Continued)

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

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

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

(g) Estimation of fair values

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

Interest-bearing loans and borrowings

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

43. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(i) Depreciation and amortisation

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

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

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

43. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

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

(iii) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with HKAS 36: Impairment of Assets ("HKAS 36"). The recoverable amounts of cash-generating units have been determined based on value in use calculations. These calculations require the use of estimates. Had the pre-tax discount rate and terminal growth rate applied to the discounted cash flow been different from the management's estimate, the goodwill might result in impairment. Details of the assumptions are described in note 17.

(iv) Impairment of intangible assets

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

(v) Impairment of trade, loans and other receivables

The policy for impairment assessment for trade, loans and other receivables of the Group is based on the evaluation of collectibility and an aging analysis of the receivables and on the judgement of the management. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer or borrower. As at 31 March 2014, allowance for impairment of doubtful loans receivable was HK$Nil (2013: HK$3,750,000), while allowance for impairment of doubtful trade and other receivables was HK$Nil (2013: HK$757,000). If the financial conditions of borrowers or customers of the Group were to deteriorate, resulting in further impairment of their ability to make payments, additional provision may be required.

(b) Sources of estimation uncertainty

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

The Group's directors and employees have been awarded share options under the Company's share option scheme for their services rendered to the Group. The Company has applied the Black-Scholes Options Pricing Model to determine the grant-date fair values of the options granted. Significant judgement and estimates are required to determine the assumptions input to the model, including the risk-free interest rate, the expected volatility and the expected life of the options. Changes in these assumptions could have a material effect on the fair values of the options granted, which in turn could result in a material impact on the share option expense recognised for the year. Further details of the Company's share options and share option expense are set out in note 32.

44. COMPARATIVE FIGURES

Certain comparative figures have been re-presented as a result of the discontinued operations of the Group's money-lending business during the current year.

45. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2014

Up to the date of issue of these financial statements, the HKICPA has issued the following amendments, new standards and interpretations which are not yet effective for the year ended 31 March 2014 and which have not been adopted in these financial statements.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010–2012 Cycle[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011–2013 Cycle[5]
HKFRS 9	Financial Instruments[3]
HKFRS 14	Regulatory Deferral Accounts[4]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[1]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[6]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[6]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[5]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets[1]
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
HK (IFRIC)-Int 21	Levies[1]

1 Effective for annual periods beginning on or after 1 January 2014
2 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions
3 Available for application — the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised
4 Effective for first annual HKFRS financial statements beginning on or after 1 January 2016
5 Effective for annual periods beginning on or after 1 July 2014
6 Effective for annual periods beginning on or after 1 January 2016

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

In addition, the requirements of Part 9, "Accounts and Audit", of the new Hong Kong Companies Ordinance (Cap. 622) come into operation from the Company's first financial year commencing after 3 March 2014 (that is, the Company's financial year which began on 1 April 2014) in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of the expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9. So far it has concluded that the impact is unlikely to be significant and will primarily only affect the presentation and disclosure of information in the consolidated financial statements.