



LONG SUCCESS
百齡國際

**LONG SUCCESS
INTERNATIONAL (HOLDINGS) LIMITED**

(incorporated in Bermuda with limited liability)
(Stock Code : 8017)

2014
FIRST QUARTERLY REPORT

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

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



HIGHLIGHTS

FINANCIAL HIGHLIGHTS

The Company and its subsidiaries (collectively, the “Group”) recorded an unaudited revenue of approximately HK\$13,375,000 for the three months ended 30 June 2014 (the “Reporting Period”), representing a decrease of approximately 69.7% as compared with approximately HK\$44,172,000 for the last corresponding period.

The unaudited loss for the period attributable to owners of the Company for the Reporting Period was approximately HK\$2,659,000, representing an decrease of approximately 71.4% as compared with approximately HK\$9,291,000 for the last corresponding period.

The board of directors of the Company (the “Board”) does not recommend any payment of interim dividend for the Reporting Period.

FIRST QUARTERLY RESULTS

The unaudited condensed consolidated results of the Group for the three months ended 30 June 2014 together with the unaudited comparatives for the corresponding period in 2013 are as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Unaudited Three months ended 30 June	
		2014 HK\$'000	2013 HK\$'000
Revenue	4	13,375	44,172
Cost of sales		(12,599)	(48,336)
Gross (loss)/profit		776	(4,164)
Other net income and net gains		–	910
Selling expenses		–	(49)
Administrative expenses		(3,435)	(7,130)
Operating loss		(2,659)	(10,433)
Finance costs		–	(3,842)
Loss before taxation		(2,659)	(14,275)
Income tax	5	–	933
Loss for the period from continuing operations		(2,659)	(13,342)
Discontinued operations			
Loss for the period from discontinued operations		–	(292)
Loss for the period		(2,659)	(13,634)
Other comprehensive income			
Exchange differences on translating foreign operations		–	973
Total comprehensive loss for the period		(2,659)	(12,661)

	Note	Unaudited Three months ended 30 June	
		2014 HK\$'000	2013 HK\$'000
Loss for the period attributable to:			
Owners of the Company		(2,659)	(9,291)
Non-controlling interests		–	(4,343)
		(2,659)	(13,634)
Total comprehensive loss for the period attributable to:			
Owners of the Company		(2,659)	(8,562)
Non-controlling interests		–	(4,099)
		(2,659)	(12,661)
Loss per share attributable to owners of the Company	6		
From continuing and discontinued operations			
— Basic (HK cents per share)		(0.181)	(1.157)
— Diluted (HK cents per share)		(0.181)	(1.157)
From continuing operations			
— Basic (HK cents per share)		(0.181)	(1.120)
— Diluted (HK cents per share)		(0.181)	(1.120)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 30 JUNE 2013

	Attributable to owners of the Company										
	Share capital HK\$'000	Share premium HK\$'000	Exchange reserve HK\$'000	Share option reserve HK\$'000	Warrant 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 (audited)	6,857	417,862	14,341	16,008	-	20,565	(481,735)	1,042	(5,060)	(51,936)	(56,996)
Loss for the period	-	-	-	-	-	-	(9,291)	-	(9,291)	(4,343)	(13,634)
Exchange difference arising during the period	-	-	729	-	-	-	-	-	729	244	973
Total comprehensive loss	-	-	729	-	-	-	(9,291)	-	(8,562)	(4,099)	(12,661)
Conversion of convertible bonds	1,750	10,186	-	-	-	(4,720)	-	-	7,216	-	7,216
Lapse of shares option	-	-	-	(3,731)	-	-	3,731	-	-	-	-
At 30 June 2013 (unaudited)	8,607	428,048	15,070	12,277	-	15,845	(487,295)	1,042	(6,406)	(56,035)	(62,441)

FOR THE PERIOD ENDED 30 JUNE 2014

	Attributable to owners of the Company										
	Share capital HK\$'000	Share premium HK\$'000	Exchange reserve HK\$'000	Share option reserve HK\$'000	Warrant 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 2014 (audited)	14,682	480,415	-	8,476	-	-	(510,192)	-	(6,619)	-	(6,619)
Loss and total comprehensive loss for the period	-	-	-	-	-	-	(2,659)	-	(2,659)	-	(2,659)
At 30 June 2014 (unaudited)	14,682	480,415	-	8,476	-	-	(512,851)	-	(9,278)	-	(9,278)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements for the three months ended 30 June 2014 have been prepared in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure requirements of the GEM Listing Rules.

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

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

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

Going concern

The Group incurred unaudited loss for the period ended 30 June 2014 of approximately HK\$2,659,000 and as of that date, the Group's unaudited current liabilities exceeded its current assets by HK\$10,251,000, while net liabilities of the Group amounted to approximately HK\$9,278,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

The directors of the Company have been taking active steps to improve the liquidity position of the Group. These steps included (1) one of the existing director of the Company has confirmed his intention and ability to provide continuing financial support to the Group so as to enable it to meet its liabilities as and when they fall due and to carry on its business for the foreseeable future; (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 placement, open offer 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.

In light of the measures and arrangements as described above, the directors have concluded that the Group will have sufficient working capital to meet its financial obligation as and when they fall due. Accordingly, the directors are of the opinion that it is appropriate to prepare these consolidated financial statements on a going concern basis. Should the going concern assumption be inappropriate, adjustments may have to be made to reflect the situation that assets may need to be realised other than at the amounts at which they are currently recorded in the consolidated statement of financial position. In addition, the Group may have to provide for further liabilities that might arise, and to reclassify non-current assets and liabilities as current assets and liabilities.

De-consolidation of subsidiaries

The unaudited condensed consolidated financial statements were prepared based on the books and records maintained by the Company and its subsidiaries. However, the current directors of the Company had been unable to obtain complete set of books and records together with the supporting documents of the following's PRC subsidiaries within the relevant segments.

(i) *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".

(ii) *Biodegradable products operating segment*

The directors of the Company had been unable to obtain complete set of books and records together with the supporting documents of the Group's PRC subsidiaries, Dongguan Jiu He Bioplastics Company Limited (東莞九禾生物塑料有限公司) and Zhongshan Jiu He Bioplastics Company Limited (中山九禾生物塑料有限公司) (the "Biodegradable Products Segment Subsidiaries") due to the resignations of the key management staff in early 2013 and the unwillingness of the holders of non-controlling interests who were managing the PRC Subsidiaries (the "non-controlling shareholders") to co-operate in the reconstruction of the books and accounts. The PRC Subsidiaries and their respective holding companies (the "Biodegradable Products Segment Holding Companies"), namely Fast Rise Development Limited, Ever Stable Holdings Limited and World Champion Investments Limited (together referred to as the "De-consolidated Subsidiaries of the Biodegradable Products Segment") formed the Group's biodegradable products operating segment.

In the absence of complete set of books and records and the non-cooperation of the non-controlling shareholders, the Biodegradable Products Segment Subsidiaries had been de-consolidated from the consolidated financial statements of the Group as from 1 April 2012. Since the Biodegradable Products Segment Holding Companies were merely holding the interests of the Biodegradable Products Segment Subsidiaries as their principal operations, the directors of the Company consider that the Biodegradable Products Segment Holding Companies should also be de-consolidated as it would be meaningless and to a certain extent confusing to consolidate only the Biodegradable Products Segment Holding Companies that would include only a part of the assets and liabilities of the entire biodegradable products operating segment. As a result, the Biodegradable Products Segment Holding Companies were also de-consolidated from the consolidated financial statements as from 1 April 2012. The de-consolidation of the Biodegradable Products Segment Holding Companies was not in accordance with the Hong Kong Financial Reporting Standard 10 "Consolidated Financial Statements".

The 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 and the Company has successfully obtained the bankruptcy order against the Vendor on 30 July 2014.

The Comparative figures of the unaudited condensed consolidated results have not been restated and the previous results of the De-consolidated Subsidiaries of the Paper Products Segment for the period from 1 April to 30 June 2013 were included in the comparative figure, based on the books and records maintained by the De-consolidated Subsidiaries of the Paper Products Segment at the time.

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and method of computation used in the preparation of the unaudited condensed consolidated financial statements are consistent with those applied in the Group's audited financial statements for the year ended 31 March 2014.

3. ADOPTION OF NEW AND REVISED HKFRSs

In the current period, the Group has adopted a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), amendments to Hong Kong Accounting Standards ("HKASs") and interpretations ("Ints") (hereinafter collectively referred to as "new HKFRSs") issued by the HKICPA that are relevant to the Group and effective for accounting periods beginning on or after 1 April 2014. The adoption of these new HKFRSs did not result in substantial changes to the Group's accounting policies and amounts reported for the current year and prior years.

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

4. REVENUE AND SEGMENT INFORMATION

The Group manages its businesses by divisions, which are organised by a business lines (products and services) in a manner consistent with the way in which information is reported internally to the Board, 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;
- (ii) Biodegradable products — manufacturing, processing and sales of biodegradable products;
- (iii) Wine and alcohol — trading of wine and alcohol; and
- (iv) Timber — trading of timber.

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	–	44,172
Biodegradable products	–	–
Wine and alcohol	9,600	–
Timber	3,775	–
	13,375	44,172

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

	Unaudited Three months ended 30 June 2014		Unaudited Three months ended 30 June 2013	
	Turnover HK\$'000	Segment Profit/ (Loss) HK\$'000	Turnover HK\$'000	Segment Profit/ (Loss) HK\$'000
Sale of wine and alcohol	9,600	47	–	–
Sale of timber	3,775	289	–	–
Sale of paper products	–	–	44,172	(6,953)
Sales of biodegradable products	–	–	–	–
	13,375	336	44,172	(6,953)
Unallocated expense		(2,995)		(3,480)
Finance costs		–		(3,842)
Loss before tax		(2,659)		(14,275)
Income tax		–		933
Loss for the period		(2,659)		(13,342)

	Unaudited Three months ended 30 June 2014 Turnover HK\$'000	Unaudited Three months ended 30 June 2013 Turnover HK\$'000
Hong Kong (place of domicile)	9,600	–
The PRC	3,775	44,172
	13,375	44,172

5. INCOME TAX

Hong Kong profits tax is calculated at 16.5% (2013: 16.5%) of the estimated assessable profit for the period. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

6. LOSS PER SHARE

The calculation of the basic loss per share from continuing and discontinued operations is based on the loss attributable to owners of the Company for the three months ended 30 June 2014 of approximately HK\$2.66 million (2013: HK\$9.29 million) and the weighted average number of 1,468,197,250 (2013: 803,279,668) ordinary shares in issue during the period.

The basic and diluted loss per share from continuing and discontinued operations are the same for the three months ended 30 June 2014 and 2013 respectively, as the share options, warrants and convertible note/bonds outstanding during the periods are anti-dilutive.

The calculation of the basic loss per share from continuing operations is based on the loss attributable to owners of the Company for the three months ended 30 June 2014 of approximately HK\$2.66 million (2013: HK\$9.00 million) and the weighted average number of 1,468,197,250 (2013: 803,279,668) ordinary shares in issue during the period.

The basic and diluted loss per share from continuing operations are the same for the three months ended 30 June 2014 and 2013 respectively, as the share options, warrants and convertible note/bonds outstanding during the periods are anti-dilutive.

7. INTERIM DIVIDEND

The Board of the Company does not recommend the payment of interim dividend for the period (2013: Nil).

8. SHARE CAPITAL

	Number of shares		Amount	
	30 June		30 June	
	2014	2013	2014	2013
	'000	'000	HK\$'000	HK\$'000
Authorised				
Ordinary shares of HK\$0.01 each (2013: HK\$0.01 each)	30,000,000	30,000,000	300,000	300,000
Issued and fully paid:				
1,468,197,250 shares of HK\$0.01 each (2013: 860,697,250 shares of HK\$0.01 each)			14,682	8,607

9. CONTINGENT LIABILITIES

Pending litigations

- (i) As mentioned in the Company's clarification announcements dated 22 April 2013 and 30 April 2013 respectively, the Company has received a writ of summons under HCA 648/2013 (the "Proceedings") issued on 19 April 2013 wherein an individual as plaintiff (the "Plaintiff") claimed against the Company as defendant for an alleged dishonoured cheque (the "Cheque") dated 9 April 2013 in the sum of HK\$80,000,000 together with interest and costs. The Cheque, being the subject matter of the Proceedings and apparently bore the signature of Mr. Wong Kam Leong, the ex-chairman of the Company, was issued without obtaining the authorisation or approval from the board of directors of the Company. The Company has lodged a report to the Police Department of Hong Kong for possible theft of the Cheque and/or conspiracy to defraud.

Up to the date of approval of these unaudited condensed 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 unaudited condensed consolidated financial statement as at 30 June 2014.

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

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

Up to the date of approval of these unaudited condensed 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 unaudited condensed consolidated financial statements for the period ended 30 June 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 unaudited condensed consolidated financial statements for the period ended 30 June 2014 as Mega Bright and Jining Gangning were de-consolidated from the Group's consolidated financial statements as from 1 April 2013.

- (iii) In the 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 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 unaudited condensed consolidated financial statements for the period ended 30 June 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.

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 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 unaudited condensed consolidated financial statements for the period ended 30 June 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 issued guarantees to the extent of approximate HK\$119.95 million as at 30 June 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 year.

As 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 unaudited condensed consolidated financial statements for the period ended 30 June 2014.

10. EVENTS AFTER THE REPORTING PERIOD

Referring to the Company's announcement dated 2 July 2014, 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 fully underwritten basis, for 32,000,000 placing shares (the "Placing Shares") to not less than six placees at a price of HK\$0.46 per Placing Share. The 32,000,000 Placing Shares represented approximately (i) 2.18% of the issued share capital of the Company on 2 July 2014; and (ii) 2.13% of the issued share capital of the Company as enlarged by the issue of 32,000,000 Placing Shares. The aggregate nominal value of the Placing Shares was HK\$320,000. The Placing Shares were issued under the general mandate. The estimated aggregate gross proceeds and net proceeds from the Placing was approximately HK\$14.7 million and HK\$14.3 million respectively. The Company intends to apply the net proceeds for the Group's general working capital and business development. Details of the issue of Placing Shares was set out in the announcement of the Company dated 2 July 2014.

The issue of Placing Shares was still not completed on the date of this report. The long stop date of the placing agreement was extended to 29 August 2014 pursuant to a supplemental placing agreement dated 31 July 2014 entered into between the placing agent and the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the Reporting Period, the Group has been principally engaged in the trading of wine and alcohol business.

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 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 de-consolidation 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 period ended 30 June 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

The general trading business started on the fourth quarter of 2013 and comprised the business of trading of other merchandise goods. For the period ended 30 June 2014, the Group's general trading business mainly represents the wine and alcohol trading business and timber trading business. It reported a revenue of approximately HK\$13.38 million and it accounted for approximately 100% of the Group's revenue for the period ended 30 June 2014. 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 for the year.

Wine and alcohol trading business:

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. During the Reporting Period, the wine and alcohol trading business reported a revenue of approximately HK\$9.60 million and it accounted for approximately 71.78% of the Group's revenue for the period ended 30 June 2014.

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 order to strengthen the market share in the wine and alcohol trading business in Hong Kong, the Group plans to further expand its business by directly distributing the wine and alcohol products to customers, including but not limited to, bar, restaurants and private clubs in Hong Kong. The Group has already entered into master sales agreement with some customers in early June 2014. The Group also plans to broaden its wine and alcohol products portfolio to expand its sales network. The Group is confident that the wine and alcohol trading business can be further developed.

Timber trading business:

During the Reporting Period, the Group is also participating in timber trading business. It reported a revenue of approximately HK\$3.78 million and it accounted for approximately 28.22% of the Group's revenue for the period ended 30 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.

OTHER SIGNIFICANT EVENTS

During the Reporting Period, the Group was mainly engaged in the trading of wine and alcohol 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 period ended 30 June 2014:

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 unaudited condensed 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 unaudited condensed consolidated financial statements as at 30 June 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.

Pursuant to the fact that Mr. Leung failed to satisfy or set aside the Statutory Demand, and upon permission granted by the High Court of Hong Kong, the Company issued a Creditor's Bankruptcy Petition against Mr. Leung on 9 May 2014. The said Petition was scheduled to be heard on 9 July 2014 and was subsequently adjourned by the Court to 30 July 2014. At the adjourned hearing on 30 July 2014, the court granted a bankruptcy order against Mr. Leung. Mr. Leung was adjudged bankrupt by the Court and the Official Receiver was appointed the provisional trustee of the estate of Mr. Leung.

The Company is currently assessing the effect of the Mr. Leung's bankruptcy and considering the possible actions, if any, to be taken in relation to the above proceedings.

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 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 unaudited condensed consolidated financial statements for the period ended 30 June 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 unaudited condensed 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 unaudited condensed consolidated financial statements for the period ended 30 June 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 unaudited condensed consolidated financial statements for the period ended 30 June 2014 as Mega Bright and Jining Gangning were de-consolidated from the Group's consolidated financial statements as from 1 April 2013.

OTHER POTENTIAL ACTIONS

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

As stated in the Company's announcement dated 26 June 2013, the Board of Directors is considering to discontinue the business operations of the two non-wholly owned subsidiaries of the Company under the biodegradable products operating segment, Zhongshan Jiu He and Dongguan Jiu He (the "Two Subsidiaries") in view of (i) severe liquidity problem throughout the year ended 31 March 2013 and the period ended 31 December 2013 due to the shortfall of capital injection; (ii) the resignation of key management staff of the Two Subsidiaries in early 2013. As such the Group was unable to obtain the complete sets of books and records of the Two Subsidiaries for the years ended 31 March 2013 and 31 March 2014; and (iii) unwillingness to cooperate by the non-controlling shareholders of the Two Subsidiaries in the continuation of the business operations.

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

(B) Potential legal action against Jining Gangning

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

FINANCIAL REVIEW

During the Reporting Period, the Group recorded an unaudited revenue of approximately HK\$13,375,000 (2013: HK\$44,172,000), representing a decrease of approximately 69.7% as compared with the last corresponding period. The decrease in revenue was mainly due to the de-consolidation of paper manufacturing business segment.

As compared to the same period of 2013, the gross margin has been improved from a gross loss margin of 9.43% for the period ended 30 June 2013 to gross profit margin of 5.80% for the period ended 30 June 2014. The gross profit margin was attributable from the general trading business.

Selling and distribution costs and administrative expenses for the Reporting Period amounted to approximately HK\$3,435,000 (2013: HK \$7,179,000), representing a decrease of approximately 52.15% as compared with the last corresponding period. This decrease was mainly due to the de-consolidation of the paper manufacturing business segment which accounted for HK\$3,698,000 in the last corresponding period.

Finance costs mainly represent the interest on bank borrowings and interest charged on convertible bonds. No finance costs (2013: HK\$3,842,000) were recorded during the Reporting Period because of the de-consolidation of paper manufacturing business segment and the fully conversion of convertible bonds during the year ended 31 March 2014.

For the period under review, the Group recorded a net loss attributable to owners of the Company of approximately HK\$2,659,000 (2013: HK\$9,291,000). The decrease in net loss was mainly due to the gross profit margin contributed from the general trading business and the de-consolidation of the paper manufacturing business segment which was loss making in the last corresponding period.

As at 30 June 2014, the Group's account of cash and bank balances was approximately HK\$3,322,000 (31 March 2014: approximately HK\$3,484,000) and had no bank borrowings (31 March 2014: Nil).

OUTLOOK

During the Reporting Period, the Group continued its principal businesses of the general trading business. The Board will continue to adopt a positive yet prudent approach in its investment strategy and will continue to seek other investment opportunities and to explore the feasibility of expansion into other business segments with a view to diversify the Group's business portfolio aiming to enhance the Group's profitability and the shareholders' value in the long run.

SHARE OPTION SCHEME

A share option scheme (the "Old Scheme") was approved and adopted by the shareholders of the Company at an annual general meeting held on 21 August 2006. Under the Old Scheme, the 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 Reporting Period are as follows:

Grantee	As at	Granted during the period	Cancelled/		As at	Date of grant (dd/mm/yy)	Exercisable period (dd/mm/yy)	Exercise price HK\$
	1 April 2014		lapsed during the period	Exercised during the period	30 June 2014			
Other employees and consultants								
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	400,000	-	-	-	400,000	01/09/09	01/09/09 to 31/08/19	3.20
In aggregate	750,000	-	-	-	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	400,000	-	-	-	400,000	12/07/11	12/07/11 to 11/07/21	3.00
Total	4,475,000	-	-	-	4,475,000			

DIRECTORS

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

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

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

As at 30 June 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 held	Number of underlying shares held	Total	Percentage of Shareholding
Director					
Mr. Kaneko Hiroshi	Personal Interest	80,000,000	–	80,000,000	5.45%

Save as disclosed above, at no time during the Reporting Period 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 30 June 2014, none of the Directors of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors to be notified to the Company and the Stock Exchange.

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

As at 30 June 2014, the Company has not been notified that any shareholders, other than a director or chief executive of the Company, had any interests or short positions in the shares, underlying shares and debentures of the Company as recorded in the register required to be kept under section 336 of the SFO.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 30 June 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.

AUDIT COMMITTEE

In compliance with Rules 5.28 to 5.33 of the GEM Listing Rules, the Company has established an audit committee comprising independent non-executive Directors, namely Mr. Wong Ka Shing, Mr. Yau Paul and Ms. Leung Shuk Lan. The Group's unaudited results for the three months ended 30 June 2014 have been reviewed by the audit committee. Members of the committee were of the opinion that the preparation of such results complied with the applicable accounting standards except for the de-consolidation as mentioned in note to the unaudited condensed consolidated financial statements, the Stock Exchange and legal requirements and that adequate disclosures had been made.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the three months ended 30 June 2014, neither the Company nor any of its holding companies or subsidiaries purchased, sold or redeemed any listed securities of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

On behalf of the Board
Kaneko Hiroshi
Chairman

8 August 2014, Hong Kong

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