Pacific Plywood Holdings Limited

太平洋實業控股有限公司

(Stock Code : 00767)

INTERIM REPORT 2012

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2012

	Notes	Six months ended 30 June **2012** **HK$'000** **(Unaudited)**	 2011 HK$'000 (Unaudited)
Revenue		**25,717**	23,471
Cost of sales		**(763)**	(7,694)
Gross profit		**24,954**	15,777
Other income and gains		**11**	3
Reversal of impairment loss on loan receivables		**32,969**	—
Impairment loss on available-for-sale financial assets		**(17,808)**	—
Change in fair value of investment held for trading		**1,910**	—
Change in fair value of convertible notes	*12*	**—**	(2,718)
Change in fair value of a derivative financial asset		**—**	(3,278)
Share-based payment		**(434)**	—
Administrative expenses		**(11,214)**	(7,208)
Operating profit		**30,388**	2,576
Finance cost		**(2,830)**	—
Profit before tax		**27,558**	2,576
Income tax expense	*5*	**(641)**	(1,643)
Profit for the period	*6*	**26,917**	933
Profit (loss) for the period attributable to:			
Owners of the Company		**26,920**	(1,740)
Non-controlling interests		**(3)**	2,673
		26,917	933
			(Restated)
Earnings (loss) per share:			
Basic and diluted (HK cents)	*8*	**2.3**	(1.7)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2012

	Six months ended 30 June	
	2012	2011
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Profit for the period	**26,917**	933
Other comprehensive expense		
Fair value loss of available-for-sale financial assets	**—**	(3,000)
Total comprehensive income (expense) for the period	**26,917**	(2,067)
Total comprehensive income (expense) attributable to:		
Owners of the Company	**26,920**	(4,740)
Non-controlling interests	**(3)**	2,673
	26,917	(2,067)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2012

	Notes	30 June 2012 HK$'000 (Unaudited)	31 December 2011 HK$'000 (Audited)
Non-current assets			
Property, plant and equipment	9	**2,354**	173
Investment deposit and other deposits		**269**	20,000
Available-for-sale financial assets		**7,392**	25,200
Goodwill	17	**306,081**	—
		316,096	45,373
Current assets			
Loan receivables	10	**125,118**	273,221
Trade and other receivables	11	**9,428**	6,288
Investment held for trading		**13,930**	13,920
Derivative financial asset		**4,000**	4,000
Bank balances and cash		**12,317**	78,781
		164,793	376,210
Current liabilities			
Other payables and accrued expenses		**3,221**	1,253
Amounts due to directors		**148**	152
Amount due to a shareholder of a subsidiary		**207**	—
Convertible notes	12	**—**	—
Note payable	13	**10,000**	—
Borrowings		**—**	10,000
Tax liabilities		**708**	67
		14,284	11,472
Net current assets		**150,509**	364,738
Total assets less current liabilities		**466,605**	410,111
Capital and reserves			
Share capital	14	**13,696**	247,585
Share premium		**365,344**	340,037
Share-based payment reserve		**434**	—
Other reserves		**237,522**	(160)
Accumulated losses		**(150,431)**	(177,351)
Equity attributable to owners of the Company		**466,565**	410,111
Non-controlling interests		**40**	—
Total equity		**466,605**	410,111

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2012

	Attributable to owners of the Company								
	Share capital HK$'000	**Share premium** HK$'000	**Convertible notes reserve** HK$'000	**Share-based payment reserve** HK$'000	**Other reserves** HK$'000	**Accumulated losses** HK$'000	**Total** HK$'000	**Non-controlling interests** HK$'000	**Total** HK$'000
At 1 January 2011 (Audited)	1,927	128,651	—	—	(160)	(43,270)	87,148	4,387	91,535
(Loss) profit for the period	—	—	—	—	—	(1,740)	(1,740)	2,673	933
Other comprehensive expense for the period									
Fair value loss of available-for-sale financial assets	—	—	—	—	(3,000)	—	(3,000)	—	(3,000)
Total comprehensive (expense) income for the period	—	—	—	—	(3,000)	(1,740)	(4,740)	2,673	(2,067)
Issue of shares	100,227	223,783	—	—	—	—	324,010	—	324,010
At 30 June 2011 (Unaudited)	102,154	352,434	—	—	(3,160)	(45,010)	406,418	7,060	413,478
At 1 January 2012 (Audited)	247,585	340,037	—	—	(160)	(177,351)	410,111	—	410,111
Profit (loss) for the period, representing total comprehensive income (expense) for the period	—	—	—	—	—	26,920	26,920	(3)	26,917
Capital reduction	(237,682)	—	—	—	237,682	—	—	—	—
Acquisition of subsidiaries	—	—	30,817	—	—	—	30,817	43	30,860
Issue of shares upon conversion of convertible notes	3,793	25,307	(30,817)	—	—	—	(1,717)	—	(1,717)
Issue of share option	—	—	—	434	—	—	434	—	434
At 30 June 2012 (Unaudited)	13,696	365,344	—	434	237,522	(150,431)	466,565	40	466,605

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2012

	Six months ended 30 June	
	2012	2011
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Net cash from (used in) operating activities	**191,602**	(146,664)
Net cash used in investing activities	**(248,062)**	(20,157)
Net cash (used in) from financing activities	**(10,004)**	316,586
Net (decrease) increase in cash and cash equivalents	**(66,464)**	149,765
Cash and cash equivalents at 1 January	**78,781**	63,137
Cash and cash equivalents at 30 June	**12,317**	212,902
Analysis of the balance of cash and cash equivalents		
Bank balances and cash	**12,317**	215,848
Bank overdrafts	**—**	(2,946)
	12,317	212,902

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

1. GENERAL INFORMATION

Pacific Plywood Holdings Limited (the "**Company**") is an exempted company incorporated in Bermuda with limited liabilities. The shares of the Company are listed on the main board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The address of its registered office is Canon's Court, 22 Victoria Street, Hamilton, HM 12, Bermuda.

During the six months ended 30 June 2012, the principal activities of the Company and its subsidiaries (collectively referred to as the "**Group**") were money lending and provision of credit business, provision of corporate secretarial and consultancy services, securities investments and forestry business.

The unaudited condensed consolidated financial statements are presented in Hong Kong dollars ("**HK$**"), which is the same as 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 Certificate 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, as appropriate.

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 2012 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2011.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards (the "**HKFRSs**") and Hong Kong Accounting Standards (the "**HKASs**") issued by the HKICPA:

- amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards — Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters;*
- amendments to HKFRS 7 *Financial Instruments: Disclosures — Transfers of Financial Assets*; and
- amendments to HKAS 12 *Deferred Tax: Recovery of Underlying Assets.*

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

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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

Amendments to HKFRSs	Annual improvements to HKFRSs 2009–2011 cycle[2]
Amendments to HKFRS 7	Disclosures — Offsetting financial assets and financial liabilities[2]
Amendments to HKFRS 7 and HKFRS 9	Mandatory effective date of HKFRS 9 and transition disclosures[4]
HKFRS 9	Financial instruments[4]
HKFRS 10	Consolidated financial statements[2]
HKFRS 11	Joint arrangements[2]
HKFRS 12	Disclosures of interests in other entities[2]
HKFRS 13	Fair value measurements[2]
Amendments to HKAS 1	Presentation of financial statements — Presentation of items of other comprehensive income[1]
HKAS 19 (as revised in 2011)	Employee benefits[2]
HKAS 27 (as revised in 2011)	Separate financial statements[2]
HKAS 28 (as revised in 2011)	Investments in associates and joint ventures[2]
Amendments to HKAS 32	Offsetting financial assets and financial liabilities[3]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated financial statements, joint arrangements and disclosures of interests in other entities: Transition guidance[2]
HK(IFRIC*)-INT 20	Stripping costs in the production phase of a surface mine[2]

[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

* IFRIC represents the International Financial Reporting Interpretations Committee

The management of the Company anticipates that the application of these new and revised standards or interpretations will have no material impact on the results and the financial position of the Group.

4. SEGMENT INFORMATION

Information reported to the board of directors (the "**Directors**") (the "**Board**"), being the chief operating decision maker, for the purposes of resources allocation and assessment of segment performance, focuses on types of goods delivered or services provided. 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

4. SEGMENT INFORMATION *(Continued)*

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

	Six months ended 30 June	
	2012	2011
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Segment revenue		
For external customers:		
Money lending	**23,760**	23,471
Consultancy services	**2,428**	—
Securities investments	**(471)**	—
Forestry business	**—**	—
	25,717	23,471
Segment results		
Money lending	**56,673**	10,945
Consultancy services	**1,653**	—
Securities investments	**(16,372)**	(4)
Forestry business	**(5)**	—
	41,949	10,941
Unallocated corporate income	**11**	1
Unallocated corporate expense	**(11,138)**	(2,370)
Share-based payment	**(434)**	—
Change in fair value of convertible notes	**—**	(2,718)
Change in fair value of a derivative financial asset	**—**	(3,278)
Finance cost	**(2,830)**	—
Profit before tax	**27,558**	2,576

5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2012	2011
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Current tax:		
Hong Kong	**641**	1,643

The Company is exempt from taxation in Bermuda until 28 March 2016.

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

6. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging the following items:

	Six months ended 30 June	
	2012	2011
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Auditors' remuneration	**80**	100
Directors' emoluments	**1,185**	150
Staff costs (excluding directors' emoluments)		
— Salaries, wages and other benefits	**2,879**	1,239
— Contributions to retirement contribution plan	**135**	39
Total staff costs	**3,014**	1,278
Depreciation of property, plant and equipment	**310**	20
Minimum lease payment under operating lease in respect of land and buildings	**859**	223

7. DIVIDENDS

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2012 (six months ended 30 June 2011: nil).

8. EARNINGS (LOSS) PER SHARE

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

	Six months ended 30 June	
	2012	2011
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Earnings (loss)		
Earnings (loss) for the purposes of basic and diluted earnings (loss) per share	**26,920**	(1,740)

	Six months ended 30 June	
	2012	2011
	'000	'000
	(Unaudited)	(Unaudited)
		(Restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings (loss) per share	**1,157,070**	103,853

The weighted average number of ordinary shares for the purpose of basic and diluted earnings per share for the six months ended 30 June 2012 has been adjusted for the share consolidation and conversion of shares that took place on 20 March 2012 and 12 April 2012 respectively.

For the six months ended 30 June 2012, the computation of diluted earnings per share does not assume the exercise of the Company's options because the exercise price of those options was higher than the average market price for shares.

9. PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group acquired certain property, plant and equipment of approximately HK$2,491,000 (for the six months ended 30 June 2011: HK$158,000).

10. LOAN RECEIVABLES

	As at	
	30 June 2012	31 December 2011
	HK$'000	HK$'000
	(Unaudited)	(Audited)
Fixed-rate loan receivables	**125,118**	273,221

10. LOAN RECEIVABLES *(Continued)*

The term of loans entered with customers ranges within one year. All installment loan receivables were denominated in HK$. The loan receivables carried fixed effective interest ranging from 8% to 48% per annum (as at 31 December 2011: 8% to 48% per annum). Included in the carrying amounts of loan receivables as at 30 June 2012 was accumulated impairment loss of HK$76,514,000 (31 December 2011: HK$109,483,000). An aged analysis of the loan receivables net of impairment loss at the end of the reporting period, based on the loan agreement commencement date, is as follows:

	As at	
	30 June 2012 HK$'000 (Unaudited)	31 December 2011 HK$'000 (Audited)
0 – 30 days	**2,747**	5,855
31 – 90 days	**3,646**	65,797
91 – 180 days	**4,957**	12,649
181 – 365 days	**97,218**	188,920
Over 365 days	**16,550**	—
	125,118	273,221

11. TRADE AND OTHER RECEIVABLES

	As at	
	30 June 2012 HK$'000 (Unaudited)	31 December 2011 HK$'000 (Audited)
Trade receivables	**367**	311
Other receivables and prepayment	**9,061**	5,977
	9,428	6,288

For the period ended 30 June 2012, the Group allowed an average credit period in the range from 30 to 90 days to its trade customers. An aged analysis of the trade receivables net of allowance for doubtful debts (if any) at the end of the reporting period, based on the invoice date, is as follows:

	As at	
	30 June 2012 HK$'000 (Unaudited)	31 December 2011 HK$'000 (Audited)
Within 90 days	**225**	311
91 – 180 days	**142**	—
	367	311

12. CONVERTIBLE NOTES

	30 June 2012 HK$'000 (Unaudited)	31 December 2011 HK$'000 (Audited)
Convertible notes	**—**	—

(a) Convertible Note A — Designated at fair value through profit or loss ("FVTPL")

On 19 October 2010, the Company entered into a sale and purchase agreement with Favor Way Investments Limited ("**Favor Way**"), an independent third party, for the acquisition of Delta Wealth Finance Limited ("**Delta Wealth**"). Pursuant to the said agreement, the Company issued to Favor Way convertible notes (the "**Convertible Note A**") at a nominal value of HK$48,000,000.

On 13 October 2011, the Company entered into a sale and purchase agreement with Favor Way for the disposal of Delta Wealth. Pursuant to the said agreement, Favor Way has conditionally agreed to acquire Delta Wealth at the consideration of HK$52,000,000, which included a consideration of HK$4,000,000 in cash and the cancellation of the Convertible Note A with principal amount of HK$48,000,000 which was issued to Favor Way on 19 October 2010. The transaction was completed on 22 December 2011 and the Convertible Note A was cancelled on the same day.

The principal terms of the Convertible Note A were as follows:

The convertible notes were denominated in HK$. The convertible notes entitled the holders to convert them into ordinary shares of the Company at any time between the date of issue of the convertible notes and its maturity date on 31 December 2011 at initial conversion price of HK$0.16 per share. If the convertible notes had not been converted, it would be redeemed on 31 December 2011 at nominal value. The convertible notes did not carry interest on the principal amount.

The Convertible Note A, which has been designated at FVTPL, was fairly valued by the Directors with reference to a valuation report issued by AVISTA Valuation Advisory, an independent qualified valuer not connected to the Group. The change in fair value of the Convertible Note A of approximately HK$2,718,000 had been recognised in the condensed consolidated income statement for the six months ended 30 June 2011.

(b) Convertible Notes B and C — Amortised Cost

On 16 May 2011, the Company issued 6% convertible notes (the "**Convertible Note B**") to several independent third parties in the aggregate principal amount of HK$100,000,000. The initial conversion price was HK$0.58. On 18 May 2011, the conversion price was adjusted to HK$0.082 as a result of the rights issue as set out in Note 14. The Convertible Note B in the principal amount of HK$100,000,000 were fully converted into 1,219,512,192 ordinary shares of the Company at HK$0.025 on 18 May 2011.

The effective interest rate of the liability component was 9.69%.

12. CONVERTIBLE NOTES *(Continued)*

(b) Convertible Notes B and C — Amortised Cost *(Continued)*

The principal terms of Convertible Note B were as follows:

The maturity date of Convertible Note B was 18 months from the date of issue. The conversion rights attaching to Convertible Note B could be exercised at any time up to the fifth day before the maturity of Convertible Note B. Convertible Note B included an early redemption option of which the Company could redeem whole or part of the outstanding Convertible Note B at an amount equal to 100% of the principal amount at any time and from time to time at the option of the Company prior to the maturity date.

On 29 November 2011, the Company issued 2% convertible notes (the "**Convertible Note C**") to several independent third parties in the aggregate principal amount of HK$89,600,000. The initial conversion price was HK$0.028. The Convertible Note C in the principal amount of HK$89,600,000 were fully converted into 3,200,000,000 ordinary shares of the Company at HK$0.025 on 29 November 2011.

The effective interest rate of the liability component was 22.68%.

The principal terms of the Convertible Note C were as follows:

The maturity date of Convertible Note C was 18 months from the date of issue. The conversion rights attaching to Convertible Note C could be exercised at any time up to the fifth day before the maturity of Convertible Note C. Convertible Note C included an early redemption option of which the Company could redeem whole or part of the outstanding Convertible Note C at an amount equal to 100% of the principal amount at any time and from time to time at the option of the Company prior to the maturity date of Convertible Note C.

Both the Convertible Note B and Convertible Note C contained three components: liability component, equity component and derivative component.

The Company's early redemption option embedded in both the Convertible Note B and Convertible Note C was accounted for as "derivative financial assets" and was measured at fair value with changes in fair value recognised in the profit or loss.

The derivative financial assets of Convertible Note B and Convertible Note C were fairly valued by the Directors with reference to a valuation report issued by BMI Appraisal Limited, an independent qualified valuer not connected to the Group. No change in fair value of the derivative financial assets of Convertible Note B and Convertible Note C was recognised in the condensed consolidated income statement for the six months ended 30 June 2011.

(c) Convertible Note D — FVTPL

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**") and its wholly-owned subsidiary (collectively referred to as the "**Profit Grand Group**"), namely, I-Sky Natural Resources (PNG) Limited, for a forest in the Independent State of Papua New Guinea. Pursuant to the sale and purchase agreement with Able Famous Limited and Peak Sino Limited (collectively referred to as the "**Vendors**") who are independent third parties, the total consideration for the Acquisition of HK$310 million was satisfied as to (i) HK$33 million by the issue of the convertible bonds in the principal amount of HK$33 million with conversion price of HK$0.087 ("**Convertible Note D**"); (ii) HK$82 million in cash; and (iii) HK$195 million by the issue of a 10% promissory note in the principal sum of HK$195 million (the "**Promissory Note**"). The Convertible Note D in the principal amount of HK$33,000,000 was fully converted into 379,310,344 ordinary shares of the Company at HK$0.01 on 12 April 2012.

12. CONVERTIBLE NOTES *(Continued)*

(c) Convertible Note D — FVTPL *(Continued)*

The principal terms of the Convertible Note D were as follows:

The maturity date of Convertible Note D was the date immediately following one year after the first issue of the Convertible Note D (the "**Note Maturity Date**"). The holders of the Convertible Note D had the rights to convert the Convertible Note D, in whole or in part into the conversion shares, at any time from the day immediately following the issue of the Convertible Note D, up to the day immediately prior to the Note Maturity Date.

The Group was entitled at its sole discretion to redeem any of the Convertible Note D remaining outstanding at par at any time from the date of issue on 12 April 2012 and up to and including the date falling seven days immediately before the Note Maturity Date.

Any of the Convertible Note D remaining outstanding at the Note Maturity Date must be mandatorily converted into conversion shares.

The Convertible Note D contained three components: liability component, equity component and derivative component.

The Company's early redemption option embedded in the Convertible Note D was accounted for as a "derivative financial asset" and was measured at fair value with changes in fair value recognised in profit or loss.

The derivative financial asset of Convertible Note D was fairly valued by the directors of the Company with reference to a valuation report issued by Roma Appraisals Limited ("**Roma Appraisals**"), an independent qualified valuer not connected to the Group.

The fair value of the derivative financial asset of Convertible Note D was calculated using the binominal model. Major parameter adopted in the calculation of the fair value are summarised below:

	Convertible Note D **12 April 2012**
Stock price	HK$0.083
Exercise price	HK$0.087
Risk-free rate	0.161%
Expected volatility	136.458%
Expected dividend yield	0%
Expected life	1 year

The assumptions adopted for the valuation of the Convertible Note D are as follows:

(1) The estimation of risk-free rate has made reference to the yield of Hong Kong Exchange Fund Note with same duration as the convertible note;

(2) The expected volatility for the underlying security of the redemption option was determined based on the historical volatility of the share prices of the Company; and

(3) The expected dividend yield of the underlying security of the redemption option was determined based on the historical dividend payment record of the Company.

13. NOTE PAYABLE

The Promissory Note bears an interest at the rate of 10% per annum and shall be repaid with all interest accrued on the day following the expiry of fifteen months from the date of issue of the Promissory Note (the "**Maturity Date**").

During the current interim period, the Company had applied for its early redemption option that at any time after the date of issue of the Promissory Note up to the date immediately prior to the Maturity Date, to redeem the Promissory Note in its entirety or any part of it (the "**PN Early Redemption Option**"). The PN Early Redemption Option embedded in the Promissory Note was accounted for as a "derivative financial asset" and was measured at fair value with changes in the fair value recognised in the profit or loss. Based on the valuation report performed by Roma Appraisals, the fair value of the PN Early Redemption Option as at 30 June 2012 was minimal.

The derivative financial asset of the Promissory Note was fairly valued by the Directors with reference to a valuation report issued by Roma Appraisals.

As at 30 June 2012, the outstanding principal amount of the Promissory Note was HK$10,000,000. In the opinion of the Board, the fair value of the Promissory Note approximates to its carrying amount.

14. SHARE CAPITAL

	Number of shares '000	Amount HK$'000
Authorised:		
At 1 January 2011		
Ordinary shares of HK$0.001 each	200,000,000	200,000
Share consolidation *(Note a)*	(192,000,000)	—
Capital reorganisation *(Note c)*	8,000,000	200,000
At 31 December 2011 and 1 January 2012		
Ordinary shares of HK$0.025 each	16,000,000	400,000
Share consolidation *(Note f)*	(14,400,000)	—
Capital reorganisation *(Note g)*	38,400,000	—
At 30 June 2012		
Ordinary shares of HK$0.01 each	40,000,000	400,000
Issued and fully paid:		
At 1 January 2011	1,926,819	1,927
Share consolidation *(Note a)*	(1,849,747)	—
Issue of right shares *(Note b)*	2,774,183	69,355
Issue of shares *(Note d)*	2,632,634	65,815
Issue of shares upon conversion of convertible notes *(Note e)*	4,419,512	110,488
At 31 December 2011 and 1 January 2012	9,903,401	247,585
Share consolidation *(Note f)*	(8,913,061)	—
Capital reduction *(Note g)*	—	(237,682)
Issue of shares upon conversion of convertible notes *(Note h)*	379,310	3,793
At 30 June 2012	1,369,650	13,696

14. SHARE CAPITAL *(Continued)*

For the six months ended 30 June 2012, the Group had the following activities affecting the amount of share capital:

Notes:

a. As disclosed in the circular 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 be consolidated into one consolidated share of HK$0.025 each was proposed by the Company. Such share consolidation was effective on 10 January 2011. Prior to the date of such share consolidation, there were 1,926,819,448 issued shares and after such share consolidation, the number of issued shares had changed to 77,072,999.

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

b. On 13 April 2011, the Shareholders of the Company ("**Shareholders**") approved by way of poll 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$215,388,000 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, 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 had been placed with the par value of HK$0.025 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 has conditionally agreed to subscribe for, and the Company has 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 proceeds of HK$45,000,000.

Date of share issued	Issue price	Number of shares issued
21 January 2011	HK$0.74	15,400,000
18 October 2011	HK$0.032	817,233,655
18 October 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 convertible notes placing agreement were fulfilled and that the share placing has been completed on 29 November 2011. The convertible notes have 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 announcement and circular dated 23 February 2012, a share consolidation on the basis that every existing 10 issued and unissued shares of HK$0.025 each in the share capital of the Company had been consolidated into 1 consolidated share 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.

14. SHARE CAPITAL *(Continued)*

Notes: (Continued)

g. 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.

In addition, the issued and unissued share capital was reduced from HK$0.25 per share to HK$0.01 per share resulting approximately HK$237,682,000 was credited to the reserve of the Company.

h. As disclosed in the announcement dated 12 April 2012, the completion of the Acquisition took place on 12 April 2012. As part of the consideration of HK$310,000,000, the Convertible Note D 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 D was converted in full into 379,310,344 ordinary shares with the par value of HK$0.01 each.

15. SHARE-BASED PAYMENT

The Company's existing share option scheme was adopted pursuant to a resolution passed on 21 June 2002.

During the annual general meeting held on 12 June 2012 (the "**AGM**"), the Shareholders duly approved the relevant resolutions to terminate the then existing share option scheme which had expired on 21 June 2012 and to adopt a new share option scheme ("**New Share Option Scheme**") by authorizing the Directors to allot and issue up to the 10 percent of the issued share capital of the Company as at the date of the AGM, that was 136,965,053 shares of the Company, under the New Share Option Scheme. The Directors or an authorized committee were authorized, at their/its absolute discretion, to grant options to any person, subject to the selection criteria, being an employee, officer, agent, consultant or representative of the Group, including any executive or non-executive Directors, in order to provide incentives to the grantee to contribute to the Group and to enable the Group to recruit high-calibre employees and attract resources that were valuable to the Group.

On 12 April 2012, upon the completion of the Acquisition, an option had been granted by the Company to each of 中國龍江森林工業（集團）總公司 (China Longjiang Forest Industry (Group) General Corporation*) ("**Longjiang Forest Industry**") and Jia Run Investments Limited ("**Jia Run**") to subscribe for not more than 49,517,009 shares of the Company (equivalent to 6,189,626 shares of the Company after the proposed share consolidation as announced on 10 August 2012 becoming effective) (the "**Longjiang Option**" and the "**Agent Option**"). The Longjiang Option and Agent Option were granted to Longjiang Forest Industry and Jia Run respectively for the establishment of a strategic alliance between the Company and Longjiang Forest Industry with respect to the development and management of the forest acquired under the Acquisition with the assistance of Jia Run as an agent. No share options had been exercised during the six months ended 30 June 2012 under the Longjiang Option and Agent Option.

The share-base payments of Longjiang Option and Agent Option (based on the respective fair values determined at the date of grant using the Monte Carlo simulation method) were approximately HK$406,000 and HK$28,000 respectively, being recognised in the condensed consolidated income statement during the current period.

The following assumptions were used to calculate the fair values of share options:

	Longjiang Option 12 April 2012	**Agent Option** 12 April 2012
Grant date share price	HK$0.083	HK$0.083
Exercise price	HK$0.25 to HK$0.5	HK$0.25 to HK$0.5
Expected option period	1.723 years	0.641 years
Expected volatility	205.924%	82.203%
Risk-free interest rate	0.207%	0.145%

* *For identification purpose only*

15. SHARE-BASED PAYMENT *(Continued)*

The Monte Carlo simulation method has been used in computing the fair value of the share options based on the Directors' best estimate. Changes in variables and assumptions may result in changes in fair value of the options.

At the end of each interim period, the Group revises its estimates of the number of options that are expected to vest ultimately. The impact of the revision of the estimates, if any, is recognised in profit and loss, with a corresponding adjustment to the share option reserve.

16. COMMITMENTS

Operating leases

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:

	30 June 2012 **HK$'000** **(Unaudited)**	31 December 2011 HK$'000 (Audited)
Within one year	**1,642**	459
In the second to fifth year inclusive	**1,983**	—
	3,625	459

Leases are negotiated and rentals are fixed for terms of approximately 2 years and 8 months (2011: 2 years).

Capital commitments

	30 June 2012 **HK$'000** **(Unaudited)**	31 December 2011 HK$'000 (Audited)
Capital expenditure in respect of the acquisition of a subsidiary contracted but not provided for	**—**	290,000

17. ACQUISITION OF SUBSIDIARIES

On 12 April 2012, the Group completed the Acquisition.

According to the conditional agreements dated 2 December 2011, the Group will have the control over the majority composition of the board of directors of Profit Grand and 51% of the total voting rights in the general meetings of Profit Grand. Accordingly the Profit Grand Group will be treated as an indirect subsidiary of the Company and the financial performance of the Profit Grand Group will be consolidated into the financial statements of the Company.

Consideration transferred

	HK$'000
Cash	82,000
Promissory Note	195,000
Convertible Note D at fair value	29,100
	306,100

Assets and liabilities recognised at the date of acquisition

	HK$'000
Non-current assets	
Deposit for application of logging concession	269
Current liabilities	
Amount due to a related company	(207)
	62

Non-controlling interest

The non-controlling interest (70%) in Profit Grand Group recognised at the Acquisition date was measured by reference to the proportionate share of recognised amounts of net assets of Profit Grand Group.

Goodwill arising on the Acquisition

	HK$'000
Consideration transferred	306,100
Add: non-controlling interests	43
Less: recognised amount if identifiable net assets acquired	(62)
Goodwill arising on the Acquisition	306,081

17. ACQUISITION OF SUBSIDIARIES *(Continued)*

Goodwill recognised in a business combination is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognised. The future economic benefits may result from synergy between the identifiable assets acquired or from assets that, individually, do not qualify for recognition in the financial statements. As at the date of this report, certain consents, licences and approvals are still under negotiation and have not been obtained, the inherent logging concession is not identifiable and distinguishable from the goodwill of the Profit Grand Group. Accordingly, the fair value attributable to the Profit Grand Group is allocated as goodwill instead of an intangible asset.

None of the goodwill arising on the Acquisition is expected to be deductible for tax purposes.

Net cash outflow arising on the Acquisition

	HK$'000
Consideration paid in cash	82,000

Impact of the Acquisition on the results of the Group

Included in the profit for the interim period is loss of approximately HK$5,000 attributable to Profit Grand Group. No revenue for the interim period is attributable to Profit Grand Group.

Had the Acquisition been effected at the beginning of the interim period, the total amount of revenue of the Group for the six months ended 30 June 2012 would have been approximately HK$25,717,000, and the amount of the profit for the interim period would have been approximately HK$26,917,000. The proforma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the Acquisition been completed at the beginning of the interim period, nor it is intended to be a projection of future results.

In determining the "pro-forma" revenue and profit of the Group had Profit Grand Group been acquired at the beginning of the interim period, the directors calculated depreciation and amortisation of plant and equipment based on the recognised amounts of plant and equipment at the date of the Acquisition.

18. RELATED PARTY TRANSACTIONS

All of the related party transactions and balances are disclosed elsewhere in the condensed consolidated financial statements.

19. EVENT AFTER THE END OF THE INTERIM PERIOD

a. On 1 July 2012, Joy Wealth Finance Limited (the "**Lender**"), a wholly owned subsidiary of the Company, and Super Century Investments Limited (the "**Borrower**") entered into a supplemental facility letter, pursuant to which each of the Lender and the Borrower has conditionally agreed to extend the term of the loan facility by six months to 23 December 2012 and as a result of such extension, the interest rate on the loan facility has been increased to 24% per annum.

b. On 10 July 2012, the Board proposed to implement a share consolidation on the basis that every two issued and unissued Shares of HK$0.01 each would be consolidated into one issued and unissued consolidated share of HK$0.02 each. On 10 August 2012, the terms of such share consolidation had been revised (the "**Share Consolidation**") such that every eight issued and unissued shares of HK$0.01 would be consolidated into one issued and unissued consolidated share of HK$0.08 each (the "**Consolidated Share**").

c. On 10 July 2012, the Company proposed to raise not less than approximately HK$191.75 million and not more than approximately HK$243.97 million, before expenses, by issuing not less than 1,369,650,536 rights shares and not more than 1,742,614,658 rights shares by way of the rights issue at the subscription price of HK$0.14 per rights share on the basis of two rights shares for every one Consolidated Share held on the 4 September 2012. Subject to the satisfaction of the conditions of such rights issue, the bonus shares will be issued to the first registered holders of the rights shares on the basis of five bonus shares for every one rights share taken up under the rights issue. On the basis of not less than 1,369,650,536 rights shares and not more than 1,742,614,658 rights shares to be issued under the rights issue, not less than 6,848,252,680 bonus shares and not more than 8,713,073,290 bonus shares will be issued.

   On 10 August 2012, the subscription price of the rights issue was revised as HK$0.56 per rights share (the "**Rights Share**") in light of the Share Consolidation. Accordingly, the number of Rights Share to be issued revised as not less than 342,412,634 Rights Shares and not more than 435,653,664 Rights Shares respectively (the "**Rights Issue**"). 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 (the "**Bonus Shares**") will be issued (the "**Bonus Issue**").

DIVIDENDS

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2012 (six months ended 30 June 2011: nil).

BUSINESS REVIEW

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

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 has provided a wide variety of loans with an accumulated amount of approximately HK$600 million with interest rates ranging from 8% to 48% per annum. The interest income was approximately HK$23,760,000 for the period under review (30 June 2011: HK$23,471,000). Currently, the Board has received five loan proposals in an aggregate principal amount of over HK$400 million for five individual borrowers, among which three of them have proposed to pledge securities/convertible securities issued by companies whose shares are listed on the main board of the Stock Exchange as collaterals; and the remaining two potential borrowers have proposed to provide securities issued by companies whose shares are listed on the Growth Enterprise Market ("**GEM**") of the Stock Exchange as collaterals. The Board is looking into the possibility of providing these loans. Should any of these proposals materialize, the Company will make further announcements as and when appropriate in accordance with the Listing Rules.

During the six months ended 30 June 2012, a reversal of impairment loss of HK$32,969,000 had been recognized as an income in the Condensed 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 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.

Securities Investments Business

As at the date of this report, 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 etc. In addition, Simsen International will refer or introduce high net worth clients to Joy Wealth in case they are unable to make such loans due to urgency and/or disclosure requirements under the Listing Rules as the size of these loans may constitute a major transactions/very substantial acquisitions for Simsen International which require, amongst others, Shareholders' approval. As the money lending business is highly competitive in nature and loan customers are very often in urgent need for the loans, in order to avoid losing these loan customers to other competitors due to the Shareholders' approval requirement, Simsen International may make referral to Joy Wealth (subject to then market capitalization of the Company) when it considers appropriate.

As at the date of this report, 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 business development of the Group.

In addition, during the six months ended 30 June 2012, the Group had also invested in Huili Resources (Group) Limited (Stock Code: 1303) with a view that the investment has valuable potential in its profitability.

On 26 June 2012, the Company entered into a subscription agreement with China Environmental Energy Investment Limited (the "**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 in the principal sum of HK$95 million proposed to be issued by China Environmental. This subscription is subject to the approval of the Shareholders at a special general meeting to be held. Further details have been disclosed in the announcement of the Company dated 26 June 2012.

Provision of Corporate Secretarial and Consultancy Services Business

The Group has been conducting the provision of corporate secretarial and consultancy services business through a wholly-owned subsidiary, namely Pacific Vision Advisory Services Limited ("**Pacific Vision**"), and has recruited a team of professionals in the areas of accounting, finance and company secretaries to provide services to its clients including listed companies in Hong Kong. After its establishment in November 2011, Pacific Vision has successfully identified and has been providing on-going corporate secretarial services to four listed clients in Hong Kong. This segment has recorded a revenue of approximately HK$2,428,000 for the period under review. As corporate secretarial and consultancy services have been rendered since the fourth quarter of 2011, there was no corresponding revenue for the interim period in 2011.

Forestry Business

On 12 April 2012, the Group completed the Acquisition. Profit Grand, through its subsidiary, has the harvesting right 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 million was satisfied as to (i) HK$33 million by the issue of the convertible bonds in the principal amount of HK$33 million with conversion price of HK$0.087; (ii) HK$82 million in cash; and (iii) HK$195 million by the issue of a 10% promissory note in the principal sum of HK$195 million. Details of the Acquisition have been disclosed in the circular of the Company dated 29 February 2012. Currently, the Group has been successfully granted the foreign enterprise certificate. As advised by the Company's legal advisers, the official licenses and approvals, namely, the environment impact statement, the Forestry Industry Participant and the Clearance Authority are in progress and expected to be obtained by late 2012/early 2013. As at the date of this report, respective revenue is yet to be generated.

Outlook

Money Lending and Provision of Credits Business

In prospect of the appearance where the policy makers of the People's Republic of China (the "**PRC**") will continue to conduct tough control on the monetary policies to adjust the economic overheat and inflation, which will raise the hurdle for individuals and companies to borrow money from banks, the Board expects that there would be a persistently increasing demand on the money lending and provision of credits business (e.g. personal loans and corporate loans from the Hong Kong general public). Since money lending and provision of credit business constitutes the current major business segment of the Group and being acquainted with this business segment, the Board wishes to allocate additional financial resources of the Group for developing this business segment continuously and providing loans to high net-worth customers to generate further income.

Securities Investments Business

Under the recent downturn of the global stock markets, the Board is of the opinion that the Company shall identify securities investments opportunities by weighting the interest risk and return conservatively.

Provision of Corporate Secretarial and Consultancy Services Business

In view of the increasing number of newly listed companies in Hong Kong as well as merger and acquisition activities, the Directors believe that the sector of provision of corporate secretarial and consultancy services will flourish gradually in the future. Also, it is predicted that there would be ascending demand for financial advisory and corporate consultancy services in the PRC under the economic environment and situation of the PRC. In order to capture these business opportunities and expand the business segment of provision of corporate secretarial and consultancy services into the PRC, the Group will endure to allocate resources to recruit a team of experienced professionals, to set up and equip the PRC subsidiaries and branch offices as well as to market, promote, develop and maintain the provision of corporate secretarial and consultancy services business in the PRC.

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 Organization and price information available in 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 volume weighted average price has recently climbed up at a rate above 5% per year.

The management of the Company has been actively communicating with the government bodies of PNG and the vendors of the Acquisition, who are holding 70% of issued share capital of Profit Grand, regarding the status of related official licenses and approvals which are expected to be obtained by late 2012/early 2013 as mentioned above. The Directors are optimistic that once such 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 the 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 30 June 2012, the Group had recorded net current assets of approximately HK$150,509,000 (31 December 2011: HK$364,738,000); bank balances and cash of approximately HK$12,317,000 (31 December 2011: HK$78,781,000); unguaranteed and unsecured borrowings of HK$10,000,000 (31 December 2011: HK$10,000,000) being the outstanding principal amount of the Promissory Note. All borrowings as at 30 June 2012 and 31 December 2011 were transacted in HK$ and the Group did not enter into any financial instruments for hedging purpose.

Capital Structure

During the six months ended 30 June 2012

On 19 March 2012, the Shareholders approved the relevant resolutions in relation to the proposed capital reorganization 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 the Convertible Note D upon the completion of the Acquisition as part of the consideration as mentioned above. The Convertible Note D was fully converted into 379,310,344 issued ordinary shares of the Company on 12 April 2012.

Subsequent to the period ended 30 June 2012

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

Meanwhile, the Company has also proposed to raise not less than approximately HK$191.75 million and not more than approximately HK$243.97 million, 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 the 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. Details of the Rights Issue (with the Bonus Issue) have been disclosed in the circular of the Company dated 14 August 2012.

The issuance of the Bonus Shares pursuant to the Bonus Issue, if any, as fully paid up Shares, will require a capitalization of all or any part of the amount for the time being standing to the credit of any of the Company's reserve accounts or funds or to the credit of the profits and loss account or otherwise available for distribution. The Bye-laws of the Company (the "**Bye-Laws**") only permits, *inter alia*, capitalization of reserves of the Company to pay up in full unissued Shares to be allotted and distributed credited as fully paid up to and amongst members of the Company in the same proportion. As the Bonus Shares will only be issued to holders of the Rights Shares but not all members of the Company in general, it is proposed by the Board that the Company's Bye-Laws be amended to permit capitalization of reserves of the Company to pay up in full any unissued shares or securities of the Company to be issued to all or some of the members of the Company in the same proportion or in such other proportion as approved by the Shareholders.

The Company has consulted Bridge Partners Capital Limited ("**Bridge Partners**"), the independent financial adviser to the Company in respect of the Rights Issue (with the Bonus Issue) and the whitewash waiver applied by Allied Summit Inc. pursuant to the Rights Issue (with the Bonus Issue), and they have confirmed that their opinion as set out in the "Letter from Bridge Partners", a copy of which is set out in the circular of the Company dated 14 August 2012, has not changed as a result of the publication of the unaudited condensed consolidated financial results of the Group for the six months ended 30 June 2012.

Significant Investment, Acquisition and Disposal

As aforementioned, the Acquisition was completed on 12 April 2012. Upon completion of the Acquisition (the "**Completion**"), the Company, through Century Praise Limited ("**Century Praise**"), a wholly-owned subsidiary, owns 30% issued share capital of Profit Grand, and in turn, the logging concession. Nevertheless, by virtue of the terms of the Shareholders' agreement entered into between Century Praise and the Vendors, the Group has gained the control over the board of directors of Profit Grand's subsidiary and 51% of the total voting rights in the general meetings of Profit Grand's subsidiary upon the Completion. In this regard, the Profit Grand Group will be treated as indirect subsidiaries of the Company and their financial performance shall be consolidated into the financial accounts of the Company upon the Completion.

On 26 June 2012, the Company entered into a subscription agreement with China Environmental to subscribe for the convertible notes in the principal sum of HK$95 million (the "**Convertible Notes**") proposed to be issued by China Environmental (the "**Subscription**"). The Directors consider that the Subscription enables the Group to participate in the development of China Environmental and provide 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 Directors also consider the Subscription as a good opportunity to further develop its finance business with an option for the Company to invest in a certain stake of China Environmental as a listed company in Hong Kong. If the Convertible Notes are not converted, the Group will receive attractive interest income from the Convertible Notes semi-annually. As at the date of this report, the Subscription subject to approval by the Shareholders at a special general meeting has not yet been completed.

Save for disclosed above, there was no significant investment, acquisition or disposal that should be notified to the Shareholders for the six months ended 30 June 2012.

Segment Information

Details of segment information of the Group for the six months ended 30 June 2012 are set out in note 4 to the condensed consolidated financial statements.

Employees

As at 30 June 2012, 15 staff members were being employed. In-house training programs were provided for the staff to enhance their skills and job knowledge. 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.

Details of Charges on Assets

As at 30 June 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 (30 June 2011: nil).

Future Plans for Material Investment or Capital Assets

Securities Investments Business

As aforementioned, on 26 June 2012, the Company entered into a subscription agreement with China Environmental to subscribe for the Convertible Notes in the principal sum of HK$95 million proposed to be issued by China Environmental. As at the date of this report, the Subscription was not yet completed and the Company has no present intention to convert any of the Convertible Notes after the completion of the Subscription in order to receive attractive interest income from the Convertible Notes semi-annually.

Forestry Business

On 12 April 2012, the Group has completed the Acquisition of 30% of the entire issued share capital of Profit Grand, which through its subsidiary has the harvesting right within a forest sized approximately 65,800 hectares in the PNG (the "**Project Area**").

On 2 December 2011, the Company entered into the strategic cooperation agreement with Longjiang Forest Industry for the establishment of a strategic alliance between the Company and Longjiang Forest Industry with respect to the development and management of the forest in the Project Area (the "**Strategic Cooperation Agreement**"). Pursuant to the Strategic Cooperation Agreement, Longjiang Forest Industry will advise and assist the Company on the operation and management of the forest in the Project Area, including the provision of forest management experts, technicians and skilled labour, of whom not less than five but not more than eight management experts shall possess not less than three years' solid experience in the forestry business including the exploitation, management and operation of large scale forest outside the PRC, to participate in the daily management and operation of the forest in the Project Area. Longjiang Forest Industry will also assist the Company in devising the business and production plans for Profit Grand's subsidiary, provide the necessary equipments and skills and such other assistance as the Company may require in the exploitation, management and operation of the forest in the Project Area.

As at the date of this report, the foreign enterprise certificate has been granted whereas the official licenses and approvals, namely, the environment impact statement, the grating of the Forestry Industry Participant and the Clearance Authority which were required for the enjoyment of the logging concession were in progress. As advised by the Company's legal advisers, those required official licenses and approvals are expected to be obtained by late 2012/early 2013.

After the Clearance Authority has been duly obtained, it is the Company's intention to exercise the option to further acquire the remaining 70% of the equity interest in Profit Grand (the "**Option**") under the option price of HK$700 million or 70% of the second valuation on the value of Profit Grand and its subsidiary (the "**Option Price**"), and the Board expects to satisfy it as to not more than 20% in cash (which will be about HK$140 million) 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 million (equivalent to approximately HK$54.32 million), 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 report, the Company had not entered into any agreement, arrangement, understanding, intention or negotiation about acquiring of any new business. The Board will continue to explore ways to improve the financial performance of the Group, to diversify the Group's operations into new and more profitable businesses and to broaden the source of revenue should opportunity arises.

Up to the date of this report, except for the Rights Issue as disclosed in the circular of the Company dated 14 August 2012 and the Company being approached by financial institutions for the utilization of the issue mandate granted at the AGM to the Directors to allot, issue and deal with not more than 20% of the issued share capital of the Company as at the AGM (no concrete terms have been reached), the Company had not identified any concrete fund raising plan with any financial institutions.

It is the Group's corporate strategy 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 on top of the needs to raise sufficient cash as disclosed, the Company may also 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 securities investments of the Group to invest 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

The Group mainly earns revenue and incurs costs in HK$ and is not subject to foreign exchange risk. In addition, the Group did not have any related hedge as at 30 June 2012.

Capital Commitment

As at 30 June 2012, the Group had the total future aggregate minimum lease payments under various non-cancellable operating leases in respect of office properties amounting to approximately HK$3,625,200.

Contingent Liability

As at 30 June 2012, the Group had no material contingent liability.

Working capital and gearing ratio

The gearing ratios of the Group as at 30 June 2012 and 31 December 2011 are as follow:

	As at	
	30 June 2012 HK$'000 (Unaudited)	31 December 2011 HK$'000 (Audited)
Amounts due to directors	**148**	152
Other borrowings/Note payable	**10,000**	10,000
Less: Bank balances and cash	**(12,317)**	(78,781)
Net debt	**(2,169)**	(68,629)
Total equity	**466,605**	410,111
Total capital	**464,436**	341,482
Gearing ratio (net debt to total capital)	**(0.47%)**	(20%)

Due to the payments for the consideration of Acquisition of Profit Grand and without any fund raising exercises for the six months ended 30 June 2012, the gearing ratio of the Group changed from negative 20% to negative 0.47%.

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 2012, the interest and short positions of each Director and chief executive in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XIV the Securities and Futures Ordinance ("**SFO**")), which are required (i) to be notified to the Company and the Stock Exchange pursuant to the provisions of provisions of Division 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); (ii) pursuant to section 352 of Part XV of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of the Listed Companies contained in the Listing Rules to be notified to the Company and the Stock Exchange , were as follows:

	Personal Interest	Corporate Interest	Trust Interest	Total	% of Total Shares Outstanding
Ng Kwok Fai	0	180,000,000 shares	0	180,000,000 shares	13.14

Save as disclosed above, 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 had any 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 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 SHARS 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 2012, 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 (%)
To Yuk Fung	Beneficial owner	243,310,344	17.76
Allied Summit Inc. *(Note 1)*	Beneficial owner	180,000,000	13.14
Su Weibiao	Held by controlled corporation	180,000,000	13.14
Ng Kwok Fai	Held by controlled corporation	180,000,000	13.14

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, upon the completion of the Acquisition, an option has been granted by the Company to each of Longjiang Forest Industry and Jia Run to subscribe for not more than 49,517,009 shares of the Company (equivalent to 6,189,626 shares of the Company after the proposed share consolidation as announced on 10 August 2012 to be effective). The Longjiang Option and Agent Option were granted to Longjiang Forest Industry and Jia Run respectively for the establishment of a strategic alliance between the Company and Longjiang Forest Industry with respect to the development and management of the forest in the Project Area with the assistance of Jia Run as an agent. No share options had been exercised during the six months ended 30 June 2012 under the Longjiang Option and Agent Option.

During the AGM, the Shareholders duly approved the relevant resolutions to terminate the existing share option scheme which has been expired on 21 June 2012 and to adopt a New Share Option Scheme by authorizing the Directors to allot and issue up to the 10 percent of the issued share capital of the Company at the date of the AGM, that is 136,965,053 shares of the Company, under the New Share Option Scheme. The Directors or an authorized committee are authorized, at its/their absolute discretion, to grant options to subscribe for shares of the Company in accordance with the rules of the New Share Option Scheme and to allot, issue and deal with shares of the Company pursuant to the exercise of options granted under the New 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.

No share option has been granted or exercised during the six months ended 30 June 2012 under the New Share Option Scheme.

CORPORATE GOVERNANCE

The Company has complied with the Code on Corporate Governance Practices (the "**Code**") as set out in Appendix 14 of the Listing Rules for the six months ended 30 June 2012, with deviations from Code provision A.4.1.

Code provision A.4.1

Code provision A.4.1 stipulates that non-executive Directors should be appointed for a specific term and subject to re-election.

The Company has not fully complied with the code provision. The existing non-executive Directors are not appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meeting. 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 OF CONDUCT REGARDING DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the terms contained in the model code for Securities Transactions by Directors of Listed Issuers (Appendix 10 of the Listing Rules) (the "**Model Code**") as the Company's code of conduct regarding the Directors' securities transactions. All Directors, upon specific enquiry, confirmed that they have complied with the required standards set out in the Model Code during the six months ended 30 June 2012.

PURCHASE, SALE OR REDEMPTION OF SHARES

For the six months ended 30 June 2012, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed shares. As at 30 June 2012, 1,369,650,537 ordinary shares with the par value of HK$0.01 each were issued. Details have been set out in the "Capital Structure" section of this report and Note 14 to the accompanying unaudited 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. Cheng Po Yuen and Mr. Li Sui Yang. The Audit Committee has adopted terms of reference which are in line with the Code.

The unaudited consolidated financial statements for the six months ended 30 June 2012 have been reviewed by the Audit Committee.

As at the date of this report, the Directors of the Company 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. Li Sui Yang

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

Hong Kong, 29 August 2012