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PACIFIC PLYWOOD HOLDINGS LIMITED

太平洋實業控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 767)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2014**

The board of directors (the “**Directors**”) (the “**Board**”) of Pacific Plywood Holdings Limited (the “**Company**”) hereby announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2014 and the comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2014

	Notes	Six months ended 30 June	
		2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Turnover — gross proceeds	4	22,941	32,706
Revenue	5	22,941	17,656
Interest income		21,739	10,558
Others		1,202	7,098
Cost of sales		(3,079)	(1,374)
Interest expenses		(926)	—
Other cost of sales		(2,153)	(1,374)
Gross profit		19,862	16,282
Other income and gains		4,993	8,232
Reversal of impairment loss on loan and interest receivables		7,000	—
Impairment loss recognised in respect of goodwill	11	(61,019)	—
Change in fair value of convertible instruments designated as financial assets at fair value through profit or loss		—	35,491
Administrative expenses		(11,996)	(11,443)
Operating (loss) profit		(41,160)	48,562
Finance cost		—	(96)
(Loss) profit before tax		(41,160)	48,466
Income tax expense	6	(1,999)	—
(Loss) profit for the period	7	(43,159)	48,466
(Loss) profit for the period attributable to:			
Owners of the Company		(43,162)	48,470
Non-controlling interests		3	(4)
		(43,159)	48,466
			(Restated)
(Loss) earnings per share:	9		
Basic (HK cents)		(1.6)	5.4
Diluted (HK cents)		N/A	5.4

* For identification purpose only

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

For the six months ended 30 June 2014

		Six months ended 30 June	
		2014	2013
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
(Loss) profit for the period		(43,159)	48,466
Other comprehensive income (expense):			
Items that may be subsequently reclassified to profit or loss:			
Net fair value gain on available-for-sale financial assets	12	226,351	2,268
Exchange differences on translation of financial statements of foreign operations		<u>(4)</u>	<u>–</u>
		<u>226,347</u>	<u>2,268</u>
Total comprehensive income for the period		<u>183,188</u>	<u>50,734</u>
Total comprehensive income (expense) for the period attributable to:			
Owners of the Company		183,188	50,738
Non-controlling interests		<u>–</u>	<u>(4)</u>
		<u>183,188</u>	<u>50,734</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2014

		30 June 2014	31 December 2013
	<i>Notes</i>	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	10	816	1,394
Goodwill	11	245,000	306,019
Deposit for acquisition of logging concession		242	242
Available-for-sale financial assets	12	504,528	264,165
		750,586	571,820
CURRENT ASSETS			
Loan and interest receivables	13	262,694	222,430
Trade and other receivables	14	17,755	16,467
Bank balances and cash		146,745	248,757
		427,194	487,654
CURRENT LIABILITIES			
Other payables and accruals		656	1,417
Amount due to a director		10	–
Tax liabilities		1,999	–
Interest payable		–	1,130
Borrowings		–	65,000
		2,665	67,547
NET CURRENT ASSETS		424,529	420,107
TOTAL ASSETS LESS CURRENT LIABILITIES		1,175,115	991,927
CAPITAL AND RESERVES			
Share capital	15	2,782	2,782
Share premium		721,226	721,226
Available-for-sale financial assets revaluation reserve		254,813	28,462
Share-based payment reserve		1,367	1,367
Contributed surplus		277,102	277,102
Translation reserve		297	298
Accumulated losses		(82,633)	(39,471)
		1,174,954	991,766
Equity attributable to owners of the Company		1,174,954	991,766
Non-controlling interests		161	161
TOTAL EQUITY		1,175,115	991,927

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2014

	Attributable to owners of the Company									
	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Available- for-sale financial assets revaluation reserve <i>HK\$'000</i>	Share- based payment reserve <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Translation reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>	Non- controlling interests <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2013 (Audited)	178,054	524,993	-	1,367	100,717	(160)	(115,068)	689,903	184	690,087
Profit (loss) for the period	-	-	-	-	-	-	48,470	48,470	(4)	48,466
Net fair value gain on available-for-sale financial assets	-	-	2,268	-	-	-	-	2,268	-	2,268
Total comprehensive income (expense) for the period	-	-	2,268	-	-	-	48,470	50,738	(4)	50,734
At 30 June 2013 (Unaudited)	<u>178,054</u>	<u>524,993</u>	<u>2,268</u>	<u>1,367</u>	<u>100,717</u>	<u>(160)</u>	<u>(66,598)</u>	<u>740,641</u>	<u>180</u>	<u>740,821</u>
At 1 January 2014 (Audited)	2,782	721,226	28,462	1,367	277,102	298	(39,471)	991,766	161	991,927
(Loss) profit for the period	-	-	-	-	-	-	(43,162)	(43,162)	3	(43,159)
Net fair value gain on available-for-sale financial assets	-	-	226,351	-	-	-	-	226,351	-	226,351
Exchange differences on translation of financial statements of foreign operations	-	-	-	-	-	(1)	-	(1)	(3)	(4)
Other comprehensive income (expense) for the period	-	-	226,351	-	-	(1)	-	226,350	(3)	226,347
Total comprehensive income (expense) for the period	-	-	226,351	-	-	(1)	(43,162)	183,188	-	183,188
At 30 June 2014 (Unaudited)	<u>2,782</u>	<u>721,226</u>	<u>254,813</u>	<u>1,367</u>	<u>277,102</u>	<u>297</u>	<u>(82,633)</u>	<u>1,174,954</u>	<u>161</u>	<u>1,175,115</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2014

	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash (used in) from operating activities	(21,354)	22,866
Net cash used in investing activities	(13,598)	(11,998)
Net cash used in financing activities	<u>(67,056)</u>	<u>(13,584)</u>
Net decrease in cash and cash equivalents	(102,008)	(2,716)
Cash and cash equivalents at 1 January	248,757	44,477
Effect of foreign exchange rate changes	<u>(4)</u>	<u>–</u>
Cash and cash equivalents at 30 June	<u>146,745</u>	<u>41,761</u>
Analysis of the balance of cash and cash equivalents:		
Bank balances and cash	<u>146,745</u>	<u>41,761</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

1. GENERAL

Pacific Plywood Holdings Limited is 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.

During the six months ended 30 June 2014, the principal activities of the Company and its subsidiaries were money lending and provision of credit business, provision of corporate secretarial and consultancy services, securities investments and forestry business.

The condensed consolidated financial statements are **unaudited** and presented in Hong Kong dollars (“**HK\$**”), which is also the functional currency of the Group.

2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”).

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2014 are the same as those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2013.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the six months ended 30 June 2014

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

In the current interim period, the Group has applied, for the first time, the following new interpretation and amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) and Hong Kong Accounting Standards (“HKASs”) issued by the HKICPA that are relevant for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRS 10, HKFRS 12 and HKFRS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC*) – Interpretation 21	Levies

* IFRIC represents the International Financial Reporting Interpretations Committee

The application of the above new interpretation and amendments to HKFRSs and HKASs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

4. TURNOVER

Turnover represents the gross proceed received and receivable from the business of money lending and provision of credit, provision of corporate secretarial and consultancy services and securities trading during the period. There was no turnover generated from forestry business during the six months ended 30 June 2014 and 2013. The following is an analysis of the Group’s turnover:

	Six months ended 30 June	
	2014	2013
	HK\$’000	HK\$’000
	(Unaudited)	(Unaudited)
Interest income from loan receivables	21,739	10,558
Consultancy income	1,202	4,978
Gross proceeds from disposal of investment held for trading	–	17,170
	<u>22,941</u>	<u>32,706</u>

5. SEGMENT INFORMATION

Information reported to the board of directors of the Company, 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 credit
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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the six months ended 30 June 2014

5. SEGMENT INFORMATION (Continued)

Segment revenue and results

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

	Money lending HK\$'000	Consultancy services HK\$'000	Securities investments HK\$'000	Forestry business HK\$'000	Total HK\$'000
Six months ended 30 June 2014					
(unaudited)					
Turnover – gross proceeds	<u>21,739</u>	<u>1,202</u>	<u>–</u>	<u>–</u>	<u>22,941</u>
Segment revenue from external customers	<u>21,739</u>	<u>1,202</u>	<u>–</u>	<u>–</u>	<u>22,941</u>
Segment results	<u>27,795</u>	<u>(2,263)</u>	<u>4,896</u>	<u>(62,801)</u>	<u>(32,373)</u>
Unallocated corporate expenses					<u>(8,788)</u>
Unallocated corporate income					<u>1</u>
Loss before tax					<u>(41,160)</u>
	Money lending HK\$'000	Consultancy services HK\$'000	Securities investments HK\$'000	Forestry business HK\$'000	Total HK\$'000
Six months ended 30 June 2013					
(unaudited)					
Turnover – gross proceeds	<u>10,558</u>	<u>4,978</u>	<u>17,170</u>	<u>–</u>	<u>32,706</u>
Segment revenue from external customers	<u>10,558</u>	<u>4,978</u>	<u>2,120</u>	<u>–</u>	<u>17,656</u>
Segment results	<u>8,512</u>	<u>594</u>	<u>45,812</u>	<u>(1,792)</u>	<u>53,126</u>
Unallocated corporate expenses					<u>(4,565)</u>
Unallocated corporate income					<u>1</u>
Finance costs					<u>(96)</u>
Profit before tax					<u>48,466</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the six months ended 30 June 2014

5. SEGMENT INFORMATION (Continued)

Segment assets and liabilities

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

	Money lending <i>HK\$'000</i>	Consultancy services <i>HK\$'000</i>	Securities investments <i>HK\$'000</i>	Forestry business <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 30 June 2014 (unaudited)					
ASSETS					
Segment assets	407,729	1,311	519,869	246,080	1,174,989
Unallocated corporate assets					<u>2,791</u>
Total assets					<u>1,177,780</u>
LIABILITIES					
Segment liabilities	1,816	74	–	–	1,890
Unallocated corporate liabilities					<u>775</u>
Total liabilities					<u>2,665</u>
	Money lending <i>HK\$'000</i>	Consultancy services <i>HK\$'000</i>	Securities investments <i>HK\$'000</i>	Forestry business <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 31 December 2013 (audited)					
ASSETS					
Segment assets	428,563	2,996	313,415	308,885	1,053,859
Unallocated corporate assets					<u>5,615</u>
Total assets					<u>1,059,474</u>
LIABILITIES					
Segment liabilities	66,157	71	–	–	66,228
Unallocated corporate liabilities					<u>1,319</u>
Total liabilities					<u>67,547</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the six months ended 30 June 2014

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax:		
Hong Kong	<u>1,999</u>	<u>–</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the six months ended 30 June 2014.

No provision for Hong Kong Profits Tax has been made for the six months ended 30 June 2013 as the Group had no assessable profit arising in Hong Kong.

7. (LOSS) PROFIT FOR THE PERIOD

(Loss) profit for the period has been arrived at after charging the following items:

	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Staff costs (excluding directors' emoluments)		
– Salaries, wages and other benefits	4,064	3,515
– Retirement benefit scheme contribution	<u>230</u>	<u>205</u>
Total staff costs	<u>4,294</u>	<u>3,720</u>
Auditors' remuneration		
– Non-audit services	200	200
Directors' emoluments	240	1,058
Depreciation of property, plant and equipment	608	604
Net foreign exchange loss	3	–
Minimum lease payment under operating lease in respect of land and buildings	<u>820</u>	<u>820</u>

8. DIVIDENDS

No dividends were paid, declared or proposed during the interim period, nor has any dividend been proposed since the end of the reporting period (for six months ended 30 June 2013: Nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the six months ended 30 June 2014

9. (LOSS) EARNINGS PER SHARE

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

	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
(Loss) earnings		
(Loss) earnings for the purposes of basic and diluted (loss) earnings per share	<u>(43,162)</u>	<u>48,470</u>
	Six months ended 30 June	
	2014	2013
	'000	'000
	(Unaudited)	(Unaudited)
		(Restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted (loss) earnings per share	<u>2,782,102</u>	<u>892,373</u>

The denominator for the purpose of calculating basic and diluted earnings per share for the six months ended 30 June 2013 has been restated to reflect the share consolidation and right issue (with bonus issue) during the year ended 31 December 2013 as detail in Note 15 to the condensed consolidated financial statements.

For the six months ended 30 June 2014, diluted loss per share was not presented as the assumed exercise of share options during the period has an anti-dilutive effect.

For the six months ended 30 June 2013, the computation of diluted earnings per share does not assume the exercise of the Company's outstanding share options because the exercise price of those options was higher than the average market price for shares.

10. PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group acquired certain property, plant and equipment of approximately HK\$30,000 (for the six months ended 30 June 2013: HK\$29,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the six months ended 30 June 2014

11. GOODWILL

HK\$'000

COST

At 1 January 2013 (Audited), 31 December 2013 (Audited), 1 January 2014 (Audited)
and **30 June 2014 (Unaudited)**

306,019

ACCUMULATED IMPAIRMENT

At 1 January 2013 (Audited), 31 December 2013 (Audited)
and 1 January 2014 (Audited)

–

Impairment loss recognised

61,019

At 30 June 2014 (Unaudited)

61,019

CARRYING VALUE

At 30 June 2014 (Unaudited)

245,000

At 31 December 2013 (Audited)

306,019

The goodwill amounted to approximately HK\$306,019,000 was arisen from the acquisition of 30% equity interest of Profit Grand Enterprises Limited and its subsidiary, I-Sky Natural Resources (PNG) Limited (collectively referred to as the “**Profit Grand Group**”). Profit Grand Group has been granted the right to operate sawmills, harvest trees and sell logs, in the forest located in Independent State of Papua New Guinea with ground area of approximately 65,800 hectares.

Goodwill was allocated to the Group’s cash-generating unit identified according to the operating segment. The goodwill as at 30 June 2014 and 31 December 2013 was attributable to the cash-generating unit that comprises the forestry business segment.

The recoverable amount of the forestry business segment cash-generating unit was based on value in use and was determined with reference to the valuation report dated 14 August 2014 (the “**Valuation Report**”) issued by Roma Appraisals Limited.

Pursuant to the Valuation Report, the recoverable amount of the forestry business segment as at 30 June 2014 was approximately HK\$245,000,000 and an impairment loss of approximately HK\$61,019,000 (30 June 2013: Nil) has been recognised in respect of the goodwill to the extent that the carrying amount exceeded its recoverable amount based on the best estimate by the Directors with reference to the Valuation Report and thus, the impairment loss was recognised to the condensed consolidated statement of profit or loss for the six months ended 30 June 2014.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the six months ended 30 June 2014

12. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Notes	As at	
		30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
Listed investments			
– Equity securities listed in Hong Kong	(a)	414,528	174,165
Unlisted investments			
– Redeemable convertible preference shares	(b)	<u>90,000</u>	<u>90,000</u>
		<u>504,528</u>	<u>264,165</u>

Notes:

- (a) During the six months ended 30 June 2014, there were significant increases in the market value of the listed equity investments. Net fair value gain of approximately HK\$226,351,000 had been recognised in other comprehensive income (for the six months ended 30 June 2013: HK\$2,268,000).
- (b) On 11 October 2012, Perpetual Master Limited, a wholly-owned subsidiary of the Company, has entered into the subscription agreement with Million Wealth Capital Investment Limited (“**Million Wealth**”), which is engaged in money lending business, in subscribing 90 redeemable convertible preference shares of HK\$1,000,000 each from Million Wealth. The subscription was completed on 30 November 2012.

The Directors consider that the Group has neither control nor significant influence over Million Wealth as they have not actively participated in the operation and policy-making process of Million Wealth. Therefore, the investment in the redeemable convertible preference shares is treated as available-for-sale financial asset as a long term investment, and measured at cost less accumulated impairment loss at the end of the reporting period because the range of reasonable fair value estimates is so significant that the Directors are of the opinion that their fair value cannot be measured reliably. The Directors consider that no impairment is considered necessary.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the six months ended 30 June 2014

13. LOAN AND INTEREST RECEIVABLES

	As at	
	30 June 2014 <i>HK\$'000</i> (Unaudited)	31 December 2013 <i>HK\$'000</i> (Audited)
Fixed-rate loan and interest receivables	294,754	261,490
Less: Accumulated impairment loss	<u>(32,060)</u>	<u>(39,060)</u>
	<u>262,694</u>	<u>222,430</u>

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 carried fixed interest rate ranging from 10% to 48% (31 December 2013: 10% to 48%) per annum. 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:

	As at	
	30 June 2014 <i>HK\$'000</i> (Unaudited)	31 December 2013 <i>HK\$'000</i> (Audited)
0 – 30 days	3,540	150,933
31 – 90 days	7,865	7,592
91 – 180 days	90,820	5,077
181 – 365 days	116,465	843
Over 365 days	<u>44,004</u>	<u>57,985</u>
	<u>262,694</u>	<u>222,430</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the six months ended 30 June 2014

14. TRADE AND OTHER RECEIVABLES

	As at	
	30 June 2014 <i>HK\$'000</i> (Unaudited)	31 December 2013 <i>HK\$'000</i> (Audited)
Trade receivables	201	511
Other receivables and prepayments	<u>17,554</u>	<u>15,956</u>
	<u>17,755</u>	<u>16,467</u>

The Group allowed a credit period in the range from 30 to 90 days to its trade customers. An aging analysis of the trade receivables at the end of the reporting period, based on the invoice date, is as follows:

	As at	
	30 June 2014 <i>HK\$'000</i> (Unaudited)	31 December 2013 <i>HK\$'000</i> (Audited)
0 – 30 days	136	221
31 – 90 days	5	290
181 – 365 days	<u>60</u>	<u>–</u>
	<u>201</u>	<u>511</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the six months ended 30 June 2014

15. SHARE CAPITAL

	Par value HK\$	Number of shares '000	Amount HK\$'000
Authorised			
At 1 January 2013			
Ordinary shares of HK\$0.08 each	0.08	5,000,000	400,000
Share consolidation (Note a)	N/A	(3,750,000)	–
Capital reduction (Note b)	0.001	–	(398,750)
Capital reorganisation (Note b)	0.001	398,750,000	398,750
		<u>398,750,000</u>	<u>398,750</u>
At 31 December 2013 (Audited), 1 January 2014 (Audited) and 30 June 2014 (Unaudited)			
	0.001	<u>400,000,000</u>	<u>400,000</u>
Issued and fully paid			
At 1 January 2013			
Share consolidation (Note a)	N/A	(1,669,262)	–
Capital reduction (Note b)	0.001	–	(177,498)
Issue of right shares (Note c)	0.001	1,112,841	1,113
Issue of bonus shares (Note c)	0.001	1,112,841	1,113
		<u>1,112,841</u>	<u>1,113</u>
At 31 December 2013 (Audited), 1 January 2014 (Audited) and 30 June 2014 (Unaudited)			
	0.001	<u>2,782,102</u>	<u>2,782</u>

Notes:

- a. As disclosed in the announcement of the Company dated 14 August 2013, a share consolidation on the basis that every 4 issued and unissued shares with the par value of HK\$0.08 each in the share capital of the Company had been consolidated into 1 consolidated share with the par value of HK\$0.32 each with effective from 15 August 2013. Prior to the date of share consolidation, there were 2,225,682,121 issued shares, after the share consolidation, the number of issued shares changed to 556,420,530.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the six months ended 30 June 2014

15. SHARE CAPITAL *(Continued)*

Notes: (Continued)

- b. Pursuant to an ordinary resolution passed at the Company's special general meeting held on 14 August 2013, the Company's issued share capital was reduced by cancelling the issued and unissued share capital to the extent of HK\$0.319 each such that the par value of the issued and unissued share capital was reduced from HK\$0.32 to HK\$0.001 each, as a result, approximately HK\$177,498,000 was credited to the contributed surplus of the Company.

Pursuant to an ordinary resolution passed at the Company's special general meeting held on 14 August 2013, the Company's authorised share capital was increased from HK\$1,250,000 divided into 1,250,000,000 ordinary shares of HK\$0.001 each to HK\$400,000,000 divided into 400,000,000,000 new shares by creation of 398,750,000,000 new shares.

- c. On 4 October 2013, the shareholders of the Company approved by way of poll the rights issue on the basis of 2 rights shares for every 1 share held on the record date of 15 October 2013 at a subscription price of HK\$0.18 per rights share with bonus issue on the basis of 1 bonus share for every 1 rights share taken up under the right issue. The right issue with the bonus issue became unconditional on 4 November 2013. 1,112,841,060 rights shares and 1,112,841,060 bonus shares with the par value of HK\$0.001 each were allotted and issued on 4 November 2013 and net proceeds of approximately HK\$197,346,000 were raised. Details of the rights issue and the bonus issue were set out in the circular of the Company dated 16 September 2013.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the six months ended 30 June 2014

16. COMMITMENTS

Operating leases

The Group as a lessee

The Group leases certain of its office premises 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:

	As at	
	30 June	31 December
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Within one year	479	1,299

Leases are negotiated and rentals are fixed for terms of 2.8 years (31 December 2013: 2.8 years).

Capital commitment

The Group had no capital commitment as at 30 June 2014 (31 December 2013: Nil).

17. FAIR VALUE MEASUREMENTS OF THE FINANCIAL INSTRUMENTS

Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the six months ended 30 June 2014

17. FAIR VALUE MEASUREMENTS OF THE FINANCIAL INSTRUMENTS (Continued)

Fair value of the Group's financial assets that are measured at fair value on a recurring basis
(Continued)

— Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial asset	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)
	30 June 2014	31 December 2013		
Listed equity securities classified as available-for-sale financial assets in the condensed consolidated statement of financial position	Assets- Approximately HK\$414,528,000	Assets- Approximately HK\$174,165,000	Level 1	Quoted bid prices in an active market

There were no transfers between Levels 1, 2 and 3 in the current period and prior year.

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate to their fair values.

18. RELATED PARTY DISCLOSURE

Saved for the amount due to a director and the directors' emoluments that disclosed elsewhere in the condensed consolidated financial statements, there was no other significant related party transactions and balances during the six months ended 30 June 2014.

19. EVENT AFTER THE END OF THE REPORTING PERIOD

There was no material event subsequent to the end of the interim period ended 30 June 2014.

DIVIDENDS

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2014 (six months ended 30 June 2013: Nil).

BUSINESS REVIEW

The Company is an investment holding company, and through its subsidiaries, is principally engaged in the business of money lending and provision of credit, securities investments, provision of corporate secretarial and consultancy services and forestry business.

Money Lending and Provision of Credit 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, a wholly-owned subsidiary of the Company, has provided a wide variety of loans with an accumulated amount of approximately HK\$905 million. Interest rates ranged from 10% to 48% per annum during the current period. For the six months ended 30 June 2014, the interest income was approximately HK\$21,739,000 (30 June 2013: HK\$10,558,000), and there was no impairment loss (30 June 2013: Nil) but a reversal of impairment loss of HK\$7,000,000 (30 June 2013: Nil) noted. Details on the loan and interest receivables were set out in Note 13 to the unaudited condensed consolidated financial statements.

Securities Investments Business

On 26 April 2013, Best Harvest Asia Limited (“**Best Harvest**”), a wholly-owned subsidiary of the Company, acquired 126,000,000 shares of Simsen International Corporation Limited (a company whose shares are listed on the Stock Exchange with Stock Code: 993) (“**Simsen**”) by fully accepting its provisional allotment under the Simsen rights issue at a consideration of approximately HK\$11,970,000. On 22 July 2013, further 83,000,000 shares of Simsen were acquired at a consideration of approximately HK\$9,380,000. Details have been disclosed in the announcements of the Company dated 15 April 2013 and 22 July 2013 respectively.

Subsequent to 11 October 2013 when the share consolidation of Simsen became effective and as at 31 December 2013, the Group was interested in 6,275,000 shares of Simsen, representing approximately 9.87% of the then issued share capital of Simsen. On 9 April 2014, Simsen issued and allotted a bonus issue on the basis of 9 bonus shares for every 1 existing share held. Hence, the Group’s interest in Simsen increased to 62,750,000 shares, representing 6.93% and 3.98% of the issued share capital of Simsen as at 30 June 2014 and the date of this announcement respectively.

During the second half of the year ended 31 December 2013, the Group had invested in Imperial Pacific International Holdings Limited (formerly known as First Natural Foods Holdings Limited) (a company whose shares are listed on the Stock Exchange with Stock Code: 1076) (“**Imperial Pacific**”) and Renhe Commercial Holdings Company Limited (a company whose shares are listed on the Stock Exchange with Stock Code: 1387) (“**Renhe**”). Details have been disclosed in the announcements of the Company dated 29 November 2013 and 31 December 2013 respectively (the “**Investments**”). Since the Investments and up to the period ended 30 June 2014, the Group did not dispose nor further acquire any share of Imperial Pacific and Renhe.

Upon the completion of a subscription on redeemable convertible preference shares on 30 November 2012 and as at the date of this announcement, Perpetual Master Limited (“**Perpetual Master**”), a wholly-owned subsidiary of the Company, is holding 90 redeemable convertible preference shares of Million Wealth (the “**Preference Shares**”) of HK\$1,000,000 each. By holding such Preference Shares, the Group earns a dividend at a rate of 10% per annum, compounded annually, and will have an additional money lending platform to further promote and develop its money lending and provision of credits business. Perpetual Master is entitled the rights to convert the Preference Shares into ordinary shares as and when appropriate.

By the period ended 30 June 2013, the Company had invested in the convertible notes with an interest of 8% per annum issued by China Environmental Energy Investment Limited (a company whose shares are listed on the Stock Exchange with Stock Code: 986) (the “**Convertible Notes**”) in aggregate principal amount of HK\$95,000,000. Base on the valuation assessment by an independent valuer, the fair value of the Convertible Notes as at 30 June 2013 was HK\$140,203,000 and a fair value gain of approximately HK\$35,491,000 was recognised in the condensed consolidated statement of profit or loss for the six months ended 30 June 2013 accordingly. Meanwhile, a coupon interest for the six months ended 30 June 2013 amounted to HK\$3,769,000 was earned. The Convertible Notes were fully disposed of during the year ended 31 December 2013 as disclosed in annual report 2013 of the Company. Hence, no such coupon interest and change in fair value were noted in the current period.

In the interim period ended 30 June 2013, as disclosed in interim report 2013 of the Company, the Group disposed all the shares of Huili Resources (Group) Limited and recorded a gain on disposal approximated to HK\$2,120,000. In the interim period ended 30 June 2014, there is no disposal of investments and therefore no such gain or loss on disposal was noted.

In sum, during the period ended 30 June 2014, the investment in the Preference Shares brought about an other income approximates to HK\$4,992,000 during the current period (30 June 2013: HK\$4,463,000) and the investment in listed securities led to a net fair value gain being recognised as a comprehensive income in an amount of approximately HK\$226,351,000 (30 June 2013: HK\$2,268,000) whilst there was no gain or loss on disposal of any security nor change in fair value was recognised in the condensed consolidated statement of profit or loss (30 June 2013: gain on disposal of approximately HK\$2,120,000).

Provision of Corporate Secretarial and Consultancy Services Business

The Group has been conducting the provision of corporate secretarial and consultancy services business mainly through Pacific Vision Advisory Services Limited (“**Pacific Vision**”), a wholly-owned subsidiary of the Company. 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 period under review, a segment revenue of approximately HK\$1,202,000 and a segment loss of approximately HK\$2,263,000 had been recorded (30 June 2013: segment revenue of approximately HK\$4,978,000 and segment profit of approximately HK\$594,000).

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 logging rights within a forest sized approximately 65,800 hectares in the Independent State of Papua New Guinea (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. Upon the completion of the Acquisition, a goodwill amounted to approximately HK\$306,019,000 (the “**Goodwill**”) was recorded. As at 30 June 2014, the recoverable amount of the Goodwill which was determined with reference to the valuation report issued by the independent valuer was approximately HK\$245,000,000. Hence, an impairment loss on the Goodwill in an amount of approximately HK\$61,019,000 was recognised. Relevant details are set out in Note 11 to the unaudited condensed consolidated financial statements.

As mentioned in the announcement of the Company dated 12 May 2014, as a condition of the Acquisition, the Group, respective vendors and guarantor entered into an option deed pursuant to which the vendors have granted to the Group an option to purchase the option shares representing 70% of the entire issued share capital of Profit Grand (the “**Option**”) and the Option may be exercised at the sole discretion of the Group according to the terms and conditions therein at any time during the period commencing the 13th month after the date of completion of the Acquisition and expiring the 12th month thereafter, that is 11 May 2014 (or such later date as may be agreed by both the Group and the vendors). As the parties thereto have not extended the option period thereunder, such period lapsed and the Option has expired on 11 May 2014 accordingly.

As disclosed in the announcements of the Company dated 12 May 2014 and 6 August 2014 respectively, the vendors, their representatives and the landowners are following up with the Department of Environment and Conservation and other related government authorities in the PNG regarding the outstanding necessary approvals, licenses, registrations, confirmation and/or permits as may be required to conduct forestry related business and to enjoy the logging concession right under the laws and regulations in the PNG (the “**Official Approvals**”) continuously. Nonetheless, as at 30 June 2014 and the date of this announcement there is no material progress in these regards that may unveil the uncertainty in relation to the grant of the Official Approvals within the time frame as previously expected. Against such circumstances, a more conservative approach in valuing the Goodwill for reflecting such possible risks and uncertainties is adopted (i.e. the discount rate is higher for addressing the underlying uncertainty and the inflow of revenue is deferred for addressing the delay, *ceterus paribus*). Accordingly, the Goodwill is declined and thus, the impairment loss is triggered as above-mentioned. Whilst the assumptions in relation to the Goodwill as considered and disclosed since in the circular of the Company dated 29 February 2012 and up to the annual report of the Company dated 25 March 2014 are reasonable, they are inherently subject to economic and competitive uncertainties and contingencies that are beyond the control of the Company and the parties thereto. Despite of the slow progress for the Official Approvals, as previously advised by the PNG legal adviser, the Environment Permit could be granted after the Approval In Principle has been issued under the Law of the PNG in the absence of any irregularities and on the assumption that the application for the Clearance Authority are in order and in the absence of any unforeseen circumstances. There is no conclusive evidence that comes to the attention of the Company that there is material legal impediment to obtain the Clearance Authority as at the date of this announcement. The Group shall continue to follow up with the vendors, the relevant government authorities and professionals regarding the Official Approvals, the development of the forestry business and its valuation and shall comply with all relevant requirements, and where necessary, make further announcement(s) in accordance with the Listing Rules and the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “**SFO**”).

Outlook

Money Lending and Provision of Credit Business

Money lending and provision of credit business has continued to be the major business segment of the Group and contributed stable interest income to the Group. The Group will further develop this business segment, diversify the customer portfolio and seek opportunity to cooperate with its business partners.

Securities Investments Business

As part of its routine exercise, the Company reviews the performance of its existing investment portfolio and evaluating the investment potentials of other investment opportunities available to the Company. Subject to the results of such reviews, the Company may make suitable investment decisions according to the then circumstance and information available which may involve the disposal of the whole or part of its existing investment portfolio and/or the change of the components and/or the asset allocation of its investment portfolio and/or broaden and diversity its investment portfolio with a view of realizing and/or optimizing the expected return and minimizing the risks.

Provision of Corporate Secretarial and Consultancy Services Business

Since its establishment in November 2011, Pacific Vision has successfully identified a group of listed corporate clients and has been delivering on-going corporate secretarial and consultancy services in different aspects of due diligence, financial analysis, and valuation analysis to various listed companies in Hong Kong. Pacific Vision with mission to be one of the prestigious consultancy firms in the industry, strive to help its clients to achieve strategic goals and enhance corporate efficiency, performance and value and to improve its prevailing performance and position.

Forestry Business

The Group shall continue to follow up with the vendors, the relevant government authorities and professionals regarding the Official Approvals, the development of the forestry business and its valuation and shall comply with all relevant requirements, and where necessary, make further announcement(s) in accordance with the Listing Rules and SFO.

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 30 June 2014, the Group had recorded net current assets of approximately HK\$424,529,000 (31 December 2013: HK\$420,107,000); bank balances and cash of approximately HK\$146,745,000, 0.6% of which was denominated in currencies other than HK\$ (31 December 2013: HK\$248,757,000, 0.2% of which was denominated in currencies other than HK\$); and no borrowing (31 December 2013: unguaranteed and unsecured borrowing denominated in HK\$ with fixed interest rate of approximately HK\$65,000,000). The Group did not enter into any financial instruments for hedging purpose. A tax provision in an amount of approximately HK\$1,999,000 was made for the six months ended 30 June 2014 (for the six months ended 30 June 2013: Nil). Details of taxation are set out in the Note 6 to the unaudited condensed consolidated financial statements.

Capital Structure

There was no change to the authorised and issued share capital of the Company during the six months ended 30 June 2014. As at 30 June 2014, the total number of the issued ordinary shares with the par value of HK\$0.001 each was 2,782,102,650 (31 December 2013: 2,782,102,650).

Working capital and gearing ratio

The gearing ratios of the Group as at 30 June 2014 and 31 December 2013 are as follow:

	As at	
	30 June 2014	31 December 2013
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Borrowings	–	65,000
Less: Bank balances and cash	<u>(146,745)</u>	<u>(248,757)</u>
Net debt	(146,745)	(183,757)
Total equity	<u>1,175,115</u>	<u>991,927</u>
Total capital	<u>1,028,370</u>	<u>808,170</u>
Gearing ratio (net debt to total capital)	<u>(14%)</u>	<u>(23%)</u>

As the Group had a net cash position as at 30 June 2014 and 31 December 2013, the net gearing ratios were negative.

Material Acquisition and Disposal

There was no material acquisition or disposal of subsidiaries and associated companies during the six months ended 30 June 2014.

Significant Investments

There was no significant investment that should be notified to the shareholders of the Company for the six months ended 30 June 2014 incurred. The performance and prospect of the significant investments of the Group during the period under review were discussed under the sections of “Securities Investments Business” above.

Segment Information

Details of segment information of the Group for the six months ended 30 June 2014 are set out in Note 5 to the unaudited condensed consolidated financial statements.

Employees

As at 30 June 2014, 17 staff members have been employed. Respective remuneration was disclosed in Note 7 to the unaudited condensed consolidated financial statements. In-house training programs were provided for the staff to enhance their skills and job knowledge. The management would continue to foster close co-operation among the staff.

The Group will review 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 and the performance of the employees.

Details of Charges on Assets

As at 30 June 2014, 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 2013: Nil).

Future Plans for Material Investment or Capital Assets

As at the date of this announcement, the Company is holding 90 redeemable convertible Preference Shares of HK\$1,000,000 each. The Company has from time to time reviewed the business and financial performance of Million Wealth. The Group will consider the redemption of the Preference Shares or to convert the Preference Shares into ordinary shares of Million Wealth as and when appropriate.

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 within acceptable risk level. Hence, the Company does not rule out the possibility of investing in or changing to other profitable business as long as it is in the interest of the Company and the shareholders as a whole. Also, as part of its routine exercise, the Company reviews the performance of its existing investment portfolio and evaluating the investment potentials of other investment opportunities available to the Company from time to time. Subject to the results of such reviews, the Company may make suitable investment decisions according to the then circumstance and information available which may involve the disposal of the whole or part of its existing investment portfolio and/or change of the asset allocation of its investment portfolio and/or expanding its investment portfolio with a view of realizing and/or optimizing the expected return and minimizing the risks. Meanwhile, the Company does not preclude 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 its financial position 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.

As at the date of this announcement, the Company had not entered into any agreement, arrangement, understanding, intention or negotiation that should be disclosed pursuant to the Listing Rules and the SFO.

Treasury Policy

The Group has adopted a treasury policy on 24 May 2011 in relation to the Group's investment 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).

Foreign Exchange Exposures

There were no material transaction and movement for financial assets and financial liabilities of the Group that are denominated in foreign currency during the current interim period. Thus, the Group did not expose to foreign currency exchange rate risk during the current interim period. The Group has not implemented any foreign currency hedging policy at the moment. However, continuous monitoring on the foreign exchange exposure is carried out and the management will consider hedging the foreign exchange exposure if it has material impact on the Group.

Capital Commitment

As at 30 June 2014, the Group had no material capital commitment (31 December 2013: Nil).

Contingent Liability

As at 30 June 2014, the Group had no material contingent liability (31 December 2013: Nil).

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

As at 30 June 2014, none of the Directors is a director or employee of a company which has an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provision of Divisions 2 and 3 Part XV of the SFO and none of the Directors, the chief executive of the Company nor their associates (as defined in the Listing Rules) had any other interests or short positions in the shares of the Company, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which (a) 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 any such Directors or the chief executive of the Company is taken or deemed to have under such provisions of the SFO; or (b) were required to be entered into the register maintained by the Company, pursuant to Section 352 of the SFO; or (c) were required to be notified to the Company or the Stock Exchange, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules.

DIRECTOR'S INTERESTS IN A COMPETING BUSINESS

To the best knowledge of the Directors, none of the Directors and their respective associates (as defined in the Listing Rules) are considered to have any interests in the businesses which compete or are likely to compete, either directly or indirectly, with the business of the Group, other than those businesses where the Directors were appointed as directors to represent the interests of the Company and/or the Group.

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

The register of substantial shareholders required to be kept under section 336 of Part XV of the SFO shows that as at 30 June 2014, the Company had been notified of the following substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital.

Long position in ordinary shares of the Company:

Name	Capacity and nature of interest	Number of shares interested	Percentage of the Company's issued share capital (%)
Su Weibiao	Held by controlled corporation	1,621,219,755	58.27
Allied Summit Inc. (Note 1)	Beneficial owner	1,621,219,755	58.27

Note 1: Allied Summit Inc. is owned as to 80% by Mr. Su Weibiao and as to remaining 20% by Mr. Ng Kwok Fai.

SHARE OPTIONS

On 12 April 2012, a share option was granted to China Longjiang Forest Industry (Group) General Corporation (“**Longjiang Forest Industry**”) for its assistance and advice pursuant to the Strategic Cooperation Agreement entered on 2 December 2011 for the establishment of a strategic alliance with the Group in respect of the development and management of the forest sized approximately 65,800 hectares in the PNG (the “**Longjiang Option**”). The Longjiang Option entitles Longjiang Forest Industry to subscribe for not more than 5% of the issued share capital of the Company as at the date of the Strategic Cooperation Agreement of 2 December 2011, equivalent to 495,170,096 shares. As a consequence of the capital reorganization effective on 15 August 2013 and the right issue (with the bonus issue) effective on 4 November 2013, the number of shares to be issued upon the exercise of the Longjiang Option has been adjusted to 6,287,049 shares at the subscription price of HK\$8.00 per share which have been certified by financial adviser of the Company. As at the date of this announcement, the Longjiang Option has not been exercised since its grant date and is still in effect.

The Company has adopted the share option scheme pursuant to an ordinary resolution passed on 12 June 2012 (the “**Share Option Scheme**”) by terminating the previous share option scheme which had expired on 21 June 2012. During the annual general meeting held on 21 June 2013, the shareholders duly approved that, subject to and conditional upon the listing committee of the Stock Exchange granting listing of and permission to deal in the shares of the Company to be issued upon the exercise of options which may be granted under the Company’s Share Option Scheme, the existing scheme mandate limit in respect of the granting of options to subscribe for shares of the Company under the Share Option Scheme be refreshed and renewed provided that the total number of shares of the Company which may be allotted and issued pursuant to the grant or exercises of the options under the Share Option Scheme (excluding options previously granted, outstanding, cancelled, lapsed or exercised under the Share Option Scheme) shall not exceed 10% of the shares of the Company in issue as at 21 June 2013, that is 222,568,212 shares of the Company. The Directors are authorized, subject to compliance with the Listing Rules, to grant options under the Share Option Scheme up to the Refreshed Limit and to exercise all the powers of the Company to allot, issue and deal with shares of the Company pursuant to the exercise of such options granted under the Share Option Scheme. The subscription price will be a price determined by the Board and at least the highest of: (a) the closing price of the shares as stated in the Stock Exchange’s daily quotations sheets on the date of grant of the option, which must be a business day; (b) the average closing price of the shares as stated in the Stock Exchange’s daily quotation sheets for the five business days immediately preceding the date of grant of the option; and (c) the nominal value of the shares. The total number of shares which may be issued upon exercise of options must not exceed 30% of the number of shares in issue from time to time. No options may be granted if such grant would result in the 30% limit being exceeded. Subsequently, the said scheme mandate limit was further refreshed as approved by the shareholders of the Company at the special general meeting on 18 December 2013 that 278,210,265 shares of the Company could be allotted and issued under the Share Option Scheme. Details were shown in the circular of the Company dated 2 December 2013. No share option has been granted or exercised since the adoption of the Share Option Scheme.

CORPORATE GOVERNANCE

The Company has complied with the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 of the Listing Rules for the six months ended 30 June 2014 except the followings:

Code provision A.4.1

Code Provision A.4.1 of the CG Code stipulates that non-executive directors should be appointed for a specific term and subject to re-election. Two independent non-executive directors of the Company who were appointed in previous years were not appointed for a specific term but were subject to retirement by rotation and re-election at the annual general meeting in accordance with the Bye-Laws of the Company. As such, it is considered that such provisions are sufficient to meet the underlying objectives of the relevant provisions of the CG Code. Also, the Board does not believe that arbitrary term limits on Director’s service are appropriate given that Directors ought to be committed to representing the long-term interests of the shareholders.

Code provision A.6.7

CG Codes provision A.6.7 stipulates that all independent non-executive directors and non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Due to his personal commitments, an independent non-executive director of the Company, Mr. Wong Sze Kai was unable to attend the annual general meeting of the Company held on 5 June 2014.

CODE OF CONDUCT REGARDING DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the terms contained in the Model Code for Security Transactions by Directors of Listed Issuers (Appendix 10 of the Listing Rules) as the Company’s code of conduct for security transactions and dealing (“**Model Code**”). All existing Directors, upon specific enquiry, have confirmed that they have complied with the Model Code during the six months ended 30 June 2014.

PURCHASE, SALE OR REDEMPTION OF SHARES

For the six months ended 30 June 2014, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed shares. As at 30 June 2014, 2,782,102,650 ordinary shares with the par value of HK\$0.001 each were issued. Details have been set out in Note 15 to the unaudited condensed consolidated financial statements.

AUDIT COMMITTEE

The audit committee of the Company (the “**Audit Committee**”) comprises of three independent non-executive directors, Mr. Wong Chun Hung, Mr. Wong Sze Kai and Mr. Zheng Zhen. The Audit Committee has adopted terms of reference which are in line with the CG Code.

The unaudited condensed consolidated financial statements for the six months ended 30 June 2014 have been reviewed by the Audit Committee.

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

Executive Directors

Mr. Huang Chuan Fu (*Chairman*)
Mr. Liang Jian Hua
Ms. Jia Hui
Mr. Jiang Yi Ren

Independent Non-executive Directors

Mr. Wong Chun Hung
Mr. Wong Sze Kai
Mr. Zheng Zhen

By order of the Board
Pacific Plywood Holdings Limited
Huang Chuan Fu
Chairman and Executive Director

Hong Kong, 14 August 2014

In case of inconsistency, the English text of this announcement shall prevail over the Chinese text.