福和集團控股有限公司
FOOK WOO GROUP HOLDINGS LIMITED

Fook Woo Group Holdings Limited
福和集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 923)

ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2012

AND

CONTINUED SUSPENSION OF TRADING OF THE SHARES

Annual results

Reference is made to the announcements of the Company dated 28 June 2012 and 1 November 2012 respectively. The Company's delay in announcing the audited results for the financial year ended 31 March 2012 was primarily due to the Incident which led to the Forensic Review and the Financial Analysis as well as the time required for the Auditor to complete the audit process.

The following sets forth summary of the audited consolidated annual results of the Group for the year ended 31 March 2012:–

- Revenue decreased by 64.7% year-on-year to HK$750 million
- Gross profit decreased by 84.7% year-on-year to HK$115 million
- Loss for the year attributable to equity holders of the Company was HK$2,153 million (2011: Profit was HK$467 million)
- Loss per share was HK88 cents (2011: Earnings per share was HK21 cents)

The Board does not recommend the payment of any dividend in respect of the year ended 31 March 2012.

Auditor's adverse opinion

The Auditor have informed the Company that they will issue an adverse opinion in the Auditor's report to the Shareholders. The Auditor consider that the exclusion of the financial position, results and cash flows of the De-consolidated Subsidiaries (namely Wealthy Peaceful, Golddoor and HZFW) from the consolidated financial statements is a departure from the requirements of International Accounting Standard 27 "Separate and Consolidated Financial Statements". The Auditor also consider that there were no sufficient information and evidence on certain items in the financial statements.

Shareholders should read the Auditor's report which will be included in the 2012 Annual Report.

Continued suspension of trading of the Shares

At the request of the Company, trading in the shares of the Company on the Stock Exchange has been suspended with effect from 9:00 a.m. on 28 November 2011. The trading in the shares of the Company will remain suspended until further notice.

I. BACKGROUND

Delay in Annual Results

Delay in announcing the audited consolidated annual results of Fook Woo Group Holdings Limited (the "**Company**", together with its subsidiaries from time to time, collectively the "**Group**") for the year ended 31 March 2012 was mainly caused by the Incident (as detailed below). Time is then required for conducting the related forensic review (the "**Forensic Review**") and financial analysis (the "**Financial Analysis**") as well as for the auditor of the Company (the "**Auditor**") to complete the audit process.

The Incident

On 2 December 2011, the Company announced that in the course of preparing the interim results for the six months ended 30 September 2011, it was unable to ascertain details of transaction(s) involving the Company's remittance and receipt of respective amounts equivalent to RMB100 million (the "**Incident**"), and that the board (the "**Board**") of directors (the "**Directors**") of the Company resolved to set up a special committee (the "**Special Committee**"), comprising Mr. Cheng Chi Ming, Brian, Mr. Chung Wai Kwok, Jimmy, Mr. Chan Kong, Mr. Lee Kwok Chung and Mr. Lau Shun Chuen, to investigate the matter and review the internal control system of the Company with assistance from an independent accounting firm. Baker Tilly Hong Kong Business Services Limited ("**Baker Tilly**") was subsequently engaged by the Company to perform the same. Baker Tilly's preliminary investigations into the Incident revealed that an unauthorized loan of RMB100 million (the "**Unauthorized Loan**") had been made by certain former employees of a subsidiary of the Company (including the sister of the former chairman of the Company, Mr. Leung Kai Kuen) to a third party without the knowledge of the Board.

Apart from the investigation conducted by Baker Tilly, the Forensic Review and the Financial Analysis have also been conducted in response to the Incident.

Forensic Review

On 27 April 2012, the Board has engaged one of the big-four accounting firms (the "**Independent Accounting Firm**") to assist the Special Committee to conduct the Forensic Review. The Forensic Review was completed on 31 October 2012. In the course of the Forensic Review, apart from the findings relating to the Incident, other irregularities have been detected. The Incident and other irregularities mainly concern the Group's operations in the PRC involving its indirect wholly-owned subsidiary, 惠州福和紙業有限公司 (Huizhou Fook Woo Paper Company Limited) ("**HZFW**").

Based on the results of the Forensic Review, the Board concluded that (i) the Unauthorized Loan was not in fact made and the Unauthorized Loan was not transferred out of the accounts of HZFW and a number of documents related to the Incident were fabricated; (ii) a substantial portion of the books and records of HZFW for the year ended 31 March 2012 and prior periods were missing; (iii) there were possible misstatements of certain transactions and balances recorded in the books and records of HZFW; (iv) there were possible fabrication of certain documents and records in relation to HZFW; and (v) there existed different sets of financial statements for HZFW which were un-reconcilable.

In addition, the Forensic Review has revealed, among other things, certain irregular transactions entered into by HZFW in relation to the purchase of machineries and acquisition of trademark and distribution network, possible overstatement of sales transactions, as well as existence of discrepancies between intercompany balances between HZFW and the other subsidiaries of the Group in Hong Kong.

Financial Analysis

In parallel with the Forensic Review, the Company has also engaged the financial advisory team of the Independent Accounting Firm to conduct a financial analysis of the Group. A summary of the material findings of the results of the Financial Analysis was announced on 17 January 2013. The findings mainly concern the Group's operation in the PRC involving HZFW including incomplete books and records of HZFW, poor performance of the tissue paper operation of HZFW, off-book bank accounts in HZFW's records, undisclosed affiliated companies of HZFW, HZFW's capital commitments as of 31 March 2012 and potential undisclosed related party transactions between HZFW and some entities.

Restructuring

As reflected by the Forensic Review and Financial Analysis, the irregularities mainly concern the Group's operations in the PRC involving its indirect wholly-owned subsidiary, HZFW. In order to ring-fence the business and assets of the Group from HZFW and to facilitate the Company to continue expanding its existing business and operations, the board of directors of Wealthy Peaceful Company Limited ("**Wealthy Peaceful**") (an indirect wholly-owned subsidiary of the Company, which controls 100% equity interests in HZFW through its 100% shareholding in Golddoor Company Limited ("**Golddoor**")) resolved to voluntarily wind up Wealthy Peaceful on 31 January 2013.

Given these circumstances, the Directors have not consolidated the financial statements of HZFW, Wealthy Peaceful and Golddoor (the "**De-consolidated Subsidiaries**") in the Group's consolidated financial statements as at and for the year ended 31 March 2012.

The voluntary winding up of Wealthy Peaceful will effectively carve out Wealthy Peaceful and its subsidiaries including Golddoor and HZFW from the existing structure of the Group, thus allowing the retained group (the "**Retained Group**") to continue its business and operations whilst limiting its exposures over matters relating to HZFW. Notwithstanding the voluntary winding up, the Retained Group intends to, subject to sales and supply terms, retain HZFW as one of its external customers for recovered paper, as well as one of its external suppliers for tissue paper products. Whilst the Retained Group continues seeking out more independent suppliers and customers, the Board does not foresee the voluntary winding up of Wealthy Peaceful will lead to material adverse impact on the operation of the Retained Group, as the Group has been sourcing tissue paper products from and supplying recovered paper to external parties.

Following the commencement of the winding-up of Wealthy Peaceful, on 31 January 2013, Wealthy Peaceful has ceased to be a subsidiary of the Company.

Improvement in internal control

Subsequent to the Incident, the Board has, together with the management, undertaken measures to enhance internal control and corporate governance procedures of the Group. In general, various internal control improvement measures have been adopted by the management to enhance and tighten the Group's internal control procedures, including but not limited to those involving sales and purchase administration system, cash management, approval procedures, customers and suppliers evaluation, financial reporting and account reconciliation, as well as credit control and collections.

II. AUDITOR'S ADVERSE OPINION

The Auditor have informed the Company that they will issue an adverse opinion in the Auditor's report to the shareholders of the Company (the "**Shareholders**"). The basis of the Auditor's adverse opinion is extracted below:

BASIS FOR ADVERSE OPINION

Authenticity of accounting records and de-consolidation of certain subsidiaries

In November 2011, the directors of the Company were made aware of evidences indicating the existence of potential irregularities with respect to certain accounting records and transactions recorded in the books of 惠州福和紙業有限公司 ("Huizhou Fook Woo"), a wholly owned subsidiary of the Group. As disclosed in Note 2.1 to the consolidated financial statements, in December 2011, the Board of Directors established an independent special committee (the "Special Committee") to investigate these potential irregularities. Based on the Special Committee's investigation, the directors concluded that, among other things, a substantial portion of the books and records of Huizhou Fook Woo for the year ended 31 March 2012 and prior periods were missing.

Furthermore, on 31 January 2013, Wealthy Peaceful Company Limited ("Wealthy Peaceful"), a wholly owned subsidiary of the Group incorporated in the British Virgin Islands, commenced members' voluntary liquidation, and provisional liquidators were appointed on the same date. The liquidation would involve the liquidation of Wealthy Peaceful, and its wholly owned subsidiaries, namely Golddoor Company Limited ("Golddoor") and Huizhou Fook Woo (Wealthy Peaceful, together with its wholly owned subsidiaries, namely Golddoor and Huizhou Fook Woo, are collectively referred to as the "De-consolidated Subsidiaries").

Given these circumstances, the directors have not consolidated the financial statements of the De-consolidated Subsidiaries in the Group's consolidated financial statements as at and for the year ended 31 March 2012.

The directors have determined to exclude the De-consolidated Subsidiaries in presenting the Group's financial position, results and cash flows for the year under the above mentioned circumstances. The exclusion of the financial position, results and cash flows of the De-consolidated Subsidiaries from the consolidated financial statements is a departure from the requirements of International Accounting Standard 27 "Separate and Consolidated Financial Statements". Had the De-consolidated Subsidiaries been consolidated, many elements in the consolidated financial statements would have been materially affected. Given the loss of certain books and records of Huizhou Fook Woo mentioned above, we are unable to ascertain the impact of the potential irregularities with respect to the accounting records and transactions of Huizhou Fook Woo, if any, and the non-consolidation of the De-consolidated Subsidiaries on the consolidated financial statements.

Balances and transactions with the De-consolidated Subsidiaries, impairment losses of balances due from the De-consolidated Subsidiaries and loss on de-consolidation of the De-consolidated Subsidiaries

As set out in Note 29 to the consolidated financial statements, the Group and the Company recorded amounts due from the De-consolidated Subsidiaries of approximately HK$532,172,000 as at 31 March 2012. Such receivables were recorded net of impairment provisions of approximately HK$1,730,505,000 and HK$625,673,000 in the consolidated and Company financial statements respectively, which were determined based on the valuation of the plant and machineries, properties and land use rights of Huizhou Fook Woo performed by independent valuers as at 30 September 2012.

Furthermore, as set out in Note 35 to the consolidated financial statements, the Group undertook certain sales and purchases transactions with Huizhou Fook Woo totalling HK$243,942,000 and HK$225,153,000 respectively during the year ended 31 March 2012.

In addition, the Group recorded a loss on de-consolidation of approximately HK$415,549,000.

Because of the loss of certain books and records of Huizhou Fook Woo and the de-consolidation of the De-consolidated Subsidiaries, we have not been able to obtain sufficient appropriate audit evidence to determine whether these balances and transactions were free from material misstatement, and whether these transactions and balances should have been eliminated on consolidation. In addition, we have not been able to obtain sufficient appropriate audit evidence to determine whether the impairment losses of the amounts due from the De-consolidated Subsidiaries and the loss on de-consolidation were free from material misstatement.

Impairment loss of investment costs and balances due from the subsidiaries other than the De-consolidated Subsidiaries

As set out in Note 29 to the consolidated financial statements, the Company's investment in subsidiaries as at 31 March 2012 comprised investments at cost of approximately HK$967,944,000 and amounts due from subsidiaries (other than the De-consolidated Subsidiaries) of approximately HK$361,545,000. No impairment charges were recorded for such balances as at 31 March 2012. We have not been provided with sufficient explanation to satisfy ourselves as to the valuation of such investment costs and balances. As such, we have not been able to obtain sufficient appropriate audit evidence to determine whether any adjustments were necessary in respect of the valuation of these assets as at 31 March 2012.

Nature of cash deposits

As disclosed in Note 2.1 to the consolidated financial statements, in November 2011, the Group received a cash deposit of RMB100,000,000 (approximately HK$120,000,000). In December 2011 and January 2012, the Group further received cash deposits totalling HK$2,567,000. Management represented that such deposits were placed by a former executive director of the Company. Nevertheless, these deposits were recorded as amount due to Huizhou Fook Woo in the consolidated balance sheet and the Company's balance sheet as at 31 March 2012. We have not been able to obtain sufficient appropriate audit evidence to determine the nature of these deposits.

Revenue and trade receivables from third party customers

For the year ended 31 March 2012, the Group recorded revenue of approximately HK$750,230,000, of which approximately HK$506,288,000 were made to third party customers and the corresponding trade receivables from these third party customers amounted to approximately HK$66,000,000 as at 31 March 2012. There was inadequate documentary evidence available for us to verify the receipt of goods by and settlements from a majority of these customers; and out of the total amounts of third party sales and accounts receivables of approximately HK$442,188,000 and HK$51,698,000 respectively selected for direct confirmation, we have not received satisfactory replies from these third party customers to confirm the sales and trade receivables amounts totalling approximately HK$314,647,000 and HK$40,766,000 respectively as at the date of this report. We were unable to obtain sufficient appropriate audit evidence to verify the occurrence and accuracy of these sales made to third party customers and the existence, accuracy and valuation of the related trade receivables, and there were no alternative audit procedures that we could perform to satisfy ourselves as to whether these sales transactions and the related trade receivables were free from material misstatement.

Cost of sales and trade payables to third party suppliers

Included in cost of sales in the consolidated income statement for the year ended 31 March 2012 were purchases from third party suppliers of approximately HK$374,738,000 and the corresponding trade payable balances from these third party suppliers amounted to approximately HK$20,774,000 as at 31 March 2012. There was inadequate documentary evidence available for us to verify the purchase of goods from a majority of these suppliers; and out of the total amounts of third party purchases and trade payables of approximately HK$187,296,000 and HK$11,549,000 respectively selected for direct confirmation, we have not received satisfactory replies from these third party suppliers to confirm the purchases and trade payables totalling approximately HK$165,174,000 and HK$8,751,000 respectively as at the date of this report. We were unable to obtain sufficient appropriate audit evidence to verify the occurrence and accuracy of these purchases from third party suppliers and the accuracy and completeness of the related trade payables, and there were no alternative audit procedures that we could perform to satisfy ourselves as to whether these purchase transactions and the related trade payables were free from material misstatement.

Expenses included in the consolidated income statement

Included in cost of sales, administrative and selling expenses were cost of inventories sold of approximately HK$596,918,000 and other expenses of approximately HK$22,580,000 for which we have not been provided with sufficient documents and explanation to satisfy ourselves as to the occurrence and accuracy of these recorded transactions. Accordingly, we were unable to determine whether these expenses were free from material misstatement.

Acquisitions, disposals and impairment of certain property, plant and equipment

Included in property, plant and equipment were motor vehicles with a total cost of approximately HK$10,896,000 which were acquired during the year ended 31 March 2012. In relation to the purchase of these assets, we have not been provided with sufficient documents and explanation to satisfy ourselves as to the occurrence of these purchase transactions, the existence of these assets and the accuracy of the costs incurred. Accordingly, we were unable to determine whether any adjustments were necessary in respect of the cost of these motor vehicles and the associated depreciation charges of approximately HK$997,000.

Furthermore, motor vehicles with costs of approximately HK$5,517,000 were disposed of during the year ended 31 March 2012, resulting in a loss on disposals of approximately HK$939,000 which was recorded in the consolidated income statement for the year ended 31 March 2012. In addition, motor vehicles with costs of approximately HK$6,546,000 were disposed of subsequent to 31 March 2012, resulting in a loss on disposals of approximately HK$4,769,000. This loss on disposal was recorded as an impairment loss on property, plant and equipment in the consolidated income statement for the year ended 31 March 2012. We have not been provided with sufficient documents and explanation to satisfy ourselves as to the occurrence of these disposal transactions and the accuracy of the related loss on disposals and impairment loss. Accordingly, we were unable to determine whether any adjustments were necessary in respect of the loss on disposals and impairment loss for the year ended 31 March 2012 of approximately HK$939,000 and HK$4,769,000 respectively.

Other receivables and prepayments, and other payables and accruals

Included in the Group's other receivables and prepayments as at 31 March 2012 were deposits placed with suppliers of approximately HK$6,634,000, other receivables from third parties of approximately HK$9,592,000 and other prepayments of approximately HK$9,671,000. There was inadequate documentary evidence available to us to verify the existence, accuracy and valuation of these balances; and out of the total amount of other receivables and prepayments balance of approximately HK$10,466,000 selected for direct confirmation, we have not received satisfactory replies from the third party vendors to confirm balances totalling approximately HK$4,700,000. Furthermore, included in the Group's other payables and accruals as at 31 March 2012 were balances of approximately HK$7,915,000. We were unable to obtain sufficient appropriate audit evidence to verify these other payables and accruals because there was inadequate documentary evidence available to us to verify the accuracy and completeness of these balances. There were no alternative audit procedures that we could perform to satisfy ourselves as to whether these other receivables and prepayments, and other payables and accruals as at 31 March 2012 were free from material misstatement.

Financial guarantee contract

One of the subsidiaries of the Group (other than the De-consolidated Subsidiaries) provided corporate guarantees in respect of bank borrowings of Huizhou Fook Woo amounting to RMB52,500,000 (approximately HK$64,890,000). We have not been provided with sufficient appropriate audit evidence, and there were no other alternative audit procedures that we could perform, to satisfy ourselves as to the existence and valuation of this financial guarantee contract.

ADVERSE OPINION

In our opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion paragraphs, the consolidated financial statements do not give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2012, and of the Group's loss and cash flows for the year then ended in accordance with International Financial Reporting Standards and the consolidated financial statements have not been prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Shareholders should read the Auditor's report which will be included in the 2012 Annual Report.

III. ANNUAL RESULTS

The Board would like to announce the consolidated results of the Group for the year ended 31 March 2012. The audit committee of the Company (the "**Audit Committee**") has reviewed the results and the financial statements of the Group for the year ended 31 March 2012 prior to recommending them to the Board for approval.

CONSOLIDATED BALANCE SHEET

AS AT 31 MARCH 2012

	Note	**31 March 2012** *HK$'000*	31 March 2011 *HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**101,773**	1,286,316
Land use rights		**29,069**	71,773
Prepayments		**803**	433,853
Deferred income tax assets		**2,884**	2,391
Intangible asset	13	**1,000**	–
		135,529	1,794,333
Current assets			
Inventories	11	**7,772**	88,164
Trade and bills receivables	12	**66,000**	703,328
Prepayments, deposits and other receivables		**26,265**	88,228
Amounts due from related companies		**1,322**	1,186
Amounts due from De-consolidated Subsidiaries	15	**532,172**	–
Tax recoverable		**–**	1,022
Cash and cash equivalents		**748,445**	1,494,122
Restricted bank deposits		**910**	–
		1,382,886	2,376,050
Total assets		**1,518,415**	4,170,383
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	16	**241,117**	245,928
Share premium		**2,862,358**	2,940,531
Capital reserve		**(964,044)**	(964,044)
Other reserves		**(720,139)**	1,577,996
Total equity		**1,419,292**	3,800,411

	Note	**31 March 2012**	31 March 2011
		HK$'000	*HK$'000*
LIABILITIES			
Non-current liabilities			
Long-term borrowings		**–**	14,286
Deferred income tax liabilities		**633**	434
		633	14,720
Current liabilities			
Trade and other payables	14	**45,968**	196,250
Short-term bank borrowings		**30,078**	102,505
Current portion of long-term borrowings		**–**	14,286
Amount due to a related company		**12,081**	–
Current income tax liabilities		**10,363**	42,211
		98,490	355,252
Total liabilities		**99,123**	369,972
Total equity and liabilities		**1,518,415**	4,170,383
Net current assets		**1,284,396**	2,020,798
Total assets less current liabilities		**1,419,925**	3,815,131

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2012

	Note	**Year ended 31 March 2012 HK$'000**	Year ended 31 March 2011 HK$'000
Revenue	3	**750,230**	2,126,487
Cost of sales	6	**(634,815)**	(1,369,731)
Gross profit		**115,415**	756,756
Other income	4	**916**	5,852
Other gains, net	5	**18,051**	17,587
Loss on de-consolidation of subsidiaries	15	**(415,549)**	–
Impairment of amounts due from the De-consolidated Subsidiaries	15	**(1,730,505)**	–
Administrative expenses	6	**(115,909)**	(155,829)
Selling expenses	6	**(25,586)**	(70,811)
Operating (loss)/profit		**(2,153,167)**	553,555
Finance income	7	**10,752**	8,818
Finance costs	7	**(719)**	(7,469)
(Loss)/profit before income tax		**(2,143,134)**	554,904
Income tax expense	8	**(9,582)**	(88,014)
(Loss)/profit for the year attributable to equity holders of the Company		**(2,152,716)**	466,890
Basic and diluted (loss)/earnings per share for (loss)/profit attributable to equity holders of the Company	10	**(HK$0.88)**	HK$0.21
Dividends	9	**–**	–

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2012

	2012	2011
	HK$'000	*HK$'000*
(Loss)/profit for the year	**(2,152,716)**	466,890
Other comprehensive (loss)/income:		
Currency translation differences	**–**	74,956
Release of exchange reserve upon de-consolidation of a subsidiary	**(145,419)**	–
Other comprehensive (loss)/income for the year, net of tax	**(145,419)**	74,956
Total comprehensive (loss)/income for the year attributable to equity holders of the Company	**(2,298,135)**	541,846

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2012

	Share capital *HK$'000*	Share premium *HK$'000*	Capital reserve *HK$'000*	Statutory reserve *HK$'000*	Exchange reserve *HK$'000*	Retained earnings *HK$'000*	Total *HK$'000*
Balance as at 1 April 2010	200,000	1,923,706	(964,044)	50,000	70,463	915,687	2,195,812
Profit for the year	–	–	–	–	–	466,890	466,890
Other comprehensive income:							
Currency translation differences	–	–	–	–	74,956	–	74,956
Total comprehensive income for the year ended 31 March 2011	–	–	–	–	74,956	466,890	541,846
Share issued pursuant to the exercise of over-allotment option	9,300	204,600	–	–	–	–	213,900
Issuance of new shares	36,628	842,432	–	–	–	–	879,060
Share issuance costs incurred in current year	–	(30,207)	–	–	–	–	(30,207)
Transfer to statutory reserve	–	–	–	46,487	–	(46,487)	–
Balance as at 31 March 2011	245,928	2,940,531	(964,044)	96,487	145,419	1,336,090	3,800,411
Balance as at 1 April 2011	245,928	2,940,531	(964,044)	96,487	145,419	1,336,090	3,800,411
Loss for the year	–	–	–	–	–	(2,152,716)	(2,152,716)
Other comprehensive loss:							
Release of exchange reserve upon de-consolidation of a subsidiary *(Note 15)*	–	–	–	–	(145,419)	–	(145,419)
Total comprehensive loss for the year ended 31 March 2012	–	–	–	–	(145,419)	(2,152,716)	(2,298,135)
Reclassification of statutory reserve upon de-consolidation of a subsidiary	–	–	–	(96,487)	–	96,487	–
Transactions with owners							
Repurchase of shares	(4,811)	(78,173)	–	–	–	–	(82,984)
Balance as at 31 March 2012	241,117	2,862,358	(964,044)	–	–	(720,139)	1,419,292

1 GENERAL INFORMATION

Fook Woo Group Holdings Limited (the "Company") was incorporated and registered as an exempted company with limited liability in the Cayman Islands on 11 November 2009 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company is an investment holding company and is listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The registered address of the Company is Clifton House, 75 Fort Street, PO Box 1350, Grand Cayman, KY1-1108, Cayman Islands.

The Company and its subsidiaries (except for the "De-consolidated Subsidiaries" as defined in Note 2 below) are collectively referred to as the "Group". The subsidiaries of the Group are principally engaged in the trading and manufacturing of tissue paper products and recycled greyboard, trading of recovered paper and provision of confidential materials destruction services.

These consolidated financial statements are presented in thousands of units of Hong Kong dollars (HK$'000), unless otherwise stated. These financial statements have been approved for issue by the Board of Directors on 22 March 2013.

2 BASIS OF PREPARATION

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

In the course of preparing its interim financial information for the six months ended 30 September 2011, the Board of Directors of the Company (the "Board") were made aware of evidence indicating the existence of potential irregularities with respect to a deposit placed with a third party of RMB100,000,000 (approximately HK$120,000,000) recorded in the books of 惠州福和紙業有限公司("Huizhou Fook Woo"), a wholly owned subsidiary of the Group (the "Incident"). Accordingly, in the interest of the Company and its shareholders, on 28 November 2011, the Company applied for suspension of trading in the Company's shares on the Stock Exchange. On 29 November 2011, the Company received a cash deposit of approximately HK$120,000,000 (the "Deposit") from a former executive director, at which time the Board was uncertain about the nature of such deposit. On 2 December 2011, the Board established an independent special committee (the "Special Committee") to conduct an investigation into the Incident and the Deposit and to review the internal control system of the Company with the assistance of an independent accounting firm. On 27 April 2012, the Special Committee engaged another independent accounting firm to conduct a forensic review into the Incident and the Deposit (the "Forensic Review") following the preliminary investigation results of the previous independent accounting firm.

Based on the results of the Forensic Review, the Board concluded that the deposit of RMB100,000,000 (approximately HK$120,000,000) recorded in the books of Huizhou Fook Woo was not in fact made and the amount was not transferred out of the accounts of Huizhou Fook Woo and a number of documents related to the Incident were fabricated. In addition, the Forensic Review has revealed, among other things, certain other irregular transactions entered into by Huizhou Fook Woo. Based on the results of the Forensic Review, the Board further concluded that, among other things, a substantial portion of the books and records of Huizhou Fook Woo for the year ended 31 March 2012 and prior periods were missing.

As of the date of this report, the directors have used its best effort, to the extent commercially practicable, to reconstruct the accounting records of Huizhou Fook Woo for the year ended 31 March 2012, applying their best estimates and judgement based on the information of the Group that are available to the directors. However, given the loss of a substantial portion of books and records and the fact that most of the key accounting personnel and previous management of Huizhou Fook Woo left the Group and now not contactable, the Board believes that, as at the date of the report, it is almost impossible, and not practical, to ascertain the transactions and balances of Huizhou Fook Woo for inclusion in the consolidated financial statements of the Group.

Furthermore, on 31 January 2013, Wealthy Peaceful Company Limited ("Wealthy Peaceful"), a wholly owned subsidiary of the Group, commenced members' voluntary liquidation, and provisional liquidators were appointed on the same date. The liquidation would involve the liquidation of Wealthy Peaceful, and its wholly owned subsidiaries, namely Golddoor Company Limited ("Golddoor") and Huizhou Fook Woo (Wealthy Peaceful, together with its wholly owned subsidiaries, namely Golddoor and Huizhou Fook Woo, are collectively referred to as the "De-consolidated Subsidiaries").

Given these circumstances, the directors have not consolidated the financial statements of the De-consolidated Subsidiaries in the Group's consolidated financial statements as at and for the year ended 31 March 2012. As such, the results, assets and liabilities of the De-consolidated Subsidiaries have not been included in the consolidated financial statements of the Group since 1 April 2011. The resulting loss on de-consolidation of approximately HK$415,549,000, which is determined based on the net asset value of the De-consolidated Subsidiaries as at 1 April 2011, has been recognised in the consolidated income statement for the year ended 31 March 2012.

Moreover, as at 31 March 2012, the total amounts due from the De-consolidated Subsidiaries to the Group and the Company before any impairment provision amounted to approximately HK$2,262,677,000 and HK$1,157,845,000 respectively. The directors have assessed the recoverability of these balances based on the valuation of the plant and machineries, properties and land use rights of Huizhou Fook Woo performed by independent valuers as at 30 September 2012, as the directors consider this to be the earliest practicable date for such a valuation given the aforementioned circumstances. Accordingly, impairment losses on balances due from the De-consolidated Subsidiaries of approximately HK$1,730,505,000 and HK$625,673,000 were recognised in the consolidated income statement and the Company's financial statements for the year ended 31 March 2012 respectively.

In the opinion of the directors, the consolidated financial statements as at and for the year ended 31 March 2012 prepared on the aforementioned basis is the most appropriate way of presenting the results and state of affairs of the Group as the directors were unable to obtain sufficient documentary information to satisfy themselves regarding the transactions and balances related to the De-consolidated Subsidiaries. However, the non-consolidation of the De-consolidated Subsidiaries is not in compliance with the requirements of International Accounting Standards ("IAS") 27 "Consolidated and Separate Financial Statements". Given the aforementioned circumstances, the directors are unable to ascertain the impact of the potential irregularities with respect to the accounting records and transactions of Huizhou Fook Woo, if any, and the non-consolidation of the De-consolidated Subsidiaries on the consolidated financial statements.

Except for the matters referred to above, including the de-consolidation of the De-consolidated Subsidiaries, the consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The consolidated financial statements have been prepared under the historical cost convention.

The preparation of the consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

(a) Amended standards adopted by the Group

The following amendments to standards are mandatory and relevant to the Group for the financial year beginning 1 April 2011.

IFRSs (Amendments)	Improvements to IFRSs 2010

The application of the above amendments to standards did not affect the Group's results and financial position.

(b) New standards, amendments and interpretations to existing standards that are not effective and have not been early adopted by the Group

The following new standards, amendments and interpretations to existing standards have been issued but are not effective for the financial year beginning 1 April 2011 and have not been early adopted by the Group:

IAS 1 (Amendment)[3]	Presentation of Financial Statements
IAS 12 (Amendment)[2]	Deferred Tax: Recovery of Underlying Assets
IAS 19 (Amendment)[4]	Employee Benefits
IAS 27 (Revised 2011)[4]	Separate Financial Statements
IAS 28 (Revised 2011)[4]	Investments in Associates and Joint Ventures
IAS 32 (Amendment)[5]	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities
IFRS 1 (Amendment)[1]	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
IFRS 1 (Amendment)[4]	First Time Adoption of Government Loans
IFRS 7 (Amendment)[1]	Financial Instruments: Disclosures – Transfers of Financial Assets
IFRS 7 (Amendment)[4]	Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities
IFRS 9[6]	Financial Instruments
IFRS 7 and HKFRS 9 (Amendments)[6]	Mandatory Effective Date and Transition Disclosures
IFRS 10 [4]	Consolidated Financial Statements
Amendments to IFRSs 10, 11 and 12 [4]	Transitional Guidance
IFRS 11[4]	Joint Arrangements
IFRS 12[4]	Disclosure of Interests in Other Entities
IFRS 13[4]	Fair Value Measurement
IFRIC- Int 20 [4]	Stripping Costs in the Production Phase of a Surface Mine

(1) Effective for financial periods beginning on or after 1 July 2011
(2) Effective for financial periods beginning on or after 1 January 2012
(3) Effective for financial periods beginning on or after 1 July 2012
(4) Effective for financial periods beginning on or after 1 January 2013
(5) Effective for financial periods beginning on or after 1 January 2014
(6) Effective for financial periods beginning on or after 1 January 2015

The Group is in the process of assessing the impact of these standards, amendments and interpretations to existing standards and does not expect there will be a material impact on the consolidated financial statements of the Group.

3 SEGMENT INFORMATION

The Board of Directors of the Company, which is the chief operating decision maker of the Group, reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports. The Group is organised into four business segments:

- Recovered paper – sales of recovered papers
- Tissue paper products – manufacturing and sales of tissue paper products
- Recycled greyboard – manufacturing and sales of recycled greyboard
- Confidential materials destruction service ("CMDS") – provision of confidential materials destruction services

Although the Group's products and services are sold/rendered to Hong Kong, the PRC and overseas markets, the chief operating decision maker of the Group regularly reviews the consolidated financial statements by business segments to assess performance and make resources allocation decisions. It assesses the performance of the operating segments based on a measure of segment gross profits.

Revenue consists of sales of recovered papers, tissue paper products and recycled greyboard and provision of confidential materials destruction services. The Group's revenue consists of the following:

	2012	2011
	HK$'000	*HK$'000*
Sales of recovered paper	**498,414**	1,244,667
Sales of tissue paper products	**240,010**	831,618
Sales of recycled greyboard	**6,520**	45,938
Provision of confidential materials destruction services	**5,286**	4,264
	750,230	2,126,487

The analysis of the Group's revenue from external customers attributed to the locations in which the sales originated during the year consists of the following:

	2012 *HK$'000*	2011 *HK$'000*
Hong Kong	**750,230**	538,416
The PRC	**–**	1,588,071
	750,230	2,126,487

Details of the customers accounting for 10% or more of total revenue are as follows:

	2012 *HK$'000*	2011 *HK$'000*
Customer A	**–**	234,604
Customer B	**84,911**	Less than 10% of total revenue
Huizhou Fook Woo	**243,942**	–

For the year ended 31 March 2012, revenues of approximately HK$328,853,000 (2011: HK$234,604,000) were derived from an external customer and a de-consolidated subsidiary (2011: one external customer). These revenues were attributable to the recovered paper and tissue paper products reportable segments and accounted for greater than 10% of the Group's revenue.

The geographical location of non-current assets other than deferred tax assets are determined based on the countries of domicile of the subsidiaries.

The total of non-current assets other than deferred tax assets located in Hong Kong as at 31 March 2012 was approximately HK$132,645,000 (2011: HK$234,635,000). There are no non-current assets located in other countries as at 31 March 2012 (2011: HK$1,557,307,000).

The segment results and other segment items included in the loss for the year ended 31 March 2012 are as follows:

	Recovered paper	Tissue paper products	Recycled greyboard	CMDS	Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	498,414	240,010	6,520	5,286	750,230
Cost of sales	(412,489)	(213,268)	(6,142)	(2,916)	(634,815)
Segment gross profit	85,925	26,742	378	2,370	115,415
Loss on de-consolidation of subsidiaries					(415,549)
Impairment of amounts due from the De-consolidated Subsidiaries					(1,730,505)
Unallocated operating costs					(122,528)
Finance income, net					10,033
Loss before income tax					(2,143,134)
Income tax expense					(9,582)
Loss for the year					(2,152,716)

The segment results and other segment items included in the profit for the year ended 31 March 2011 are as follows:

	Recovered paper	Tissue paper products	Recycled greyboard	CMDS	Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	1,244,667	831,618	45,938	4,264	2,126,487
Cost of sales	(821,943)	(506,772)	(38,342)	(2,674)	(1,369,731)
Segment gross profit	422,724	324,846	7,596	1,590	756,756
Unallocated operating costs					(203,201)
Finance income, net					1,349
Profit before income tax					554,904
Income tax expense					(88,014)
Profit for the year					466,890

4 OTHER INCOME

	2012	2011
	HK$'000	*HK$'000*
Sales of scrapped materials	**211**	2,139
Sales of packaging materials	**–**	451
Service income	**481**	383
Others	**224**	2,879
	916	5,852

5 OTHER GAINS, NET

	2012	2011
	HK$'000	*HK$'000*
Foreign exchange gains, net	**29,189**	18,717
Loss on disposals of property, plant and equipment, net	**(829)**	(2,155)
Write off of property, plant and equipment	**(754)**	–
Impairment loss of property, plant and equipment	**(8,908)**	–
Others	**(647)**	1,025
	18,051	17,587

6 EXPENSES BY NATURE

Expenses included in cost of sales, administrative expenses and selling expenses are analysed as follows:

	2012	2011
	HK$'000	*HK$'000*
Auditor's remuneration	**3,800**	3,669
Amortisation of land use rights	**825**	1,222
Provision for impairment of trade receivables	**1,291**	4,659
Provision for impairment of deposits and prepayments to suppliers	**–**	500
Direct write off of trade receivables	**–**	709
Direct write off of deposits and prepayments to suppliers	**178**	1,000
Cost of inventories sold (Note 11)	**596,918**	1,220,359
Depreciation	**11,013**	86,256
Operating lease charges in respect of land and buildings	**11,317**	10,156
Employee benefit expense	**41,402**	79,660
Directors' emoluments	**13,957**	8,024
Entertainment expenses	**4,946**	12,802
Motor vehicle expenses	**8,745**	5,608
Legal and professional fees	**8,697**	3,878
Freight charges	**28,221**	74,536
Management fees	**8,356**	10,314
Others	**36,644**	73,019
Total cost of sales, administrative expenses and selling expenses	**776,310**	1,596,371

7 FINANCE INCOME AND COSTS

	2012	2011
	HK$'000	*HK$'000*
Finance income	**10,752**	8,818
Finance costs		
Interest expenses on bank borrowings	**(719)**	(7,185)
Others	**–**	(284)
	(719)	(7,469)

8 INCOME TAX EXPENSE

	2012	2011
	HK$'000	*HK$'000*
Current income tax		
– Hong Kong profits tax	**442**	9
– PRC corporate income tax	**–**	90,062
Under provision in prior years		
– Current income tax	**4,959**	2
– Penalty surcharge and interests	**5,554**	–
	10,955	90,073
Deferred tax		
Origination and reversal of temporary differences	**(1,373)**	(2,059)
	(1,373)	(2,059)
Income tax expense	**9,582**	88,014

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit for the year ended 31 March 2012 (2011: 16.5%). Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the country in which the Group operates.

Huizhou Fook Woo, a de-consolidated subsidiary of the Group operating in the PRC during the year, was eligible for a 50% reduction in corporate income tax rate from 1 January 2009 to 31 December 2010.

The applicable corporate income tax rate for Huizhou Fook Woo was 25% starting from 1 January 2011.

9 DIVIDENDS

No dividends had been paid or declared by the Company during the year (2011: Nil).

10 BASIC AND DILUTED (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit for the year attributable to the equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2012	2011
	HK$'000	*HK$'000*
(Loss)/profit attributable to the equity holders of the Company	**(2,152,716)**	466,890
Weighted average number of ordinary shares in issue (thousand shares)	**2,435,252**	2,247,252
Basic (loss)/earnings per share	**(HK$0.88)**	HK$0.21

Diluted (loss)/earnings per share are equal to basic (loss)/earnings per share as there were no potential dilutive ordinary shares outstanding during the year (2011: same).

11 INVENTORIES

	2012	2011
	HK$'000	*HK$'000*
Raw materials, at cost	**–**	52,714
Finished goods, at cost	**7,772**	35,450
	7,772	88,164

The cost of inventories recognised as an expense and included in "cost of sales" amounted to approximately HK$596,918,000 for the year ended 31 March 2012 (2011: HK$1,220,359,000).

12 TRADE AND BILLS RECEIVABLES

	2012	2011
	HK$'000	*HK$'000*
Trade and bills receivables	**70,991**	711,897
Less: provision for impairment	**(4,991)**	(8,569)
Trade and bills receivables – net	**66,000**	703,328

Payment terms granted to customers are mainly cash on delivery and on credit. The average credit period ranges from 10 days to 90 days. The ageing analysis of trade and bills receivables based on due date at the balance sheet date is as follows:

	2012	2011
	HK$'000	*HK$'000*
Current	**45,402**	400,008
1 – 30 days	**16,996**	149,420
31 – 60 days	**2,268**	83,076
61 – 90 days	**161**	42,378
91 – 120 days	**196**	24,085
Over 120 days	**5,968**	12,930
	70,991	711,897
Less: Provision for impairment	**(4,991)**	(8,569)
	66,000	703,328

13 INTANGIBLE ASSET

	Club debenture
	HK$'000
Opening net book amount as at 1 April 2010 and 31 March 2011	–
Year ended 31 March 2012	
Opening net book amount	–
Addition (i)	1,000
Closing net book amount	1,000
At 31 March 2012	
Cost	1,000
Accumulated amortisation and impairment	–
	1,000

(i) On 27 July 2011, the Group purchased a club debenture in Hong Kong at HK$1,000,000.

14 TRADE AND OTHER PAYABLES

	2012	2011
	HK$'000	*HK$'000*
Trade payables	**20,774**	74,346
Other payables:		
– Other PRC taxes payable	**–**	40,605
– Accrued expenses	**23,378**	41,100
– Receipts in advance from customers	**1,775**	5,476
– Other payables for construction in progress	**30**	33,381
Others	**11**	1,342
	45,968	196,250

The aging analysis of trade payables based on due date at the balance sheet date is as follows:

	2012	2011
	HK$'000	HK$'000
Current	**16,948**	62,294
1 – 30 days	**1,277**	5,939
31 – 60 days	**140**	790
61 – 90 days	**65**	236
91 – 120 days	**49**	150
Over 120 days	**2,295**	4,937
	20,774	74,346

15 INVESTMENTS IN AND DUE FROM/(TO) DE-CONSOLIDATED SUBSIDIARIES

	2012	2011
	HK$'000	*HK$'000*
De-consolidated Subsidiaries:		
Investments at cost, unlisted shares (2012: HK$8)	**–**	–
Due from De-consolidated Subsidiaries	**2,262,677**	–
Less: provision for impairment	**(1,730,505)**	–
	532,172	–

The amounts due from/(to) the De-consolidated Subsidiaries are denominated in HK$.

As explained in Note 2, due to the loss of a substantial portion of books and records and serious doubt over the authenticity of certain accounting records of Huizhou Fook Woo, the financial results, assets and liabilities of the De-consolidated Subsidiaries have not been included in the consolidated financial statements of the Group since 1 April 2011.

Details of the net assets of the De-consolidated Subsidiaries as at 1 April 2011 are set out below.

	2012	2011
	HK$'000	*HK$'000*
Net assets		
Property, plant and equipment	**1,257,334**	–
Land use rights	**41,879**	–
Prepayments, deposits and other receivables	**506,411**	–
Deferred income tax assets	**1,079**	–
Trade and bills receivables	**624,261**	–
Inventories	**83,365**	–
Cash and cash equivalents	**350,788**	–
Net amounts due to fellow subsidiaries and the ultimate holding company	**(2,025,058)**	–
Trade and other payables	**(145,808)**	–
Bank borrowings	**(91,072)**	–
Current income tax liabilities	**(42,211)**	–
	560,968	–
Loss on de-consolidation of subsidiaries	**(415,549)**	–
Exchange reserve released upon de-consolidation	**(145,419)**	–
	–	–
Analysis of net outflow of cash and cash equivalents arising from de-consolidation of subsidiaries	**(350,788)**	–

16 SHARE CAPITAL

(a) Authorised share capital of the Company

	2012	2011
	HK$'000	*HK$'000*
Authorised:		
5,000,000,000 ordinary shares of HK$0.10 each	**500,000**	500,000

(b) Issued share capital of the Company

	Note	Number of ordinary shares	Ordinary shares HK$
Issued and fully paid:			
At 1 April 2010		2,000,000,000	200,000,000
Shares issued pursuant to exercise of the over-allotment option	(i)	93,000,000	9,300,000
Issuance of new shares	(ii)	366,275,000	36,627,500
At 31 March 2011		2,459,275,000	245,927,500
Repurchase of shares	(iii)	(48,108,000)	(4,810,800)
At 31 March 2012		2,411,167,000	241,116,700

(i) On 9 April 2010, the over-allotment option as detailed in the Company's prospectus dated 19 March 2010 was fully exercised and the Company issued an aggregate of 93,000,000 new shares at the offer price of HK$2.3 per share. Gross proceeds in relation to the over-allotment amounted to HK$213,900,000.

(ii) On 7 October 2010, the Company and Chow Tai Fook Nominee Limited (the "Subscriber") entered into a conditional subscription agreement pursuant to which the Company agreed to issue and the Subscriber agreed to subscribe for an aggregate of 366,275,000 new shares of the Company at the subscription price of HK$2.4 per share for a total consideration of HK$879,060,000. The transaction was completion on 26 October 2010.

(iii) During the year, the Company repurchased a total of 48,108,000 of its own shares on the Stock Exchange at prices ranging from HK$1.48 to HK$1.88 per share, for a total consideration of HK$82,984,000. The repurchased shares were cancelled. The premium of approximately HK$78,173,000 paid on the repurchase shares was debited to the share premium account.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During the year under review, the Group's revenue decreased by 64.7% to HK$750.2 million (2011: HK$2,126.5 million). The results of the Group for the year ended 31 March 2012 are set out in the consolidated income statement.

Financial Review

Revenue

For the year ended 31 March 2012, the Group recorded revenue of HK$750.2 million (2011: HK$2,126.5million), representing a decrease of 64.7% compared to the previous year. The decrease was mainly attributable to the de-consolidation of the Group's operations in the PRC.

Gross profit reduced by 84.7% to approximately HK$115.4 million (2011: HK$756.8 million).

Loss Attributable to Equity Holders of the Company

The Group's loss attributable to equity holders of the Company for the year ended 31 March 2012 was HK$2,152.7 million, compared to profit attributable to equity holders of the Company of HK$466.9 million for 2011. The substantial loss was principally attributable to loss on de-consolidation of certain subsidiaries of the Group (the "**De-consolidated Subsidiaries**"); and impairment of amounts due from the De-consolidated Subsidiaries.

Liquidity and Financial Resources

As at 31 March 2012, the Group had cash and cash equivalents of approximately HK$748.4 million (2011: HK$1,494.1 million). Short-term bank borrowings and total bank borrowings of the Group with floating rates amounted to approximately HK$30.1 million as at 31 March 2012 (2011: HK$131.1 million). The effective interest rate for short term borrowings was 2.35% per annum (2011: 5.87% per annum).

The gearing ratio, which is calculated as total debt (including current and non-current borrowings) divided by total equity, was 2.1% as at 31 March 2012 (2011: 3.4%).

As at 31 March 2012, the Group had net current assets of approximately HK$1,284.4 million, as compared to net current assets of approximately HK$2,020.8 million as at 31 March 2011. The current ratio of the Group was 14.04 as at 31 March 2012 as compared to 6.69 as at 31 March 2011.

Foreign Exchange Exposure

The Group mainly operates in Hong Kong with most of its sales denominated in United States dollars and Hong Kong dollars. Most of the raw materials purchases are denominated in Hong Kong dollars. Furthermore, most of the Group's monetary assets and liabilities are denominated in Renminbi, United States dollars and Hong Kong dollars.

For the year ended 31 March 2012, the Group recorded a net foreign exchange gain of HK$29.2 million (2011: HK$18.7 million). The Group has not used any forward contracts, currency borrowings or other means to hedge its foreign currency exposure.

Pledge of Assets

Short-term bank borrowings of HK$28.8 million (2011: HK$129.5 million) were secured by corporate guarantees by certain subsidiaries as of 31 March 2012 and the restricted bank deposits amounted to HK$0.9 million (2011:Nil) were pledged to a supplier to secure material supply.

Capital Structure

Details of the capital structure of the Company are set out in Note 16.

Contingent Liabilities

The Group has no material contingent liabilities as at 31 March 2012.

Employees

At 31 March 2012, the Group had approximately 200 employees employed in Hong Kong. Employee costs, excluding directors' emoluments, totalled HK$41.4 million for the year (2011: HK$79.7 million). All of the Group companies are equal opportunity employers, with the selection and promotion of individuals based on suitability for the position offered. The Group operates a defined contribution mandatory provident fund retirement benefits for its employees in Hong Kong. The Company has also adopted a share option scheme on 11 March 2010. During the year under review, no share option was granted. The Group did not experience any significant labour disputes or substantial changes in the number of employees that led to any disruption of its normal business operations.

Prospects

The Group has a very solid foundation in waste recycling business in Hong Kong and China. Despite the fact that the Group has come across various internal control issues in the past, it has not impaired the solid track record and business foundation of the Group. The Group's management is very confident of the waste recycling business model and the profitability potential has yet been fully explored. The Group's management has a strong commitment on enhancing the corporate governance and internal control system of the Group continuously. While pursuing the continuous growth of our business in the future, the Group's management commits that the corporate governance and the social responsibility would never be overlooked. The Group has to further reinforce its internal control and operational system to ensure that the Group can accommodate the external challenge under the fluctuating economy outlook. Nonetheless, the Group's management takes those challenges as the learning curve for the Group to develop itself as a more mature and long-lasting enterprise that can cope with the ever-changing era in the future.

In the future, the Group will continue to operate the core business of the Group, namely (i) waste collecting and packaging depots in Hong Kong; (ii) provision of confidential materials destruction services ("**CMDS**") in Hong Kong; and (iii) marketing and selling of tissue paper products in Hong Kong, Macau and other overseas countries.

The Group currently operates more than 10 waste collecting and packaging depots in Hong Kong and the waste paper processing capacity is more than 250,000 tons per annum. The Group will continue with its provision of CMDS in Hong Kong through its factory in Hong Kong and it is the only factory in Hong Kong that is accredited with AAA by National Association for Information Destruction, Inc. for plant-based operation. The Group's existing CMDS customers include most of the multi-national financial institutions, governmental bodies, printing companies, etc.

Making use of its well established network and operation experience, the Group will also continue marketing and selling of both virgin pulp and recycled tissue paper products in Hong Kong, Macau and other overseas countries. It would provide a stable cash flow for the Group's management to further explore other waste recycling business opportunities.

As part of the Group's expansion plan disclosed in the prospectus of the Company in 2010, the Company has undertaken to develop a workshop and office in Tseung Kwan O ("**TKO**"), Hong Kong to facilitate (a) the logistic of its recycling business; (b) the establishment of the converting process facilities for paper product business; (c) the expansion of the confidential materials destruction facilities; (d) the research and development of the advanced waste recycling technology; and (e) the office and administrative functions. Upon completion of the TKO facilities, the CMDS handling capacity of the Group will substantially increase from currently around 2,200 tons per month to more than 4,000 tons per month afterwards. The converting process facilities for paper product business in the TKO facilities will also create an additional income source for the Group, thus allows the Group to have a more secured and balanced income. With the centralized office and administrative functions at the TKO facility, a greater efficiency and cost savings are expected, which would contribute positively to both the financial and operational performance of the Group. With the advanced research environment in the TKO facilities and the experienced management team, the Group will further expand its waste recycling business from solely waste paper recycling to various solid wastes recycling including waste plastic, waste electrical appliances and waste chemicals in Hong Kong and the other regions that allow our Group to do the recycling business.

With the Shareholders' strong support in the business and financial aspects, the Group will be able to reinforce its foundation in waste recycling and horizontally expand its business scope.

Dividend

The Board does not recommend the payment of any dividend in respect of the year ended 31 March 2012 (2011: Nil).

Closure of Register of Members

The Company will separately announce details of the closure of the register of members and the 2012 annual general meeting of the Company as soon as practicable.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year, the Company repurchased 48,108,000 ordinary shares on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") at an aggregate consideration of HK$82,984,000. The repurchases were effected by the Directors for the enhancement of shareholders' value.

In September 2011, the Company repurchased an aggregate of 17,880,000 ordinary shares on the Stock Exchange. The highest repurchase price was HK$1.55 per share, and the lowest repurchase price was HK$1.48 per share, with a total payment of approximately HK$27,114,440.

In October 2011, the Company repurchased an aggregate of 30,228,000 ordinary shares on the Stock Exchange. The highest repurchase price was HK$1.88 per share, and the lowest repurchase price was HK$1.71 per share, with a total payment of approximately HK$55,869,560.

All the ordinary shares repurchased in the financial year ended 31 March, 2012 were cancelled during the financial year. The premium of approximately HK$78,173,000 paid on the repurchase shares was debited to the share premium account.

Apart from the above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the year.

EVENT AFTER THE REPORTING PERIOD

Commencement of liquidation of the De-consolidated Subsidiaries

On 31 January 2013, Wealthy Peaceful, a wholly owned subsidiary of the Group, commenced members' voluntary liquidation, and provisional liquidators were appointed on 31 January 2013. The liquidation involves the liquidation of Wealthy Peaceful, and its wholly owned subsidiaries, namely Golddoor and HZFW. The liquidation is still in progress as at the date of this announcement.

Disposal of certain motor vehicles and a yacht, and recognition of impairment loss arising from the disposal

Between May 2012 and September 2012, the Group disposed of certain motor vehicles and a yacht with total cost of approximately HK$6,546,000 and HK$11,000,000 respectively. An impairment loss on property, plant and equipment of HK$8,908,000 was recorded in the consolidated income statement for the year ended 31 March 2012 based on their respective selling prices subsequent to year end (2011: Nil).

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

After making specific inquiries with the former Directors who were Directors in the year ended 31 March 2012 (except (i) Mr. Leung Kai Kuen who left the Company and the Company was not able to reach him as at the date of this announcement; and (ii) Mr. Cheng Chun Keung, Thomas and Mr. Chan Kong who left the Company and did not respond to the Company's inquiries as at the date of this announcement), those former Directors confirmed that they had complied with the Model Code for Securities Transactions by Directors of Listed Companies ("**Model Code**") as set out in Appendix 10 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") during the year ended 31 March 2012. The Board has established written guidelines on no less exacting terms than the Model Code for Directors in respect of their dealings in the securities of the Company.

AUDIT COMMITTEE

The Audit Committee, which comprises three independent non-executive Directors, namely Mr. Chung Wai Kwok, Jimmy (Chairman of the Audit Committee), Mr. Lau Shun Chuen and Mr. Lee Kwok Chung; and one non-executive Director, namely Mr. Cheng Chi Ming, Brian, has reviewed the financial statements of the Group for the year ended 31 March 2012 and discussed with the management and the Auditor on the accounting principles and practices adopted by the Group and internal controls and financial reporting matters.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 to the previous Listing Rules during the financial year ended 31 March 2012 save for the deviations from code provisions A.2.1, A.2.3, A.5.4, A.6.2, C.1.1, C.1.2, C.1.3, C.2.1, C.2.2 and D.1.1. Particulars of the deviations and the reasons thereof are summarized below:

Code Provision A.2.1

Under code provision A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

Mr. Leung Kai Kuen was both the Chairman and Chief Executive Officer during the financial year ended 31 March 2012.

At present, the roles of chairman and chief executive officer are separate. The Chairman is Mr. Cheng Chi Ming, Brian, while the Chief Executive Officer is Mr. Suen Wing Yip.

Code Provision A.2.3

Under code provision A.2.3, the chairman should be responsible for ensuring that directors receive adequate information, which must be complete and reliable, in a timely manner.

As Mr. Leung Kai Kuen (former chairman in the financial year ended 31 March 2012) left the Company and could not be reached by the Company as at the date of this announcement, the present members of the Board are not in a position to comment whether Mr. Leung Kai Kuen discharged his duties in ensuring that the previous members of the Board received adequate information, which was complete and reliable, in a timely manner during the financial year ended 31 March 2012.

Code Provision A.5.4

Code provision A.5.4 stipulates that directors must comply with their obligations under the Model Code and, in addition, the Board should establish written guidelines on no less exacting terms than the Model Code for relevant employees in respect of their dealings in the securities of the issuer.

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules. For compliance with the Model Code by the previous members of the Board in the financial year ended 31 March 2012, please refer to the section headed "Compliance with the Model Code for Securities Transactions by Directors" above.

Code Provisions A.6.2 and C.1.1

Under code provisions A.6.2 and C.1.1, management has an obligation to supply the board and its committees with adequate information in a timely manner to enable it to make informed decisions.

As some former members of the management in the year ended 31 March 2012 have left the Company, the present members of the Board are not in a position to comment whether such former members of the management discharged their duties to supply the previous Board and its committees with adequate information in a timely manner during the year ended 31 March 2012.

Code Provisions C.1.2 and C.1.3

The principle underlying the code provisions C.1.2 and C.1.3 is that the board should present a balanced, clear and comprehensive assessment of the issuer's performance, position and prospects.

While the directors acknowledge their responsibility to prepare the financial statements that give a true and fair view of the state of affairs of the Group, Shareholders are advised to review the adverse opinion to be included in the Auditor's report to the Shareholders. An extract of the basis for the adverse opinion is set out in the section headed "Auditor's Adverse Opinion".

The Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Group's ability to continue as a going concern. The Board has prepared the consolidated financial statements on a going concern basis.

Code Provisions C.2.1 and C.2.2

The principle underlying the code provisions C.2.1 and C.2.2 is that the board should ensure that the issuer maintains sound and effective internal controls to safeguard the shareholders' investment and the issuer's assets.

As reflected by the Forensic Review and Financial Analysis in relation to the Incident, the present members of the Board considers that there is room for improvement in the previous internal control systems of the Company for the year ended 31 March 2012.

The existing members of the Board and management has undertaken measures to enhance internal control and corporate governance procedures of the Group.

Code Provision D.1.1

Code provision D.1.1 requires that when the board delegates to management, it must give clear directions as to the powers of the management, in particular, with respect to the circumstances where management should report back and obtain prior approval of the Board before making decisions or entering into any commitments on behalf of the issuer.

As some former members of the management in the year ended 31 March 2012 have left the Company, the present members of the Board are not in a position to comment whether such former members of the management discharged their duties to report back and obtain prior approval from the previous Board before making decisions or entering into any commitments on behalf of the Company for the year ended 31 March 2012.

SUSPENSION OF TRADING

At the request of the Company, trading in the shares of the Company was suspended since 28 November 2011 and shall remain suspended until further notice. Please refer to the announcements of the Company dated 28 November 2011, 29 November 2011, 2 December 2012, 30 December 2011, 30 January 2012, 29 February 2012, 30 March 2012, 28 June 2012 and 2 November 2012 respectively, for further details in relation to the suspension.

PUBLICATION OF ANNUAL REPORT

The 2012 Annual Report containing information required by the Listing Rules will be dispatched to the shareholders of the Company and published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.fookwoo.com) in due course.

By Order of the Board
Fook Woo Group Holdings Limited
Cheng Chi Ming, Brian
Chairman

Hong Kong, 22 March 2013

As at the date of this announcement, the Board comprises three executive directors, namely, Mr. Suen Wing Yip, Mr. Lau Sai Cheong and Mr. Lai Hau Yin; two non-executive directors, namely, Mr. Cheng Chi Ming, Brian (Chairman) and Mr. Tsang On Yip, Patrick; and three independent non-executive directors, namely, Mr. Lau Shun Chuen, Mr. Chung Wai Kwok, Jimmy and Mr. Lee Kwok Chung.