PACIFIC PLYWOOD HOLDINGS LIMITED

太平洋實業控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 767)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2012

The Board of Directors (the "**Directors**") (the "**Board**") of Pacific Plywood Holdings Limited (the "**Company**") hereby announces the consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2012 and the comparative figures as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000 (Restated)
Turnover — gross proceeds	3	**48,640**	53,369
Revenue	4	**34,720**	53,369
Interest income		**29,981**	52,958
Others		**4,739**	411
Cost of sales		**(3,003)**	(2,652)
Interest expenses	5	**(200)**	(2,652)
Other cost of sales		**(2,803)**	–
Gross profit		**31,717**	50,717
Other income and gains	6	**7,505**	8
Reversal of impairment loss/(impairment loss) on loan and interest receivables, net	11	**65,423**	(145,171)
Change in fair value of convertible instruments designated as financial asset at fair value through profit or loss		**9,712**	–
Impairment loss on available-for-sale financial assets		**(19,278)**	(54,990)
Change in fair value of derivative financial assets		**(4,000)**	24,371
Change in fair value of investment held for trading		**3,030**	(1,231)
Change in fair value of convertible notes		**–**	(5,078)
Gain on disposal of a subsidiary		**–**	11,199
Share-based payment expenses		**(1,367)**	–
Selling and distribution expenses		**–**	(3,692)
Administrative expenses		**(27,141)**	(18,446)

* For identification purposes only

	Notes	2012 HK$'000	2011 HK$'000 (Restated)
Operating profit (loss)		**65,601**	(142,313)
Finance costs	5	**(3,334)**	–
Profit (loss) before tax		**62,267**	(142,313)
Income tax credit (expense)	7	**12**	(2,646)
Profit (loss) for the year	8	**62,279**	(144,959)
Profit (loss) for the year attributable to:			
Owners of the Company		**62,283**	(134,081)
Non-controlling interests		**(4)**	(10,878)
		62,279	(144,959)
			(Restated)
Earnings (loss) per share:	10		
Basic and diluted		**HK$0.09**	(HK$1.98)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	2012	2011
	HK$'000	*HK$'000*
Profit (loss) for the year	**62,279**	(144,959)
Other comprehensive income (expense)		
Available-for-sale financial assets:		
— Change in fair value	**–**	(54,990)
— Reclassification adjustment upon impairment	**–**	54,990
Other comprehensive income for the year	**–**	–
Total comprehensive income (expense) for the year	**62,279**	(144,959)
Total comprehensive income (expense) attributable to:		
Owners of the Company	**62,283**	(134,081)
Non-controlling interests	**(4)**	(10,878)
	62,279	(144,959)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2012

	Notes	**2012** **HK$'000**	2011 *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**2,575**	173
Goodwill		**306,019**	–
Investment deposits		**–**	20,000
Deposit for acquisition of logging concession		**269**	–
Convertible instruments designated as financial assets at fair value through profit or loss		**104,712**	–
Available-for-sale financial assets		**95,922**	25,200
		509,497	45,373
CURRENT ASSETS			
Loan and interest receivables	*11*	**127,646**	273,221
Trade and other receivables	*12*	**8,720**	6,288
Investment held for trading	*13*	**15,050**	13,920
Derivative financial asset		**–**	4,000
Tax recoverable		**68**	–
Bank balances and cash		**44,477**	78,781
		195,961	376,210
CURRENT LIABILITIES			
Other payables and accruals	*14*	**1,883**	1,253
Amounts due to directors		**154**	152
Note payable		**10,000**	–
Interest payable		**3,334**	–
Borrowings	*15*	**–**	10,000
Convertible notes		**–**	–
Tax liabilities		**–**	67
		15,371	11,472
NET CURRENT ASSETS		**180,590**	364,738
TOTAL ASSETS LESS CURRENT LIABILITIES		**690,087**	410,111
CAPITAL AND RESERVES			
Share capital	*16*	**178,054**	247,585
Share premium		**524,993**	340,037
Share-based payment reserve		**1,367**	–
Other reserves		**100,557**	(160)
Accumulated losses		**(115,068)**	(177,351)
Equity attributable to owners of the Company		**689,903**	410,111
Non-controlling interests		**184**	–
TOTAL EQUITY		**690,087**	410,111

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

1. GENERAL

Pacific Plywood Holdings Limited (the "**Company**") was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on 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 principal place of business of the Company is Units 3301–03, 33/F., West Tower Shun Tak Centre, 168–200 Connaught Road Central, Sheung Wan, Hong Kong.

The principal activities of the Company and its subsidiaries (collectively referred to as the "**Group**") are money lending and provision of credit business, provision of corporate secretarial and consultancy services, securities investments and forestry business.

The consolidated financial statements are presented in Hong Kong dollars ("**HK$**"), which is also the functional currency of the Group.

2. 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 and Hong Kong Accounting Standards ("HKASs") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

Amendments to HKFRS 1	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
Amendments to HKFRS 7	Financial Instruments: Disclosures — Transfers of Financial Assets
Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets

The application of the amendments to HKFRSs and HKASs 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 consolidated financial statements.

New and revised HKFRSs issued but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRSs	Annual Improvements 2009-2011 Cycle[2]
Amendments to HKFRS 1	Government Loans[2]
Amendments to HKFRS 7	Disclosures — Offsetting Financial Assets and Financial Liabilities[2]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[4]
Amendments to HKFRS 10, HKFRS11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[2]
HKFRS 9	Financial Instruments[4]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
Amendments to HKFRS 10, HKFRS12 and HKAS 27 (2011)	Investment Entities[3]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[1]
HKAS 19 (Revised in 2011)	Employee Benefits[2]
HKAS 27 (Revised in 2011)	Separate Financial Statements[2]
HKAS 28 (Revised in 2011)	Investments in Associates and Joint Ventures[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[3]
HK(IFRIC*)-Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine[2]

* *IFRIC represents the International Financial Reporting Interpretations Committee*

[1] Effective for annual periods beginning on or after 1 July 2012.
[2] Effective for annual periods beginning on or after 1 January 2013.
[3] Effective for annual periods beginning on or after 1 January 2014.
[4] Effective for annual periods beginning on or after 1 January 2015.

Annual Improvements to HKFRSs 2009 — 2011 Cycle issued in June 2012

The Annual Improvements to *HKFRSs 2009 — 2011 Cycle* include a number of amendments to various HKFRSs. The amendments are effective for annual periods beginning on or after 1 January 2013. Amendments to HKFRSs include the amendments to HKAS 16 *Property, Plant and Equipment* and the amendments to HKAS 32 *Financial Instruments: Presentation*.

The amendments to HKAS 16 clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in HKAS 16 and as inventory otherwise. The Directors do not anticipate that the application of the amendments will have a material effect on the Group's consolidated financial statements.

The amendments to HKAS 32 clarify that income tax on distributions to holders of an equity instrument and transaction costs of an equity transaction should be accounted for in accordance with HKAS 12 *Income Taxes*. The Directors anticipate that the amendments to HKAS 32 would not have a material effect on the Group's consolidated financial statements.

Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities and amendments to HKFRS 7 Disclosures — Offsetting Financial Assets and Financial Liabilities

The amendments to HKAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous authorized and settlement".

The amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amendments to HKFRS 7 are effective for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should also be provided retrospectively for all comparative periods. However, the amendments to HKAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.

The Directors anticipate that the application of these amendments to HKAS 32 and HKFRS 7 may result in more disclosures being made with regard to offsetting financial assets and financial liabilities in the future.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

— All recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

— With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

The Directors anticipate that the adoption of HKFRS 9 in the future may have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities. Regarding the Group's financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

New and revised standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements. HK (SIC)-Int 12 *Consolidation — Special Purpose Entities* will be withdrawn upon the effective date of HKFRS 10. Under HKFRS 10, there is only one basis for consolidation, that is, control. In addition, HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures*. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. HK (SIC) — Int 13 *Jointly Controlled Entities — Non-monetary Contributions by Venturers* will be withdrawn upon the effective date of HKFRS 11. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate consolidation.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

In July 2012, the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 were issued to clarify certain transitional guidance on the application of these five HKFRSs for the first time.

These five standards, together with the amendments relating to the transitional guidance, are effective for annual periods beginning on or after 1 January 2013 with earlier application permitted provided that all of these standards are applied at the same time.

The Directors anticipate that the application of these five standards would not have a significant impact on amounts reported in the consolidated financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 Investment Entities

The amendments to HKFRS 10 introduce an exception to consolidating subsidiaries for an investment entity, except where the subsidiaries provide services that relate to the investment entity's investment activities. Under the amendments to HKFRS 10, an investment entity is required to measure its interests in subsidiaries at fair value through profit or loss.

To qualify as an investment entity, certain criteria have to be met. Specifically, an entity is required to:

- obtain funds from one or more investors for the purpose of providing them with professional investment management services;

- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and

- measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments to HKFRS 12 and HKAS 27 have been made to introduce new disclosure requirements for investment entities.

The amendments to HKFRS 10, HKFRS 12 and HKAS 27 are effective for annual periods beginning on or after 1 January 2014, with early application permitted. The Directors anticipate that the application of the amendments will have no effect on the Group as the Company is not an investment entity.

HKFRS 13 Fair Value Measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 Financial Instruments: Disclosures will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted. The Directors anticipate that the application of the new standard may affect certain amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 *Presentation of Items of Other Comprehensive Income* introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a "statement of comprehensive income" is renamed as a "statement of profit or loss and other comprehensive income" and an "income statement" is renamed as "statement of profit or loss". 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 amendment do not change the option to present items of other comprehensive income either before tax or net of tax.

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

3. TURNOVER — GROSS PROCEEDS

Turnover represents the gross proceeds received and receivable from the business of money lending and provision of credits, provision of corporate secretarial and consultancy services and securities trading during the year. There was no business turnover from forestry business during the year ended 31 December 2012. The following is an analysis of the Group's turnover:

	2012	2011
	HK$'000	*HK$'000*
Interest income from loan receivables	**29,981**	52,958
Consultancy income	**5,211**	411
Gross proceeds from disposal of investment held for trading	**13,448**	–
	48,640	53,369

4. SEGMENT INFORMATION

Segment revenue and results

Information reported to the Board, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods delivered or services provided. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group. Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

1. Money lending — business of money lending and provision of credits
2. Consultancy services — provision of corporate secretarial and consultancy services
3. Securities investments — trading of securities and investment in long-term securities
4. Forestry business — forest logging and harvesting

Forestry business is a new reportable and operating segment of the Group for the year ended 31 December 2012.

The following is an analysis of the Group's revenue and results by reportable and operating segment:

	Money lending *HK$'000*	Consultancy services *HK$'000*	Securities investments *HK$'000*	Forestry business *HK$'000*	Total *HK$'000*
Year ended 31 December 2012					
Turnover — Gross Proceeds	**29,981**	**5,211**	**13,448**	**–**	**48,640**
Segment revenue From external customers:	**29,981**	**5,211**	**(472)**	**–**	**34,720**
Segment results	**91,938**	**(564)**	**236**	**(2,354)**	**89,256**
Unallocated corporate expenses					**(19,909)**
Unallocated corporate income					**254**
Change in fair value of derivative financial assets					**(4,000)**
Finance costs					**(3,334)**
Profit before tax					**62,267**

	Money lending *HK$'000*	Consultancy services *HK$'000*	Securities investments *HK$'000*	Forestry business *HK$'000*	Total *HK$'000*
Year ended 31 December 2011					
Turnover — Gross Proceeds	52,958	411	–	–	53,369
Segment revenue From external customers:	52,958	411	–	–	53,369
Segment results	(112,489)	407	(56,221)	–	(168,303)
Unallocated corporate expenses					(4,510)
Unallocated corporate income					8
Change in fair value of convertible notes					(5,078)
Change in fair value of derivative financial assets					24,371
Gain on disposal of a subsidiary					11,199
Loss before tax					(142,313)

The accounting policies of the operating segment are the same as the Group's accounting policies. Segment profit (loss) represents the profit earned (loss from) attributable to each segment without allocation of central administration costs, directors' emoluments, bank interest income, change in fair value of convertible notes, change in fair value of derivative financial assets, gain on disposal of a subsidiary and finance costs. This is the measure reported to the Board for the purposes of the resources allocation and performance assessment.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segments:

	Money lending *HK$'000*	**Consultancy services** *HK$'000*	**Securities investments** *HK$'000*	**Forestry business** *HK$'000*	**Total** *HK$'000*
At 31 December 2012					
ASSETS					
Segment assets	**145,117**	**2,073**	**222,711**	**306,288**	**676,189**
Unallocated corporate assets					**29,269**
Total assets					**705,458**
LIABILITIES					
Segment liabilities	**27**	**10**	**–**	**976**	**1,013**
Unallocated corporate liabilities					**14,358**
Total liabilities					**15,371**

	Money lending *HK$'000*	Consultancy services *HK$'000*	Securities investments *HK$'000*	Forestry business *HK$'000*	Total *HK$'000*
At 31 December 2011					
ASSETS					
Segment assets	330,165	311	39,120	–	369,596
Unallocated corporate assets					51,987
Total assets					421,583
LIABILITIES					
Segment liabilities	9,573	500	–	–	10,073
Unallocated corporate liabilities					1,399
Total liabilities					11,472

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating segments other than property, plant and equipment, investment deposits, derivative financial assets, certain other receivables and certain bank balances and cash. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments; and

- all liabilities are allocated to operating segments other than amounts due to directors, certain other payables, note payable and tax liabilities.

Other segment information

For the year ended 31 December 2012

	Money lending *HK$'000*	Consultancy services *HK$'000*	Securities investments *HK$'000*	Forestry business *HK$'000*	Unallocated *HK$'000*	Consolidated *HK$'000*
Amounts included in the measure of segment profit or loss or segment assets:						
Purchase of available-for-sale financial assets	–	–	90,000	–	–	90,000
Purchase of convertible instruments designated as financial asset at fair value through profit or loss	–	–	95,000	–	–	95,000
Change in fair value of convertible instruments designated as financial asset at fair value through profit or loss	–	–	(9,712)	–	–	(9,712)
Impairment loss on available-for-sale financial assets	–	–	19,278	–	–	19,278
Change in fair value of investment held for trading	–	–	(3,030)	–	–	(3,030)
Reversal of impairment loss on loan and interest receivables	(83,717)	–	–	–	–	(83,717)
Impairment loss recognised in respect of loan and interest receivables	18,294	–	–	–	–	18,294
Share-based payment expenses	–	–	–	1,367	–	1,367
Interest income	(29,981)	–	–	–	–	(29,981)
Interest expense	200	–	–	–	–	200
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:						
Interest expenses	–	–	–	–	3,334	3,334
Depreciation on property, plant and equipment	–	–	–	–	913	913
Additions to property, plant and equipment	–	–	–	–	3,315	3,315
Change in fair value of a derivative financial asset	–	–	–	–	4,000	4,000
Net foreign exchange gain	–	–	–	–	(14)	(14)
Bank interest income	–	–	–	–	(3)	(3)
Income tax credit	–	–	–	–	(12)	(12)

For the year ended 31 December 2011

	Money lending *HK$'000*	Consultancy services *HK$'000*	Securities investments *HK$'000*	Forestry business *HK$'000*	Unallocated *HK$'000*	Consolidated *HK$'000*
Amounts included in the measure of segment profit or loss or segment assets:						
Impairment loss on available-for-sale financial assets	–	–	54,990	–	–	54,990
Change in fair value of investment held for trading	–	–	1,231	–	–	1,231
Impairment loss recognised in respect of loan and interest receivables	145,171	–	–	–	–	145,171
Interest income	(52,958)	–	–	–	–	(52,958)
Interest expense	2,652	–	–	–	–	2,652
Additions to available-for-sale financial assets	–	–	80,190	–	–	80,190
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:						
Depreciation on property, plant and equipment	–	–	–	–	40	40
Additions to property, plant and equipment	–	–	–	–	178	178
Additions to investment deposits	–	–	–	–	20,000	20,000
Change in fair value of convertible notes	–	–	–	–	5,078	5,078
Change in fair value of derivative financial assets	–	–	–	–	(24,371)	(24,371)
Gain on disposal of a subsidiary	–	–	–	–	(11,199)	(11,199)
Net foreign exchange gain	–	–	–	–	(4)	(4)
Bank interest income	–	–	–	–	(3)	(3)
Income tax expense	–	–	–	–	2,646	2,646

Geographical information

The Group's operations are located in Hong Kong and the Independent State of Papua New Guinea ("**PNG**").

The geographical location of the Group's revenue from external customers based on the location of the operations. Information about the Group's non-current assets, excluded those financial instruments, is based on the location of the assets.

	Revenue from external customers		**Non-current assets**	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**34,720**	53,369	**2,575**	20,173
PNG	**–**	–	**306,288**	–
	34,720	53,369	**308,863**	20,173

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total revenue of the Group is as follows:

	2012	2011
	HK$'000	*HK$'000*
Customer A (revenue from money lending)	**15,386**	10,787
Customer B (revenue from money lending)	**5,851**	–

5. FINANCE COSTS

	2012	2011
	HK$'000	*HK$'000*
		(Restated)
Interests on:		
— note payable	**3,334**	–
Interests on (included in cost of sales):		
— other borrowings wholly repayable within one year	**200**	2,602
— convertible notes	**–**	50
	200	2,652
	3,534	2,652

6. OTHER INCOME AND GAINS

	2012 *HK$'000*	2011 *HK$'000*
Bank interest income	**3**	3
Consideration from granting of call option	**4,800**	–
Interest income from convertible instruments	**1,687**	–
Dividend income	**764**	–
Others	**251**	5
	7,505	8

7. INCOME TAX (CREDIT) EXPENSE

	2012 *HK$'000*	2011 *HK$'000*
Hong Kong Profits Tax		
— Current year	**–**	2,646
— Overprovision in prior year	**(12)**	–
	(12)	2,646

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

The tax (credit) expense for the year can be reconciled to the profit (loss) before tax per the consolidated income statement as follows:

	2012 *HK$'000*	2011 *HK$'000*
Profit (loss) before tax	**62,267**	(142,313)
Tax at the domestic income tax rate of 16.5% (2011: 16.5%)	**10,274**	(23,482)
Tax effect of expenses not deductible for tax purpose	**5,670**	18,007
Tax effect of income not taxable for tax purpose	**(15,862)**	(6,002)
Tax effect of deductible temporary differences not recognised	**48**	12,903
Tax effect of tax losses not recognised	**172**	1,220
Utilisation of tax losses previously not recognised	**(303)**	–
Tax effect of different tax rate of subsidiaries operating in other jurisdiction	**1**	–
Overprovision in prior year	**(12)**	–
Income tax (credit) expense	**(12)**	2,646

8. PROFIT (LOSS) FOR THE YEAR

	2012	2011
	HK$'000	*HK$'000*
Profit (loss) for the year has been arrived at after charging (crediting):		
Auditor's remuneration	**850**	600
Directors' emoluments	**2,798**	473
Staff costs (excluding directors' emoluments)		
— Salaries, wages and other benefits	**5,929**	3,337
— Contributions to retirement contribution plan	**325**	92
Total staff costs	**6,254**	3,429
Depreciation of property, plant and equipment	**913**	40
Net foreign exchange gain	**(14)**	(4)
Minimum lease payment under operating lease in respect of land and buildings	**1,718**	467

9. DIVIDEND

No dividend was paid or proposed during the year ended 31 December 2012, nor has any dividend been proposed since the end of the reporting period (2011: Nil).

10. EARNINGS (LOSS) PER SHARE

The calculation of the basic and diluted earnings (loss) per share attributable to the owners of the Company is based on the following data:

	2012	2011
	HK$'000	*HK$'000*
Earnings (loss) for the purpose of basic and diluted earnings (loss) per share	**62,283**	(134,081)

	2012	2011
	'000	*'000*
		(Restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	**693,057**	67,623
Effect of dilutive potential ordinary shares: Share options *(Note)*	**–**	N/A
Weighted average number of ordinary shares for the purpose of diluted earnings (loss) per share	**693,057**	67,623

Note: The computation of diluted earnings per share in 2012 does not assume the exercise of the company's share options because the exercise price of those share options was higher than the average market price per share for the year ended 31 December 2012.

The weighted average number of ordinary shares for the purpose of basic and diluted earnings (loss) per share has been adjusted for the share consolidation on 20 March 2012 and 10 September 2012 and the effect of right issues (with bonus issues) on 11 October 2012. Details of the share consolidation and right issues (with the bonus issue) are set out in Note 16.

The denominator for the purpose of calculating basic and diluted loss per share in 2011 has been restated to effect of the share consolidation and right issues (with bonus issues) during the year ended 31 December 2012.

11. LOAN AND INTEREST RECEIVABLES

	2012	2011
	HK$'000	*HK$'000*
Fixed-rate loan and interest receivables	**127,646**	273,221

The term of loans entered with customers ranges within one year. And after monitoring assessment and further creditworthiness analysis on the debtors, certain loans have been further extended for not more than one year. All loan and interest receivables are denominated in HK$. The loan receivables carry fixed interest ranging from 8% to 48% (2011: 8% to 48%) per annum. Included in the carrying amounts of loan and interest receivables as at 31 December 2012 is accumulated impairment loss of HK$44,060,000 (2011: HK$109,483,000). An aging analysis of the loan and interest receivables net of accumulated impairment loss at the end of the reporting period, based on the loan agreement commencement date and the date of interest incurred respectively, is as follows:

	2012	2011
	HK$'000	*HK$'000*
		(Restated)
0–30 days	**744**	6,908
31–90 days	**123,606**	65,754
91–180 days	**126**	12,853
181–365 days	**212**	187,706
Over 365 days	**2,958**	–
	127,646	273,221

Set out below is an analysis of loan and interest receivables that are past due but not impaired:

	2012	2011
	HK$'000	*HK$'000*
1–30 days	**226**	16,978
31–90 days	**3,304**	417
91–180 days	**109**	611
181–365 days	**215**	101
Over 365 days	**40**	–
	3,894	18,107

Note: As at 31 December 2012 and 2011, the amounts which are past due but not impaired are not subject to any collateral. As subsequent settlement is noted, the Directors consider that no impairment is necessary for these overdue debtors.

The movements in accumulated impairment of loan and interest receivables are as follows:

	2012 HK$'000	2011 HK$'000
At 1 January	**109,483**	–
Reversal of impairment loss on loan and interest receivables	**(83,717)**	–
Impairment loss recognised on loan and interest receivables	**18,294**	145,171
Disposal of a subsidiary	**–**	(35,688)
At 31 December	**44,060**	109,483

Included in the above impairment loss recognised at 31 December 2012 was individually impaired loan and interest receivables with a carrying amount of HK$44,064,000 (2011: HK$315,536,000) before impairment which have been in financial difficulties.

As at 31 December 2012, loan and interest receivables amounting to approximately HK$49,779,000 (2011 : HK$222,411,000) were subject to collateral for listed shares amounting to approximately HK$36,960,000 (2011: listed shares amounting to HK$188,385,000).

As at 31 December 2012, loan and interest receivables amounting to approximately HK$44,374,000 (2011: Nil) were subsequently subject to collaterals of promissory note issued by a listed company in Hong Kong and frozen cash of that debtor amounting to approximately HK$25,000,000 and HK$44,606,000 respectively (2011: Nil).

12. TRADE AND OTHER RECEIVABLES

	2012 HK$'000	2011 HK$'000
Trade receivables	**173**	311
Prepayments	**1,301**	705
Other receivables *(Note)*	**7,246**	5,272
	8,547	5,977
Total trade and other receivables	**8,720**	6,288

Note: As at 31 December 2012, included in other receivables are interest receivables of approximately HK$1,687,000 from the convertible bonds issued by China Environmental Energy Investment Limited (the "**China Environmental CB**") and other receivables of approximately HK$4,000,000 from a call option holder regarding the consideration of the call option of the China Environmental CB. The Directors consider that no impairment is recognised as they are not yet overdue as at 31 December 2012.

As at 31 December 2011, included in other receivables are other receivables of approximately HK$4,000,000 regarding the consideration from Favor Way Investments Limited ("**Favor Way**") regarding the disposal of equity interest in Delta Wealth Finance Limited ("**Delta Wealth**"). The Directors consider that no impairment is recognised as they are not yet overdue as at 31 December 2011.

For the year ended 31 December 2012, the Group allowed a credit period in the range from 30 to 90 days (2011: 30 to 90 days) to its debtors. An aging analysis of the trade receivables net of accumulated impairment loss at the end of the reporting period, based on the invoice date, is as follows:

	2012	2011
	HK$'000	*HK$'000*
Within 90 days	**173**	311

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

	2012	2011
	HK$'000	*HK$'000*
Neither past due nor impaired	**173**	311

There was no trade receivable balance as at 31 December 2012 and 2011 which was past due for which the Group has not provided for impairment loss at the end of both reporting periods.

In determining the recoverability of a trade or other receivable, the Group considers any change in credit quality of the trade and other receivables from the date credit was initially granted up to the reporting date. In view of the good settlement history from those debtors of the Group, the Directors consider that there is no impairment loss recognised for the year. The Group does not hold any collateral over these balances.

13. INVESTMENT HELD FOR TRADING

	2012	2011
	HK$'000	*HK$'000*
Listed securities		
Equity securities listed in Hong Kong	**15,050**	13,920

The fair values of the above listed securities are determined based on the quoted market prices available at the Stock Exchange.

14. OTHER PAYABLES AND ACCRUALS

	2012	2011
	HK$'000	*HK$'000*
Other payables	**6**	74
Accrued expenses	**1,874**	679
Receipt in advance	**3**	500
	1,883	1,253

15. BORROWINGS

	2012	2011
	HK$'000	*HK$'000*
Current		
Other borrowings — unsecured	–	10,000
Carrying amounts repayable:		
On demand or within one year	–	10,000
Less: Amounts due within one year shown under current liabilities	–	(10,000)
	–	–

Other borrowings represented borrowings from an independent third party.

			Carrying amounts	
	Maturity date	**Effective interest rate**	**2012**	2011
			HK$'000	*HK$'000*
Fixed rate unsecured other borrowings denominated in HK$:				
HK$ loan of HK$10,000,000	3 May 2012	10%	–	10,000

16. SHARE CAPITAL

	Par value	Number of shares	Amount
	HK$	*'000*	*HK$'000*
Authorised:			
At 1 January 2011			
Ordinary shares of HK$0.001 each	0.001	200,000,000	200,000
Share consolidation *(Note a)*	N/A	(192,000,000)	–
Capital reorganisation *(Note c)*	0.025	8,000,000	200,000
At 31 December 2011			
Ordinary shares of HK$0.025 each	0.025	16,000,000	400,000
Share consolidation *(Note f)*	N/A	(14,400,000)	–
Capital reduction *(Note g)*	0.01	–	(384,000)
Capital reorganisation *(Note g)*	0.01	38,400,000	384,000
Share consolidation *(Note i)*	N/A	(35,000,000)	–
At 31 December 2012			
Ordinary shares of HK$0.08 each	0.08	5,000,000	400,000
Issued and fully paid:			
At 1 January 2011	0.001	1,926,819	1,927
Share consolidation *(Note a)*	N/A	(1,849,747)	–
Issue of right shares *(Note b)*	0.025	2,774,183	69,355
Issue of shares *(Note d)*	0.025	2,632,634	65,815
Issue of shares upon conversion of convertible notes *(Note e)*	0.025	4,419,512	110,488
At 31 December 2011	0.025	9,903,401	247,585
Share consolidation *(Note f)*	N/A	(8,913,061)	–
Capital reduction *(Note g)*	0.01	–	(237,682)
Issue of shares upon conversion of convertible notes *(Note h)*	0.01	379,310	3,793
Share consolidation *(Note i)*	N/A	(1,198,444)	–
Issue of right shares *(Note j)*	0.08	342,413	27,393
Issue of bonus shares *(Note j)*	0.08	1,712,063	136,965
At 31 December 2012	0.08	2,225,682	178,054

Notes:

a. As disclosed in the circular of the Company dated 20 December 2010, a share consolidation on the basis that every 25 issued and unissued shares of HK$0.001 each in the share capital of the Company had been consolidated into one consolidated share of HK$0.025 each with effective from 10 January 2011. Prior to the date of such share consolidation, there were 1,926,819,448 issued shares, after such share consolidation, the number of issued shares had changed to 77,072,777.

b. On 13 April 2011, the shareholders of the Company ("**Shareholders**") approved by way of poll of the rights issue on the basis of thirty rights shares for every one share held on the record date of 26 April 2011 at a subscription price of HK$0.08 per rights share. The rights issue became unconditional on 18 May 2011. 2,774,183,310 rights shares with the par value of HK$0.025 each were allotted and issued on 18 May 2011 and net proceeds of approximately HK$215,389,000 were raised. Details of the rights issue were set out in the circular of the Company dated 28 March 2011.

c. Pursuant to an ordinary resolution passed at the Company's special general meeting held on 24 November 2011, the Company's authorised share capital was increased to HK$400,000,000 divided into 16,000,000,000 ordinary shares of HK$0.025 each by the creation of 8,000,000,000 ordinary shares of HK$0.025 each.

d. On 21 January 2011, the Company entered into a placing agreement with a placing agent to place 15,400,000 new ordinary shares with the par value of HK$0.025 each at a price of HK$0.73 per placing share. Furthermore, the Company entered into a supplemental agreement with the placing agent on 24 January 2011, pursuant to which the placing price had been revised to HK$0.74 per placing share. Net proceeds of approximately HK$11,030,000 were raised and used as general corporate and working capital of the Group and/or for the future development of the Group. Such placing of shares was completed on 31 January 2011.

On 18 October 2011, the Company entered into the share placing agreement with a share placing agent relating to the placing of 817,233,655 new shares. The share placing agreement was fulfilled and the share placing was completed on 3 November 2011. The shares with the par value of HK$0.025 had been placed at a price of HK$0.032 to six independent placees.

On 18 October 2011, the Company entered into the share subscription agreement with a subscriber pursuant to which the subscriber had conditionally agreed to subscribe for, and the Company had conditionally agreed to allot and issue, 1,800,000,000 subscription shares with the par value of HK$0.025 at the share subscription price of HK$0.025 per subscription share. The conditions precedent under the share subscription agreement were fulfilled and the share subscription was completed on 24 November 2011 with the gross proceeds of HK$45,000,000.

Date of shares issued	**Issue price**	**Number of shares issued**
31 January 2011	HK$0.74	15,400,000
3 November 2011	HK$0.032	817,233,655
24 November 2011	HK$0.025	1,800,000,000
		2,632,633,655

e. On 13 April 2011, the Shareholders approved at a special general meeting of the Company by way of poll to place convertible notes with an aggregate principal amount of HK$100,000,000. On 16 May 2011, the placing of these placing convertible notes was completed. On 18 May 2011, such convertible notes were converted in full into 1,219,512,192 shares with the par value of HK$0.025 each and the conversion price was adjusted to HK$0.082 as a result of the rights issue of the Company completed in May 2011.

On 18 October 2011, the Company entered into the convertible notes placing agreement with a placing agent with an aggregate principal amount of HK$89,600,000. The conditions mentioned in the convertible notes placing agreement were fulfilled and that the convertible notes placing was completed on 29 November 2011. The convertible notes had been placed to six independent placees. The convertible notes were converted by the convertible notes holders at the conversion price of HK$0.028 (convertible into 3,200,000,000 shares with par value of HK$0.025) on the same day.

f. As disclosed in the circular of the Company dated 23 February 2012, a share consolidation on the basis that every 10 issued and unissued shares with the par value of HK$0.025 each in the share capital of the Company had been consolidated into 1 consolidated share with the par value of HK$0.25 each with effective from 20 March 2012. Prior to the date of share consolidation, there were 9,903,401,934 issued shares, after the share consolidation, the number of issued shares changed to 990,340,193.

g. Pursuant to an ordinary resolution passed at the Company's special general meeting held on 19 March 2012, the Company's issued share capital was reduced by cancelling the issued and unissued share capital to the extent of HK$0.24 each such that the par value of the issued and unissued share capital was reduced from HK$0.25 to HK$0.01 each, as a result, approximately HK$237,682,000 was credited to the contributed surplus of the Company.

Pursuant to an ordinary resolution passed at the Company's special general meeting held on 19 March 2012, the Company's authorised share capital was increased from HK$16,000,000 divided into 1,600,000,000 ordinary shares of HK$0.01 each to HK$400,000,000 divided into 40,000,000,000 new shares by creation of 38,400,000,000 new shares.

h. As disclosed in the announcement of the Company dated 12 April 2012, the completion of an acquisition took place on 12 April 2012. As part of the consideration of HK$310,000,000, the convertible note in the principal amount of HK$33,000,000 was issued by the Company. The conversion price was HK$0.087 per conversion share. On 12 April 2012, the convertible note was converted in full into 379,310,344 ordinary shares with the par value of HK$0.01 each.

i. As disclosed in the circular of the Company dated 14 August 2012, a share consolidation on the basis that every 8 issued and unissued shares with par value of HK$0.01 each in the share capital of the Company had been consolidated into 1 consolidated share with par value of HK$0.08 each with effective from 10 September 2012. Prior to the date of share consolidation, there were 1,369,650,537 issued shares, after the share consolidation, the number of issued shares changed to 171,206,317.

j. On 7 September 2012, the Shareholders approved by way of poll the rights issue on the basis of 2 rights shares for every one share held on the record date of 19 September 2012 at a subscription price of HK$0.56 per rights share with bonus issue on the basis of 5 bonus shares for every 1 rights share taken up under the right issue. The rights issue with the bonus issue became unconditional on 11 October 2012. 342,412,634 rights shares and 1,712,063,170 bonus shares with the par value of HK$0.08 each were allotted and issued on 11 October 2012 and net proceeds of approximately HK$187,042,000 were raised. Details of the rights issue and the bonus issue were set out in the circular of the Company dated 14 August 2012.

All the shares which were issued during the years rank pari passu with the then existing shares in all respects.

17. COMMITMENTS

Operating leases

The Group as a lessee

The Group leases certain of its office properties under operating lease arrangements. At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2012 ***HK$'000***	2011 *HK$'000*
Within one year	**1,641**	2,108
In the second to fifth year inclusive	**1,163**	2,804
	2,804	4,912

Leases are negotiated and rentals are fixed for terms of 2.8 years (2011: 2 to 2.8 years).

Capital commitments

	2012 ***HK$'000***	2011 *HK$'000*
Capital expenditure in respect of the acquisition of a subsidiary contracted but not provided for	**–**	290,000

18. **EVENTS AFTER THE REPORTING PERIOD**

(a) Subsequent to 31 December 2012, the Group has disposed of 594,000, 5,000,000 and 1,406,000 shares of Huili Resources (Group) Limited, the shares of which are listed on the Stock Exchange (Stock code: 1303), which represents the whole amount of investment in held for trading as stated on the consolidated statement of financial position as at 31 December 2012, with the sales proceeds of HK$1,461,240, HK$12,250,000 and HK$3,458,760 on 22 January 2013, 1 February 2013 and 5 February 2013 respectively.

(b) On 5 February 2013, the Group entered into a loan agreement with an independent third party for providing a loan facility of up to HK$60,000,000 at an interest rate of 3% per month and arrangement fee of 2% of the loan facility for a term of six months from the date of initial drawdown. The Group shall have absolute discretion as to whether to make available any sum for drawdown which is subject to inter alia, the provision of securities or collaterals with principal value of not less than the sum of drawing.

As at report date, approximately of HK$14,574,000 has been utilized from such facility line by that customer with a collateral of promissory note issued by a company listed in Hong Kong with principal amount of HK$34,000,000.

BUSINESS REVIEW

The Company is an investment holding company, and through its subsidiaries, is principally engaged in the business of money lending, provision of credits, securities investments, provision of corporate secretarial and consultancy services and forestry business. During the year, the Group has undergone several significant investments aiming at improving the financial performance and position of the Group, including (i) the completion of acquisition of interests in a forest in the PNG as announced by the Company on 12 April 2012; (ii) the subscription of 8% coupon convertible notes (the "**Convertible Notes**") issued by China Environmental Energy Investment Limited ("**China Environmental**") with an aggregate principal amount of HK$95,000,000 as announced by the Company on 26 June 2012 and the conversion price of which was fixed at HK$0.592 upon its completion as announced by the Company on 12 October 2012; (iii) the subscription of 90 redeemable preference shares of Million Wealth Capital Investment Limited ("**Million Wealth**") at the subscription price of HK$90,000,000 by Perpetual Master Limited, a wholly-owned subsidiary of the Company ("**Perpetual Master**") as announced by the Company on 11 October 2012; and (iv) the grant of a call option to an optionholder to dispose of up to HK$60,000,000 of the Convertible Notes issued by China Environmental as announced by the Company on 12 October 2012.

Money lending and provision of credits business

Since obtaining the Money Lenders License under the Money Lenders Ordinance (Cap.163 of the laws of Hong Kong) in 2011, Joy Wealth Finance Limited ("**Joy Wealth**"), a wholly-owned subsidiary of the Company, has provided a wide variety of loans with an accumulated amount of approximately HK$665,000,000 with interest rates ranging from 8% to 48% per annum. For the year ended 31 December 2012, the interest income was approximately HK$29,981,000 (2011: HK$52,958,000).

During the year ended 31 December 2012, a reversal of impairment loss of HK$83,717,000 had been recognised as an income in the consolidated income statement after the repayment of principal from a loan debtor. Such recovered and reversed amount was included in the impairment loss in respect of loan and interest receivables which was made as at 31 December 2011 as an utmost prudence approach and strict compliance with the applicable accounting standards in accordance with the procedure manual for credit facilities reviewed by a Big 4 Accounting Firm. An amount of approximately HK$18,294,000 has been provided as an impairment loss in the current year as prudent and consistent as last year.

Securities investments

As at the date of this announcement, the Group had invested in Simsen International Corporation Limited (Stock Code: 993) ("**Simsen International**") as a strategic investment with the intention to promote the finance business of Joy Wealth through the retail platform provided by Simsen International as the subsidiaries of the Simsen International have a broad customer base and distribution channels for its businesses such as securities business, insurance products, money lending and provision of credits etc.

As at the date of this announcement, the shares of Simsen International are yet to be disposed of because they are regarded as a long term strategic investment for the sake of the development of the key business of money lending of the Group.

On 26 June 2012, the Company entered into a subscription agreement with China Environmental, a company whose shares are listed on the main board of the Stock Exchange (Stock Code: 986), to subscribe for the Convertible Notes (the "**CN Subscription**"). The CN Subscription was completed on 12 October 2012. In order for the Company to enjoy more flexibility in capturing the possible capital gains, the Company entered into a call option deed with an optionholder on the same date, pursuant to which the Company had agreed to grant and the optionholder had agreed to obtain a call option at the premium of HK$4,800,000 under which the optionholder can purchase from the Company the Convertible Notes with principal amount of up to HK$60,000,000 at the price equivalent to 120% of the principal amount of the Convertible Notes.

On 11 October 2012, Perpetual Master entered into a subscription agreement with Million Wealth (as issuer) and Mr. Fok Ho Yin, Thomas (as guarantor) ("**Mr. Fok**") pursuant to which Perpetual Master had conditionally agreed to subscribe for and Million Wealth had conditionally agreed to issue and allot 90 redeemable preference shares at the subscription price of HK$90,000,000 (the "**Preference Share Subscription**"). Through the Preference Share Subscription, which was completed on 30 November 2012, the Group will earn a dividend at a rate of 10% per annum, compounded annually, and will have an additional money lending platform to further promote and develop the money lending and provision of credits business. Perpetual Master is entitled the right to convert the preference shares into ordinary shares as and when appropriate.

Subsequent to 31 December 2012, the Group has disposed all the investment in Huili Resources (Group) Limited (Stock Code: 1303) and made a gain of approximately HK$5,170,000.

Provision of corporate secretarial and consultancy services

The Group has been conducting the provision of corporate secretarial and consultancy services business mainly through a wholly-owned subsidiary, namely Pacific Vision Advisory Services Limited ("**Pacific Vision**"). The Group has recruited a team of professionals in the areas of accounting, finance, legal and corporate secretary and has built up a client portfolio with a number of listed companies.

During the current year, a revenue of approximately HK$5,211,000 and a loss of HK$564,000 had been recorded (31 December 2011: HK$411,000 and a profit of HK$407,000 respectively).

Forestry Business

On 12 April 2012, the Group completed the acquisition (the "**Acquisition**") of 30% of the entire issued share capital of Profit Grand Enterprises Limited ("**Profit Grand**"), which through its subsidiary has the harvesting right within a forest sized approximately 65,800 hectares in the PNG. The total consideration for the Acquisition of HK$310,000,000 was satisfied as to (i) HK$33,000,000 by the issue of the convertible bonds in a principal amount of HK$33,000,000 with conversion price of HK$0.087; (ii) HK$82,000,000 in cash; and (iii) HK$195,000,000 by the issue of a 10% promissory note in aggregate principal sum of HK$195,000,000. Details of the Acquisition have been disclosed in the circular of the Company dated 29 February 2012 (the "**Acquisition Circular**"). The Group has from time to time been following up with the relevant government authorities regarding the outstanding necessary licenses and approvals required for the commencement of the forestry logging and harvesting in the PNG. Nevertheless, the Company was recently informed by the PNG legal adviser that the outstanding necessary licenses and approvals are more likely to be obtained in year 2014. Up to the date of this announcement, the Group has been successfully granted the foreign enterprise certificate while other remaining necessary approvals and licenses, namely, the environment impact statement and the Forestry Clearance Authority which were originally expected to be obtained in early 2013, are in application progress and are more likely to be completed and obtained in year 2014. Such unexpected delay, as advised by the PNG legal adviser, was due to the Commission of Enquiry into the Special Agricultural Business Lease system. The PNG legal adviser has confirmed that such enquiry is not a legal impediment as the Law of the PNG is clear that if the Forestry Clearance Authority application is in order, then the Forestry Authority must consider the application. As further advised by the PNG legal adviser, on the assumption that the applications for the Forestry Clearance Authority are in order and in the absence of any unforeseen circumstances, it is expected that there is no material legal impediment for the Group to obtain the Forestry Clearance Authority.

OUTLOOK

Money Lending and Provision of Credits Business

Since money lending and provision of credits business constitutes the current major business segment of the Group, the Group will further develop this business segment, diversify the customer portfolio and seek opportunity to cooperate with both Simsen International and Million Wealth, whose respective principal business involve, among other things, money lending which may bring out synergy effect.

To mitigate the inherent credit risk of this business segment and for the sake of efficiency, the Group may consider employing debt collecting specialists/agents or factorising/assigning receivables as and when appropriate.

Securities Investments Business

Under the recent volatile and fragile global stock markets, the Board is of the opinion that the Group shall prioritise in long-term or strategic investment rather than short-term trading investment. The Group also aims at being flexible every now and then in managing the investment portfolio and applying the investment strategy under the then market situation and amid the fluctuating financial market.

Provision of Corporate Secretarial and Consultancy Services Business

Although this industry is flourishing gradually, due to keen competition, the Group is struggling to identify sufficient new clients and will keep exploring business opportunities and a way out for this segment.

Forestry Business

With wood being one of the most essential materials in the world, the Board considers that the potential investment opportunity to be derived from the forestry industry is immense.

According to long-run historical data collected from the International Tropical Timber Organisation and price information available in the PNG, the prices for tropical hardwood logs in general have been escalating over the last decade. The price trends of major species of tropical wood were positive and stable in 2009 and 2010. According to the statistics published by the PNG Forest Authority, the weighted average price has recently climbed up.

The management of the Company has been actively communicating with the government bodies of the PNG and the vendors of the Acquisition, who are holding 70% of the issued share capital of Profit Grand. The Board is optimistic that once the required licenses and approvals are obtained, the Group will enjoy the returns from the price appreciation trend of wood which is anticipated to continue in the near term in light of the sustainable strong demand.

The Group will carry on to explore and analyse potential projects with promising prospects in the future and to hunt for opportunities and ways to strengthen the business and to enhance the financial performance of the Group.

FINANCIAL REVIEW

Liquidity and financial resources

As at 31 December 2012, the Group had recorded net current assets of approximately HK$180,590,000 (31 December 2011: HK$364,738,000); bank balances and cash of approximately HK$44,477,000 (31 December 2011: HK$78,781,000); no unguaranteed and unsecured borrowings (31 December 2011: HK$10,000,000). All borrowings as at 31 December 2011 were made in HK$ and the Group did not enter into any financial instruments for hedging purpose.

Capital structure

On 19 March 2012, the shareholders of the Company (the "**Shareholders**") approved the relevant resolutions in relation to the proposed capital reorganisation at a special general meeting of the Company, pursuant to which with effect from 20 March 2012, the authorised share capital of the Company was increased to HK$400,000,000 divided into 40,000,000,000 shares with par value of HK$0.01 each, and the amount of issued share capital of the Company on 20 March 2012 was reduced to HK$9,903,401.93 divided into 990,340,193 new shares with par value of HK$0.01 each. Details of the capital reorganisation have been set out in the circular of the Company dated 23 February 2012.

On 12 April 2012, the Group issued a convertible note with a principal amount of HK$33,000,000 upon the completion of the Acquisition as part of the consideration as mentioned above which was fully converted into 379,310,344 issued ordinary shares of the Company on 12 April 2012.

On 10 August 2012, the Company proposed to revise and implement the share consolidation on the basis that every eight issued and unissued shares of HK$0.01 each to be consolidated into one issued and unissued consolidated share of HK$0.08 each (the "**Share Consolidation**").

Meanwhile, the Company had also proposed to raise not less than approximately HK$191,750,000 and not more than approximately HK$243,970,000, before expenses, by issuing not less than 342,412,634 rights shares and not more than 435,653,664 rights shares to the qualifying Shareholders by way of rights issue at the subscription price of HK$0.56 per rights share on the basis of two rights shares for every one consolidated share held on the record date. On the basis of not less than 342,412,634 rights shares and not more than 435,653,664 rights shares to be issued under the rights issue, not less than 1,712,063,170 bonus shares and not more than 2,178,268,320 bonus shares will be issued (the "**Rights Issue (with the Bonus Issue)**"). Details of the Rights Issue (with the Bonus Issue) have been disclosed in the circular of the Company dated 14 August 2012.

On 10 September 2012, upon the completion of the Share Consolidation, the total number of issued ordinary shares of the Company was consolidated from 1,369,650,537 with the par value of HK$0.01 each to 171,206,317 with the par value of HK$0.08 each. As a result of the Share Consolidation, the number of exercisable shares of each of the Agent Option and the Longjiang Option (as defined in the Acquisition Circular) changed from 49,517,009 shares to

6,189,626 consolidated shares, and the maximum and the minimum subscription price of each of the Agent Option and the Longjiang Option changed from HK$0.50 per share and HK$0.25 per share to HK$4.00 per consolidated share and HK$2.00 per consolidated share respectively.

On 11 October 2012, the Rights Issue (with the Bonus Issue) became unconditional, 342,412,634 new rights shares and 1,712,063,170 new bonus shares were issued and alloted. The total number of issued ordinary shares with the par value of HK$0.08 each of the Company became 2,225,682,121. The number of shares to be issued upon the exercise of each of the Agent Option and the Longjiang Option were 12,936,318 shares, and the maximum and the minimum subscription price of each of the shares under the Agent Option and the Longjiang Option were adjusted from HK$4.00 per share and HK$2.00 per share respectively to HK$2.00 per share and HK$2.00 per share respectively.

As at the date of this announcement, the Agent Option has been expired.

Significant Investment, Acquisition and Disposal

On 12 April 2012, the Group completed the Acquisition (the "**Completion**"). Upon the Completion, by virtue of the terms of the shareholders' agreement entered into between the Group and the vendors, the Group has gained control over the board of directors of Profit Grand and its subsidiary and 51% of the total voting rights in the general meetings of Profit Grand and its subsidiary. In this regard, Profit Grand and its subsidiary shall be treated as indirect subsidiaries of the Company and their financial performance shall be consolidated into the financial accounts of the Company upon Completion.

As disclosed above, the Company completed the CN Subscription on 12 October 2012. The Board considers that the CN Subscription enables the Group to participate in the development of China Environmental and provides the Group with an opportunity to share the returns generated from the business of China Environmental, which will allow the Company to tap into the recycling industry and to enjoy the potential upside of the share price performance of the shares of China Environmental through the possible conversion of part or whole of the Convertible Notes. The Board also considers the CN Subscription a good opportunity to further develop its finance business with an option for the Company to invest in a certain stake of China Environmental which is a listed company in Hong Kong. If the Convertible Notes are not converted, the Group will receive satisfactory and stable interest income from the Convertible Notes semi-annually.

On 30 November 2011, the Preference Shares Subscription was completed. The Board considers that, through the Preference Share Subscription, the Group will have an additional money lending platform to further promote and develop the money lending business and will also be able to broaden the existing customers base through the cooperation with Mr. Fok. In addition, the Preference Share Subscription will bring to the Group a sustainable satisfactory return on the sum of HK$9,000,000 per annum (based on the dividends rate of 10% per annum). In the event that Million Wealth does not have the required financial resources to make available loans to all potential customers, it could refer such potential customers to Joy Wealth.

Save for disclosed above, there was no significant investment, acquisition or disposal that should be notified to the Shareholders for the year ended 31 December 2012.

Segment Information

Details of segment information of the Group for the year ended 31 December 2012 are set out in note 4 of this announcement.

Employees

As at 31 December 2012, 14 staff members were being employed. In-house training programs were provided for the staff to enhance their skills and job knowledge. The management of the Company would continue to foster close co-operation among the staff.

The Group will review the employee remuneration from time to time and salary increment is normally approved annually or by special adjustment depending on length of services and performance when warranted. In addition to salaries, the Group provides employee benefits including medical and mandatory provident funds. Share options and bonuses are also available to employees of the Group at the discretion of the Directors and depending on the financial performance of the Group.

Details of Charges on Assets

As at 31 December 2012, the Group did not pledge any assets to banks or other financial institutions nor did the Group have any corporate guarantee given to any entity (31 December 2011: nil).

Future Plans for Material Investment or Capital Assets

As aforementioned, the CN Subscription was completed on 12 October 2012. The Company has from time to time monitored and reviewed the business and financial performance of China Environmental. The Group will consider to convert the Convertible Notes into shares as and when appropriate.

It is the Group's intention to exercise the option to further acquire the remaining 70% of the equity interest in Profit Grand (the "**Option**") at the option price of HK$700,000,000 or 70% of the second valuation on the value of Profit Grand and its subsidiary, whichever is lower, (the "**Option Price**") after the relevant required licenses and approvals are granted. The Board expects to satisfy the Option Price as to not more than 20% in cash (which will be about HK$140,000,000) and not less than 80% by procuring the Company to issue a promissory note, subject to negotiations between the Company and the vendors of the Acquisition in the future.

In order to shorten the payback period of the investment and to generate income to the Group, the Company intends to incur early stage capital expenditure as soon as possible after exercising the Option. As illustrated in the Acquisition Circular, early stage expenditure on plant and machinery necessary for commencement of the logging business was estimated at approximately US$7,000,000 (equivalent to approximately HK$54,320,000), which shall be financed by the Company by means of internal resources and any shortfall thereof by appropriate debt/equity financing.

Save for the above-mentioned, as at the date of this announcement, the Company had not entered into any agreement, arrangement, understanding, intention or negotiation about acquiring of any new business.

It is the Group's corporate mission to continue to explore ways to improve its financial performance, to diversify its operations into new and more profitable businesses and to broaden the sources of revenue. Hence, the Company does not rule out the possibility that the Company may implement debt and/or equity fund raising plan(s) to satisfy the financing needs arising out of any business development of the Group as well as to improve the financial position of the Group in the event that suitable fund raising opportunities arise, as the Company has from time to time been approached by investors for potential investment projects.

Treasury Policy

The Group has adopted a treasury policy on 24 May 2011 in relation to the Group's investments in securities of other listed companies on the Stock Exchange. The objective of the policy is to enable the Group to control and govern the possible future securities investments (if any, which may or may not occur).

Working capital and gearing ratio

The gearing ratios of the Group as at 31 December 2012 and 2011 were as follow:

	As at 31 December	
	2012	2011
	HK$'000	*HK$'000*
Amounts due to directors	**154**	152
Borrowings	**–**	10,000
Note payable	**10,000**	–
Less: Bank balances and cash	**(44,477)**	(78,781)
Net debt	**(34,323)**	(68,629)
Total equity	**690,087**	410,111
Total capital	**655,764**	341,482
Gearing ratio (net debt to total capital)	**(5.2%)**	(20.1%)

Foreign exchange exposure

The Group mainly earns revenue and incurs cost in HK$ and is not subject to foreign exchange risk. In addition, the Group had no related hedges as at 31 December 2012.

Contingent liabilities

As at 31 December 2012, the Group had no material contingent liabilities.

DIVIDEND

No dividend for the year ended 31 December 2012 (2011: nil) is recommended by the Board.

CORPORATE GOVERNANCE

The Company is committed to maintain a high standard of corporate governance, the principles of which serve to uphold a high standard of ethics, transparency, responsibility and integrity in all aspects of business and to ensure that its affairs are conducted in accordance with applicable laws and regulations.

The Company has applied the principles and complied with all relevant code provisions of the Code on Corporate Governance Practices (the "**Former CG Code**") during the period from 1 January to 31 March 2012 and the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited during the period from 1 April to 31 December 2012, except for CG Code A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election. The non-executive Director and all independent non-executive Directors of the Company are not appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meeting in accordance with the Bye-Laws of the Company. The Board does not believe that arbitrary term limits on Directors' service are appropriate given that Directors ought to be committed to representing the long-term interests of the shareholders of the Company. In respect of CG Code D.1.4, subsequent to 31 March 2012, formal letters of appointment for Directors setting out the key terms and conditions of their appointment were subsequently executed by all Directors.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the terms as contained in the Model Code for Securities Transactions by Directors of Listed Issuers (Appendix 10 of the Listing Rules) as the Company's code of conduct for securities transactions and dealings (the "**Model Code**"). All existing Directors, upon specific enquiry, have confirmed that they have complied with the Model Code during the year ended 31 December 2012.

AUDIT COMMITTEE

On 14 December 2012, Mr. Wong Sze Kai was appointed as a member of the audit committee of the Company (the "**Audit Committee**"), while Mr. Li Sui Yang had ceased to be a member of the Audit Committee on the same date since his resignation as an independent non-executive Director.

The Audit Committee has adopted a new terms of reference on 27 June 2012 which are in line with the CG Code issued by the Stock Exchange.

During the year, the Audit Committee has reviewed the financial results and reports as well as the Company's internal control review report. The Audit Committee also met the external auditor and monitored the appointment of external auditor. Besides, the Audit Committee is responsible for performing the functions set out in the CG Code D.3.1. The Audit Committee reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Listing Rules, and the Company's compliance with the Revised CG Code and disclosure in this Corporate Governance Report.

There is no disagreement between the Board and the Audit Committee during the year.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased or redeemed any of the Company's shares during the year. As at 31 December 2012, 2,225,682,121 ordinary shares with a par value of HK$0.08 each were in issue. Details are set out in the "Share Capital" section of this announcement.

As at the date of this announcement, the Directors are:

Executive Directors
Mr. Ng Kwok Fai *(Chairman)*
Mr. Huang Chuan Fu *(Deputy Chairman)*
Mr. Liang Jian Hua
Ms. Jia Hui
Mr. Jiang Yi Ren

Non-executive Director
Mr. Chan Kin Sang

Independent Non-executive Directors
Mr. Cheng Po Yuen
Mr. Wong Chun Hung
Mr. Wong Sze Kai

By order of the Board
Pacific Plywood Holdings Limited
Ng Kwok Fai
Chairman

Hong Kong, 27 March 2013