江晨國際控股有限公司
Jiangchen International Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 01069)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

FINANCIAL HIGHLIGHTS

- Turnover for the financial years ended 31 December 2012 amounting to Renminbi ("**RMB**") 92.4 million (2011: RMB 184.8 million), representing a decrease of approximately 50.0 % as compared with corresponding period in 2011.

- Loss and total comprehensive expenses attributable to the owners of the Company for the financial year ended 31 December 2012 amounted to approximately RMB20.0 million (Profit and total comprehensive profit attributable to the owners of the Company of 2011: approximately RMB0.4 million), representing a decrease of approximately 4,975% as compared with corresponding period in 2011.

- Basic and diluted loss per share for the financial year ended 31 December 2012 amounted to RMB 0.0542 (Basic and diluted earnings per share of 2011: RMB 0.0011).

- The board (the "**Board**") of directors (the "**Directors**") does not recommend the payment of a final dividend for the financial year ended 31 December 2012 (2011: nil).

FINANCIAL RESULTS

The Board of Jiangchen International Holdinds Limited (the "**Company**") is pleased to announce the consolidated financial statements of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2012, together with the comparative figures for the year ended 31 December 2011, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012
(Amounts expressed in RMB unless otherwise stated)

	NOTES	**2012**	2011
		RMB'000	*RMB'000*
Turnover		**92,438**	184,804
Cost of sales		**(93,322)**	(171,920)
Gross (loss)/profit		**(884)**	12,884
Change in fair value of plantation forest assets		**1,799**	–
Bank interest income		**139**	105
Gain on disposal of a subsidiary		**850**	–
Change in fair value of derivative financial assets		**(3,128)**	–
Selling and distribution costs		**(777)**	(1,096)
Administrative expenses		**(5,761)**	(9,865)
Impairment loss recognised in respect of trade receivables	*10*	**(11,122)**	–
Finance costs	*5*	**(1,153)**	(497)
(Loss)/profit before tax	*6*	**(20,037)**	1,531
Income tax expense		**–**	(1,120)
(Loss)/profit for the year	*7*	**(20,037)**	411
Other comprehensive income for the year:			
Exchange difference arising on translation		**39**	–
Total comprehensive (expenses)/income for the year		**(19,998)**	411
(Loss)/earnings per share:			
Basic and diluted	*8*	**RMB(5.42)cents**	RMB0.11cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

(Amounts expressed in RMB unless otherwise stated)

	NOTES	**2012**	2011
		RMB'000	*RMB'000*
Non-current assets			
Property, plant and equipment		**4,356**	15,350
Prepaid lease payments		**3,148**	7,082
Plantation forest assets		**19,195**	–
		26,699	22,432
Current assets			
Inventories	*10*	**2,961**	8,972
Trade and other receivables		**34,989**	32,516
Prepaid lease payments		**63**	161
Derivative financial assets		**2,184**	–
Tax recoverable		**232**	232
Bank balances and cash		**26,198**	32,868
		66,627	74,749
Current liabilities			
Trade and other payables	*11*	**5,479**	4,608
Amount due to a controlling shareholder		**1,385**	589
Tax liabilities	*12*	**–**	562
Secured bank borrowing		**–**	10,000
		6,864	15,759
Net current assets		**59,763**	58,990
Total assets less current liabilities		**86,462**	81,422
Non-current liabilities			
Convertible bonds		**12,594**	–
Net assets		**73,868**	81,422
Capital and reserves			
Share capital	*13*	**3,256**	3,256
Reserves		**70,612**	78,166
Total equity attributable to owners of the Company		**73,868**	81,422

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2012

(Amounts expressed in RMB unless otherwise stated)

	Attributable to owners of the Company								
	Share capital	**Share premium**	**Capital reserve**	**Statutory reserves**	**Convertible bonds equity reserves**	**Translation reserve**	**Other reserves**	**Retained earnings**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Note a)*	*RMB'000*	*RMB'000*	*RMB'000* *(Note b)*	*RMB'000*	*RMB'000*
At 1 January 2011	3,256	10,642	10	5,256	–	–	18,038	43,809	81,011
Profit and total comprehensive income for the year	–	–	–	–	–	–	–	411	411
Appropriation to reserves	–	–	–	687	–	–	–	(687)	–
At 31 December 2011 and At 1 January 2012	**3,256**	**10,642**	**10**	**5,943**	**–**	**–**	**18,038**	**43,533**	**81,422**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(20,037)**	**(20,037)**
Other comprehensive income for the year									
Exchange difference arising on translation	**–**	**–**	**–**	**–**	**–**	**39**	**–**	**–**	**39**
Total comprehensive income/(expense) for the year	**–**	**–**	**–**	**–**	**–**	**39**	**–**	**(20,037)**	**(19,998)**
Recognition of equity component of convertible bonds	**–**	**–**	**–**	**–**	**12,444**	**–**	**–**	**–**	**12,444**
At 31 December 2012	**3,256**	**10,642**	**10**	**5,943**	**12,444**	**39**	**18,038**	**23,496**	**73,868**

Notes:

a. Statutory reserves

Statutory reserves were established in accordance with the relevant People's Republic of China (the "PRC") rules and regulations for the companies comprising the Group which are incorporated in the PRC. Appropriations to the reserves were approved by the respective directors.

b. Other reserves

Other reserves comprise the following:

– Merger reserve arising from common control combination for entity acquired in December 2010;

– Surplus from the share capital of the subsidiaries, acquired pursuant to the group reorganisation over acquisition consideration; and

– Difference between the nominal value of the shares of a subsidiary, acquired pursuant to the group reorganisation, over the nominal value of the Company's shares issued in exchange thereof.

(Amounts expressed in RMB unless otherwise stated)

1. GENERAL INFORMATION

Jiangchen International Holdings Limited (the "Company") is a public limited company incorporated in the Cayman Islands. On 8 October 2009, its shares were listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and were withdrawn from the GEM on 13 May 2011. On 16 May 2011, the Company's shares were listed on the Main Board of the Stock Exchange.

The address of the registered office and principal place of business are disclosed in the section of "Corporate Information" in the annual report. The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in the manufacturing and wholesaling of apparels and investment holding.

As part of its plan to diversify into the forest harvesting and timber processing business, on 11 July 2012, the Group had completed the acquisition to acquire 100% equity interests of Rongxuan Forestry Investment Holdings Limited ("Rongxuan") and its subsidiaries (collectively referred to as the "Rongxuan Group") which holds plantation forest assets in Dali, Yunnan Province in the People's Republic of China (the "PRC"). As at 31 December 2012, the Group's forest harvesting and timber processing business is still at a preliminary stage and have yet to commence actual operation.

The directors of the Company consider that Well Bright Group Limited ("Well Bright"), a company incorporated in the British Virgin Islands ("BVI") with limited liability, is the parent company and Mr. Cai Shuiyong ("Mr. Cai SY") and Mr. Cai Shuiping ("Mr. Cai SP") are the ultimate controlling shareholders.

The Company's functional currency is Hong Kong dollars ("HKD") while that for the major subsidiaries in the PRC is Renminbi ("RMB"). As the operation of the Group is mainly held in the PRC, the directors of the Company consider that it is appropriate to present the consolidated financial statements in RMB.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Application of amendments to HKFRSs

In the current year, the Group has applied a number of new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Amendments to Hong Kong Accounting Standards ("HKAS") 12	Deferred Tax: Recovery of Underlying Assets
Amendments to HKFRS 7	Financial Instruments: Disclosures – Transfers of Financial Assets; and
Amendments to HKFRS 1	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters

The directors of the Company anticipate that the application of the amendments to HKFRSs in current year had no material impact on the Group's financial performance and position for the current and prior years and/or the disclosures set out in these financial statements.

New and revised HKFRSs issued but not yet effective

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

Amendments to HKFRSs	Annual improvements to HKFRSs 2009-2011 Cycle[2]
Amendments to HKFRS 1	Government loans[2]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[2]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosurests[4]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[2]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[3]
HKFRS 9	Financial Instruments[4]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangement[2]
HKFRS 12	Disclosures of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
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 Associate and Joint Ventures[2]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[1]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[3]
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.

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

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

The amendments to HKAS 1 clarify that an entity is required to present a third statement of financial position only when the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position and that related notes are not required to accompany the third statement of financial position.

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

The amendments to HKAS 32 clarify that income tax on distributions to holders of an equity instrument and transaction costs of an equity transaction should be accounted for in accordance with HKAS 12 Income Taxes. The directors of the Company anticipate that the amendments to HKAS 32 will have no effect on the Group's consolidated financial statements.

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

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

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

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

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

HKFRS 9 Financial Instruments

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

Key requirements of HKFRS 9 are described as follows:

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

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

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

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

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

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

Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements. HK (SIC)-Int 12 Consolidation – Special Purpose Entities will be withdrawn upon the effective date of HKFRS 10. Under HKFRS 10, there is only one basis for consolidation, that is, control. In addition, HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios. Overall, the application of HKFRS 10 requires a lot of judgement. The application of HKFRS 10 is not expected to change any of the control conclusions reached by the Group in respect of its investment with other entities as at 1 January 2013.

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

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

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

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

The directors of the Company anticipate that the application of these five standards will have no material impact on the amounts reported in the consolidated financial statements.

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

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

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

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

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

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

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

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

HKFRS 13 Fair Value Measurement

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

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

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 Presentation of Items of Other Comprehensive Income introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a "statement of comprehensive income" is renamed as a "statement of profit or loss and other comprehensive income" and an "income statement" is renamed as a "statement of profit or loss". The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis. The amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

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

The directors of the Company anticipate that the application of the other new and revised HKFRSs will have no material impact on the consolidated financial statements.

3. TURNOVER

Turnover represents the net amounts received and receivable for goods sold in the normal course of business, net of discounts and sales related taxes.

4. SEGMENT INFORMATION

Information reported to the chief executive officer, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

During the year ended 31 December 2012, the Group acquired 100% equity interest of Rongxuan Group which holds plantation forest assets and the Group started the preliminary stage of forestry management business. The management concluded it should be separately reported as this segment was monitored by the chief executive officer separately.

Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

(i) Manufacturing and wholesaling of OEM products – manufacturing and sale of apparel products made according to design and specifications specified by customers.

(ii) Manufacturing and sales of branded products ("Brand Business") – the sale of apparel designed in-house and sold under the Group's own brand name.

(iii) Forestry business – plantation, logging and the sale of timber related products.

Information regarding the above segments for the years ended 31 December 2012 and 2011 is presented below.

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable and operating segment for the years ended 31 December 2012 and 2011:

For the year ended 31 December 2012

	Manufacturing and wholesaling of OEM products *RMB'000*	**Brand Business** *RMB'000*	**Forestry business** *RMB'000*	**Total** *RMB'000*
Turnover	**73,954**	**18,484**	**–**	**92,438**
Segment (loss)/profit	**(12,315)**	**(3,016)**	**1,483**	**(13,848)**
Bank interest income				**139**
Gain on disposal of a subsidiary				**850**
Change in fair value of derivative financial assets				**(3,128)**
Central administrative costs				**(2,897)**
Finance costs				**(1,153)**
Loss before tax				**(20,037)**

For the year ended 31 December 2011

	Manufacturing and wholesaling of OEM products *RMB'000*	Brand Business *RMB'000*	Forestry business *RMB'000*	Total *RMB'000*
Turnover	148,612	36,192	–	184,804
Segment profit	2,962	2,496	–	5,458
Bank interest income				105
Central administrative costs				(3,535)
Finance costs				(497)
Profit before tax				1,531

Segment loss/profit represent the loss from/profit earned by each segment without allocation of central administrative costs including directors' salaries and other corporate administrative costs, change in fair value of derivative financial assets, gain on disposal of a subsidiary, bank interest income and finance costs. This is the measure reported to the chief executive officer for the purposes of resource allocation and assessment of segment performance.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segment as at 31 December 2012 and 2011:

As at 31 December 2012

	Manufacturing and wholesaling of OEM products	**Brand Business**	**Forestry business**	**Total segment**	**Unallocated**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
Segment assets	**37,723**	**5,606**	**20,679**	**64,008**	**29,318**	**93,326**
Segment liabilities	**5,090**	**141**	**35**	**5,266**	**14,192**	**19,458**

As at 31 December 2011

	Manufacturing and wholesaling of OEM products	Brand Business	Forestry business	Total segment	Unallocated	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Segment assets	54,236	9,448	–	63,684	33,497	97,181
Segment liabilities	3,474	664	–	4,138	11,621	15,759

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

– all assets are allocated to operating segments other than derivative financial assets, income tax recoverable, bank balances and cash and other assets for corporate use which include property, plant and equipment and other receivables.

– all liabilities are allocated to operating segments other than secured bank borrowing, convertible bonds, tax liabilities, amount due to a controlling shareholder and certain other payables.

Other segment information

For the year ended 31 December 2012

	Manufacturing and wholesaling of OEM products	Brand Business	Forestry business	Total segment	Unallocated	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Amounts included in the measure of segment loss/profit or segment assets						
Additions to non-current assets	–	–	18,885	18,885	–	18,908
Depreciation of property, plant and equipment	1,055	228	18	1,298	23	1,301
Amortisation of prepaid lease payments	151	10	–	161	–	161
Loss on disposal of property, plant and equipment	50	77	–	127	–	127
Changes in fair value of plantation forest assets	–	–	(1,799)	(1,799)	–	(1,799)
Impairment loss recognised in respect of trade receivables	11,122	-	-	11,122	-	11,122
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment loss/profit						
Bank interest income	–	–	–	–	(139)	(139)
Interest expense	–	–	–	–	1,153	1,153
Gain on disposal of a subsidiary	(850)	–	–	(850)	–	(850)
Change in fair value of derivative financial assets	–	–	–	–	3,128	3,128

For the year ended 31 December 2011

	Manufacturing and wholesaling of OEM products	Brand Business	Forestry business	Total segment	Unallocated	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Amounts included in the measure of segment profit or segment assets						
Addition to non-current assets	242	–	–	242	–	242
Depreciation of property, plant and equipment	1,072	228	–	1,300	–	1,300
Amortisation of prepaid lease payments	151	10	–	161	–	161
Loss on disposal of property, plant and equipment	42	–	–	42	–	42
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit						
Bank interest income	–	–	–	–	(105)	(105)
Interest expense	–	–	–	–	497	497
Income tax expense	840	280	–	1,120	–	1,120

Geographical information

Information about the Group's revenue from external customers is presented based on the location of customers are detailed below:

	2012	2011
	RMB'000	*RMB'000*
PRC (excluding Hong Kong)	**92,438**	180,567
Others	**–**	4,237
	92,438	184,804

An analysis of segment assets and capital expenditure by geographical area in which the assets are located has not been presented as the Group's assets are substantially located in the PRC.

Information about major customers

Revenues from customers of the corresponding years contributing over 10% of the total sales of the Group are as follows:

	2012	2011
	RMB'000	*RMB'000*
Customer A[2]	**29,753**	44,871
Customer B[2]	**20,382**	33,280
Customer C[2]	**12,696**	32,744
Customer D[2]	**11,122**	N/A[1]
	73,953	110,895

1 The corresponding revenue did not contribute over 10% of the total sales of the Group.

2 Revenue from manufacturing and wholesaling of OEM products.

5. FINANCE COSTS

	2012	2011
	RMB'000	*RMB'000*
Interest on secured bank borrowing wholly repayable within one year	**318**	497
Effective interest expense on convertible bonds	**835**	–
	1,153	497

6. INCOME TAX EXPENSE

	2012	2011
	RMB'000	*RMB'000*
Current PRC Enterprise Income Tax	–	1,120

Hong Kong Profits Tax has not been provided for in the consolidated financial statements as there were no assessable profits derived from Hong Kong for both years.

Pursuant to the laws and regulations of the Cayman Islands and BVI, the Group is not subject to any income tax in the Cayman Islands and BVI.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

Pursuant to the relevant laws and regulations in the PRC, the Group's PRC subsidiaries are exempted from PRC Enterprise Income Tax for two years starting from their first profit-making year, followed by a 50% reduction for the next three years (the "Tax Exemption"). The PRC subsidiaries which are currently entitled to the Tax Exemptions from 1 January 2008 would continue to enjoy such treatments until the Tax Exemptions period expires, but not beyond 2012.

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

	2012	2011
	RMB'000	*RMB'000*
(Loss) profit before tax	**(20,037)**	1,531
Tax expense at the domestic income tax rate	**(3,353)**	1,276
Tax effect of expenses not deductible for tax purpose	**2,783**	3
Tax effect of income not taxable for tax purpose	**(594)**	–
Tax effect of tax losses not recognised	**1,164**	978
Tax effect of tax exemption granted to PRC subsidiaries	**–**	(1,137)
Income tax expense for the year	**–**	1,120

As at 31 December 2012, the Group had unrecognised tax losses of approximately RMB4,157,000 (2011: RMB3,912,000), which can be carried forward to offset future taxable profit and will expire after five years. No deferred tax asset had been recognised in respect of the unrecognised tax loss of RMB4,157,000 (2011:RMB3,912,000) due to the unpredictability of future profit streams.

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to approximately RMB58,887,000 (2011: approximately RMB62,824,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

7. (LOSS) PROFIT FOR THE YEAR

	2012	2011
	RMB'000	*RMB'000*
(Loss) profit for the year has been arrived at after charging:		
Directors' emoluments	**228**	203
Other staff costs	**14,411**	26,481
Termination benefits	**783**	2,907
Retirement benefits scheme contributions, excluding directors	**8,389**	11,138
Total staff costs	**23,811**	40,729
Amortisation of prepaid lease payments	**161**	161
Auditors' remuneration	**717**	497
Cost of inventories recognised	**93,211**	171,878
Depreciation of property, plant and equipment	**1,301**	1,300
Exchange loss	**97**	119
Loss on disposal of property, plant and equipment	**127**	42
Operating lease rental paid in respect of rented premises	**79**	488
Research and development costs recognised as an expense (included in the administrative expenses) *(Note)*	**283**	289

Note: During the year ended 31 December 2012, research and development costs included staff costs of approximately RMB182,000 (2011: RMB178,000) for the Group's employees engaged in research and development activities, which are also included in staff costs.

8. (LOSS) EARNINGS PER SHARE

The calculation of basic (loss) earnings per share is based on the loss for the year attributable to owners of the Company of approximately RMB20,037,000 (2011: profit of RMB411,000) and the weighted average number of ordinary shares in issue during the year of 370,000,000 (2011: 370,000,000).

The diluted loss per share for the year ended 31 December 2012 is the same as the basic loss per share as the outstanding dilutive potential ordinary share is anti-dilutive. The computation of diluted loss per share does not assume the conversion of the Company's outstanding convertible bonds as their exercise would result in a decrease in loss per share.

The diluted earnings per share for the year ended 31 December 2011 is the same as the basic earnings per share as there was no dilutive potential ordinary shares outstanding during year.

9. DIVIDEND

No dividend was paid, declared or proposed during the years ended 31 December 2012 and 2011 nor had any dividend been proposed since the end of the reporting period.

10. TRADE AND OTHER RECEIVABLES

	2012	2011
	RMB'000	*RMB'000*
Trade receivables	**25,470**	27,071
Less: allowance for doubtful debts	**(11,222)**	(100)
	14,248	26,971
Prepayment	**2,224**	5,322
Other receivables	**18,517**	223
	34,989	32,516

The Group generally allows an average credit period of 90 to 180 days to its trade customers, where payment in advance is normally required. The Group does not hold any collateral over these balances. The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period which approximated the respective revenue recognition dates are as follows:

	2012	2011
	RMB'000	*RMB'000*
0 – 90 days	**10,180**	25,521
91 – 180 days	**4,068**	1,450
Total	**14,248**	26,971

No impairment loss is provided for the trade receivables that are neither past due nor impaired because these receivables are within credit period granted to the respective customers and the management considers the default rate is low for such receivables based on historical information and past experience. As at 31 December 2012 and 2011, there are no trade receivables that are past due but not impaired.

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of RMB11,122,000 (2011: RMB100,000) which was under dispute and have passed the credit period.

Movement on allowance of trade receivables is as follows:

	2012	2011
	RMB'000	*RMB'000*
At the beginning of the year	**100**	100
Impairment loss recognised in respect of trade receivables	**11,122**	–
At the end of the year	**11,222**	100

As at 31 December 2012, trade receivables amounting to approximately RMB11,122,000 were denominated in USD (2011: nil).

Included in other receivables is consideration receivable from disposal of a subsidiary amounting to approximately RMB13,800,000 and a current account with the disposed subsidiary amounting to approximately RMB2,650,000.

11. TRADE AND OTHER PAYABLES

	2012	2011
	RMB'000	*RMB'000*
Trade payables	**722**	1,758
Receipt in advance	**27**	26
Other payables	**4,730**	2,824
	5,479	4,608

The average credit period on purchase of goods ranges from 45 to 90 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2012	2011
	RMB'000	*RMB'000*
0 – 30 days	**257**	1,758
31 – 90 days	**465**	–
Total	**722**	1,758

12. AMOUNT DUE TO A CONTROLLING SHAREHOLDER

The amount is unsecured, non-interest bearing and repayable on demand.

13. SHARE CAPITAL

Movements of the authorised share capital of the Company during the year are as follows:

	Par value	Number of ordinary shares	Nominal value of ordinary shares
	HKD	*'000*	*HKD'000*
Authorised:			
At 1 January 2011, 31 December 2011 and 2012	0.01	1,000,000	10,000

	Par value	Number of ordinary shares	Nominal value of ordinary shares	
	HKD	*'000*	*HKD'000*	*RMB'000*
Issued and fully paid:				
At 1 January 2011, 31 December 2011 and 2012	0.01	370,000	3,700	3,256

14. CAPITAL COMMITMENTS

As at 31 December 2012, the Group has capital expenditure in respect of the acquisition of a subsidiary authorised but not contracted for amounted to approximately RMB285,215,000.

With reference to the announcement of the Company dated 10 December 2012, on 10 December 2012, subject to certain conditions precedent, the Company had entered into agreement with an independent third party to acquire the entire issued capital of a company as described in Note 16(b) for a consideration of HKD280,000,000 (equivalent to approximately RMB285,215,000) whereby, HKD136,000,000 shall be settled in cash and the remaining HKD144,000,000 shall be settled by the issuance of promissory note (the "Promissory Note") by the Company. Please refer to Note 16(b) for details of the proposed acquisition and Note 16(a) for details of the Promissory Note. As at the date of this report, the acquisition is still in progress and certain condition precedent have yet to be met for completion of the transaction.

15. PLEDGE OF ASSETS

The Group had pledged certain of its buildings and leasehold lands to secure banking facilities granted to the Group. At the end of the reporting period, the carrying values of these pledged assets are as follows:

	2012	2011
	RMB'000	*RMB'000*
Buildings	**1,403**	10,228
Leasehold lands	**1,081**	6,405
	2,484	16,633

During the year ended 31 December 2012, the banking facilities obtained from the pledge of such assets had expired and the pledged assets as at 31 December 2012 of approximately RMB2,484,000 with relation to such facilities was subsequently released.

As at 31 December 2012, the Company has pledged its entire equity interest of all subsidiaries under Rongxuan Group to Maple Reach Limited ("Maple Reach"), as security for the pledged notes issued as described in Note 16(b) to Maple Reach.

16. EVENTS SUBSEQUENT TO THE END OF REPORTING PEROID

(a) On 15 November 2012, the Company entered into an agreement with Maple Reach, a wholly owned subsidiary of CCB Asia, both are independent third parties, who had agreed to subscribe for the pledged note in the amount of HKD190,000,000 to be issued by the Company with an interest rate of 15% per annum, a redemption premium of HKD26,610,000 and a maturity date of 2 years after the issue date. The Pledged Note is also redeemable by the Company after 6 months from the issue date with written notification from the Company to Maple Reach.

The Pledged Note shall be secured by 179,450,000 shares of the Company owned by Well Bright, the controlling shareholder of the Company, an additional 7,400,000 shares of the Company owned by other independent shareholders, the Company's entire equity interest of all subsidiaries under the Rongxuan Group and the Group's entire equity interest of all subsidiaries under the China Timber Group (as defined below) upon completion of its acquisition (the "Relevant Securities"). The purpose for the issue of the Pledged Note is to provide funding for the cash consideration portion of the acquisition of China Timbers Limited as described in section (b) below. Other than the equity interest of subsidiaries under the China Timber Group, all of the Relevant Securities are pledged to CCB Asia as at 31 December 2012.

The issuance of Pledged Note was completed on 8 January 2013 and parts of the funds raised by the issuance of the Pledged Note totaling HKD60,000,000 was drawn by the Company on the same date as funding for the payment of a first refundable deposit with regards to the proposed acquisition as described in section (b) below. Further details on the Pledged Note are set out in the Company's announcement dated 16 November 2012.

(b) On 10 December 2012, the Company entered into an acquisition agreement with an independent third party, Mr. Du Jianjun (the "Vendor"), for the acquisition of 100% equity interest in China Timber Limited and its subsidiaries (collectively referred to as the "China Timber Group") for an aggregate consideration of HKD280,000,000 of which HKD136,000,000 shall be satisfied in cash and the remaining HKD144,000,000 shall be satisfied by issuing of Promissory Note to the Vendor.

Up to the date of approval of the consolidated financial statements, a first refundable deposit with regards to the proposed acquisition amounting to RMB60,000,000 in cash funded by the issuance of the Pledged Note as described in section (a) above had been deposited by the Company on 9 January 2013 to a number of nominee accounts designated by the Vendor.

The acquisition is still in progress and the Promissory Note has not been issued as at 31 December 2012 and subsequent to the date of approval of the consolidated financial statements. Further details on the acquisition are set out in the Company's announcements dated 10 December 2012, 2 January 2013 and 26 March 2013.

(c) On 18 January 2013, the Company entered into the warrant subscription agreements with seven subscribers, pursuant to which the Company agreed to issue, and the seven subscribers agreed to subscribe for an aggregate of 22,000,000 unlisted warrants at the issue price of HKD0.01 per warrant. Pursuant to the warrant subscription agreements, the holders of the unlisted warrants will be entitled to subscribe for up to 22,000,000 new shares at the initial subscription price of HKD0.99 per share for a period of 3 years commencing from the date of the issuance of the warrants. As at the date of this announcement, the conditions set out in the warrant subscription agreements have yet fulfilled and no warrant has been issued.

MANAGEMENT DISCUSSION AND ANALYSIS

Business And Operational Review

– *The Garment Business*

The Group is principally engaged in the (i) manufacturing and wholesaling of apparels on an original equipment manufacturing ("**OEM**") basis and (ii) manufacturing and sales of branded products ("**Brand Business**") in the PRC. The apparels produced by the Group can be broadly categorized into cotton and sweat jacket, sportswear and leisurewear, trousers and children garment. The PRC market remained the most important market segment of the Group. During the financial year, the turnover of the Group generated from its garment business amounted to approximately RMB92.4 million.

– *The Forestry Management Business*

During the financial year ended 31 December 2012, the Group pursued the opportunities of acquiring forest lands. As at 31 December 2012, the long-lease forest lands acquired by the Group were approximately 3,530 Chinese Mu and are located in Dali, Yunnan Province, the PRC. The turnover and profit derived from the forestry management business were consolidated into the Group's accounts. The Group's business operation in the forestry management business was carried out by Rongxuan Group.

The lease period of the forest lands is 65 years. The Group has already received the forestry certificates or other title documents in respect of the area of 3,530 Chinese Mu of the forest lands, and has been applying for the approvals of logging quota of 3,000 cubic meters from the relevant forestry bureaus in Yunnan Province. The biological assets in the aforesaid forest lands include oak trees, Pinus Yunnanensis and other trees. As at the date of this announcement, the Group has just started the preliminary stage of the forestry management business but yet started any harvesting works in the aforesaid forests and therefore, nil revenue was recorded for the year ended 31 December 2012.

Financial Review

– *Turnover*

During the financial year ended 31 December 2012, the Company recorded a turnover of approximately RMB92.4 million, representing an approximately 50.0% decrease as compared to approximately RMB184.8 million in 2011. Such significant drop was mainly due to the slowdown of both domestic and overseas demand and the fierce competition in garment industry.

Turnover from the Company's OEM apparels sold to domestic import and export companies and overseas trading companies for export for the year ended 31 December 2012 was approximately RMB74.0 million (for the year ended 31 December 2011: RMB148.6 million), which is approximately 50.2% lower than that for the corresponding period in 2011. Such decrease was mainly attributable to the impact by the unstable global economic conditions which slowed down the export of the Group's apparel products.

The Company also distributes its own brand apparels to local chain stores, its franchise stores and through its wholesale outlets in the PRC. Turnover from the distribution of the Company's brand apparels for the year ended 31 December 2012 was approximately RMB18.5 million (for the year ended 31 December 2011: RMB36.2 million), which is approximately 48.9% lower than that for the corresponding period in 2011.

In terms of product mix, turnover of OEM products represented approximately 80.0% of the total turnover (for the year ended 31 December 2011: 80.4%) while turnover of the brand products only accounted for approximately 20.0% (for the year ended 31 December 2011: 19.6%).

For the year ended 31 December 2012, no turnover was recorded for the forestry management business.

– *Gross Profit/Loss*

The Group recorded a gross loss of approximately RMB0.88 million for the year ended 31 December 2012 (gross profit for the year ended 31 December 2011: RMB12.9 million), representing a decrease of approximately 106.8% as compared to that for the corresponding period in 2011.

Cost of sales mainly included costs incurred from the raw materials, direct labour costs and manufacturing overheads. The Group's decrease in cost of sales for the year of 2012 was mainly a result of the decreased costs of raw materials owing to the drop of the sales volumes in apparel products.

The gross margin, calculated by dividing gross profit by turnover, is not applicable for the year ended 31 December 2012 (2011: 7.0%) as a gross loss was recorded. The result of gross loss in 2012 was mainly attributable to the decreased sales volume of the Group's apparel products as a result of fierce competition in the garment industry and the weaker market sentiment in the PRC, and the direct labour costs maintained owing to the statutory minimal wages policy in the PRC.

– *Selling and Distribution Costs*

The selling and distribution costs of the Group have decreased from approximately RMB1.1 million for the year ended 31 December 2011 to approximately RMB0.8 million for the year ended 31 December 2012, representing a decrease of approximately 27.3%. The decrease in selling and distribution costs was mainly attributable to the decrease of the transportation costs owing to the decreased sales volumes of the Group's apparel products.

– *Administrative Expenses*

The administrative expenses of the Group have decreased by approximately 41.4% from approximately RMB9.9 million for the year ended 31 December 2011 to approximately RMB5.8 million for the year ended 31 December 2012. The decrease in administrative expenses was mainly due to the decreased in the amount of staff benefits, and the decrease in the legal and professional fees.

– *Finance Costs*

The finance costs were related to the interests on the secured bank borrowings wholly repayable within one year for the purpose of internal working capital of the Group, as well as the interest expenses in relation to the issuance of the zero coupon convertible bonds for the acquisition of Rongxuan Group on 11 July 2012.

– *Income Tax Expenses*

For the year ended 31 December 2011, the effective tax rate of the Group was approximately 73.2%. However, the effective tax rate of the Group for the year ended 31 December 2012 is 0% because no income tax expenses were incurred as the Group is suffering a loss before tax.

– *Profit/Loss and Total Comprehensive Income/Expenses Attributable to Owners of the Company*

As a results of the above changes, the Company has recorded a loss and total comprehensive expenses attributable to owners of the Company of approximately RMB20.0 million for the year ended 31 December 2012, while the profit and total comprehensive profit attributable to shareholders of the Company of approximately RMB0.4 million for the year ended 31 December 2011.

– *Basic and Diluted Earnings/Loss per Share*

Basic and diluted loss per share for the year ended 31 December 2012 amounted to RMB0.0542 (the basic and diluted earnings per share of 2011: RMB0.0011).

Employees and Remuneration Policies

As at 31 December 2012, the Group employed a total of 981 employees (As at 31 December 2011: 1,096). Total staff costs for the year under review, including Directors' remuneration and the termination benefits, amounted to approximately RMB23.8 million (2011: approximately RMB40.7 million). The Group's remuneration policies are in line with the prevailing market standards and are determined on the basis of performance and experience of individual employee. Other employee benefits include contributions to social insurance scheme.

The Group has adopted a share option scheme pursuant to which the Directors may grant options to individuals including Directors, employees or consultants of the Group to acquire shares of the Company. The Directors consider that the share option scheme assists in recruiting and retaining high calibre executives and employees.

Liquidity and Financial Resources

The Group generally finances its daily operations from internally generated cash flows. As at 31 December 2012, the Group had total assets of approximately RMB93.3 million and net assets of approximately RMB73.9 million. The Group's cash and bank balances as at 31 December 2012 amounted to approximately RMB26.2 million. The Group obtained a secured bank loan amounting to

RMB10,000,000 as at 31 December 2011, and this secured bank loan had been settled during the first half of 2012. The bank borrowing carried variable interest rate with reference to The People's Bank of China Prescribed Interest Rate with 15% mark-up per annum for the period. As at 31 December 2012, there were unutilised banking facilities of HKD190,000,000 (equivalent to approximately RMB154,831,000) (2011: RMB5,000,000).

On 10 December 2012, the Company entered into the acquisition agreement with Mr. Du Jianjun ("**Mr. Du**"), as supplemented by two supplemental agreements dated 2 January 2013 and 26 March 2013. Pursuant to which the Company has conditionally agreed to acquire the sale shares representing the entire issued share capital of the China Timbers Limited (the "**Proposed Acquisition**") at the consideration of HKD280,000,000. The Company will issue the promissory note with the principal amount of HKD144,000,000 upon the completion of the Proposed Acquisition.

On 15 November 2012, in order to provide additional funding to finance the Proposed Acquisition, the Company entered into the subscription agreement with Maple Reach Limited ("**Maple Reach**"), pursuant to which Maple Reach agreed to subscribe for the pledged notes in the amount of HKD190,000,000 to be issued by the Company. According to the aforesaid subscription agreement, Well Bright Group Limited ("**Well Bright**"), the controlling shareholder of the Company, acted as the guarantor, and China Construction Bank (Asia) Corporation Limited acted as the custodian.

On 22 May 2012, in order to provide additional general working capital to finance the Group's existing projects in the PRC and future corporate and acquisition exercise, the Company entered into a placing agreement with an independent placing agent, pursuant to which the placing agent would procure independent placees to subscribe for the convertible bonds to be issued by the Company with an aggregate principal amount of HKD38,600,000. However, the aforesaid placing agreement lapsed on 22 November 2012 since certain conditions precedents have not been fulfilled on the long stop date. Accordingly, the Company has not issued any convertible bonds under the aforesaid placing agreement.

Taking into account the cash reserves and internal generated cash flows from its operating, the Group's financial position is healthy, positioning the Group advantageously to expand its core business and other opportunities in order to achieve its business objectives.

Pledge on Assets

As at 31 December 2012, the Group has pledged certain of its building and leasehold lands to secure banking facilities granted to the Group. The carrying values of the assets pledged are as follows:

	31 December 2012	30 June 2012
	RMB'000	*RMB'000*
Buildings	**1,403**	9,959
Leasehold lands	**1,081**	6,334
	2,484	16,293

Contingent Liabilities

As at 31 December 2012, the Group did not have any significant contingent liabilities.

Foreign Exchange Exposure and Related Hedges

The Group's transactions are mainly denominated in Hong Kong dollars and RMB. Therefore, the Group is exposed to exchange rate risk. The majority of the Group's cash and bank balances are also denominated in these two currencies. During the financial year ended 31 December 2012, the Group did not experience significant exposure to the exchange rate and interest rate fluctuations. Accordingly, the Group has not implemented any foreign currency hedging policy at the moment. However, the management of the Group will constantly review the economic situation, development of each business segment and the overall foreign exchange risk profile, and will consider appropriate hedging measures in future when necessary.

Gearing Ratio

The gearing ratio of the Group, based on total borrowings to the equity (including all capital and reserves) of the Company, decreased to 0% as at 31 December 2012 (31 December 2011: 12.3%).

Capital Structures

The capital of the Group comprises only ordinary shares. As at 31 December 2012, the total number of the ordinary shares of the Group in issue was 370,000,000 shares (30 June 2012: 370,000,000). The total equity attributable to the owners of the Company was approximately RMB73.9 million as at 31 December 2012 (30 June 2012: approximately RMB79.2 million).

On 18 January 2013, the Company entered into the warrant subscription agreements with seven subscribers, pursuant to such agreements the Company agreed to issue, and the seven subscribers agreed to subscribe for an aggregate of 22,000,000 unlisted warrants at the issue price of HKD0.01 per warrant. Pursuant to the warrant subscription agreements, the holders of the unlisted warrants will be entitled to subscribe for up to 22,000,000 new shares at the initial subscription price of HKD0.99 per share for a period of 3 years commencing from the date of the issuance of the warrants.

On 11 July 2012, the Company has issued convertible bonds with principal amount of HKD21,300,000 as the consideration of the acquisition of 100% equity interest in Rongxuan. As at the date of this announcement, no new shares have been allotted and issued by the conversion of the convertible bonds.

Convertible Bonds

Zero coupon convertible bonds in the principal amount of HKD21,300,000 at the conversion price of HKD0.81 which can be converted into 26,296,296 shares was issued as the consideration for the acquisition of Rongxuan. The details are discussed under the section "Significant Investment Held and Material Acquisition and Disposals" below.

Significant Investment Held and Material Acquisitions and Disposals

On 10 December 2012, the Company made an announcement regarding a very substantial acquisition. The Company and Mr. Du entered into the acquisition agreement, as supplemented by two supplemental agreements dated 2 January 2013 and 26 March 2013, respectively, pursuant to which, among other things, the Company has conditionally acquire from Mr. Du the sale shares, representing the entire issued share capital of China Timber Limited at the consideration of HKD280,000,000. As at the date of this announcement, the acquisition of China Timber Limited has not been completed yet. Details of the acquisition of China Timber Limited were disclosed in the announcements dated 10 December 2012, 2 January 2013 and 26 March 2013, respectively.

On 27 July 2012, Sino Prosper (Asia) Limited ("**Sino Prosper**"), a wholly-owned subsidiary of the Company, entered into the equity transfer agreement whereby Sino Prosper agreed to dispose of and Speedy Full Enterprise Limited ("**Speedy Full**") agreed to purchase from 100% equity interest in江西泓峰紡織有限公司(Jiangxi Hongfeng Textile Company Limited*) ("**Jiangxi Hongfeng**") at the consideration of RMB13,800,000 (equivalent to approximately HKD16,840,000). On 30 November 2012, Sino Prosper and Speedy Full entered into the supplemental agreement pursuant to which the long stop date has been extended to 31 December 2012. Details of the disposal of Jiangxi Hongfeng and the extension of the long stop date were disclosed in the announcement dated 27 July 2012 and 30 November 2013, respectively. The disposal of Jiangxi Hongfeng has been completed in December 2012.

On 21 May 2012, the Company and Ms. Huang Dongxiu entered into the sales and purchase agreement, pursuant to which the Company has conditionally agreed to acquire, and Ms. Huang Dongxiu has conditionally agreed to sell, the sale shares, representing 100% of the issued share capital of Rongxuan at the consideration of HKD21,300,000. The acquisition of Rongxuan has been completed on 11 July 2012. Details of the acquisition of Rongxuan were disclosed in the announcement dated 21 May 2012.

Save as disclosed above, there were no significant investment held or material acquisitions and disposals of subsidiaries for the year ended 31 December 2012.

Future Plans for Material Investments or Capital Assets

Except for the Proposed Acquisition discussed above, the Group had no other future plans for material investments or capital assets as at 31 December 2012.

Prospect and Outlook

The year of 2012 witnessed a continuously volatile global economic environment. The global political tensions, the lingering of the Eurozone sovereign debt crisis threats and the potential fiscal cliff in the United States of America affected the global economy heavily. The slowdown in economic growth in various emerging countries, including the PRC, the world's second largest economy, and the harsh trading environments in both developed and development countries made the global economy persistently unstable and uncertain in the year of 2012. The fluctuation of the price of raw materials and the rise of the statutory minimum wages in the PRC caused the adverse impact on the gross margin of the Group's operation for the financial year of 2012, and thus recorded a gross loss.

Sluggish growth in Europe and the United States of America, and the slowdown in the economy of the PRC will be expected to hamper the economic recovery pace and make the global financial market uncertain in 2013. The Group is therefore expecting a very challenging year of 2013. Accordingly, the Group will continue to exercise stringent control over production costs and improve its manufacturing processes for the garment business segment in order to minimize the negative effects on the turnover of the Group. Nevertheless, the existing garment business segment may not demonstrate a promising growth trend in the future.

As discussed in the 2012 interim report of the Company, the Group will re-structure its garment business owing to the current adverse conditions of garment industry in the PRC. The Company is seeking for new business opportunities. Apart from the acquisition of Rongxuan in the first half of 2012 and completed on 11 July 2012, the Company has entered into the acquisition agreement regarding the proposed acquisition of China Timbers Limited on 10 December 2012, in which its wholly-owned subsidiary is principally engaged in the operation and management of the forest lands in Jiange County, Sichuan Province, with a total site area of approximately 21,786 Chinese mu.

2012 has been a year of transition. The Company is entering into a period of change and development. The Group is moving to focus on the forestry management business. The Group is optimistic about the prospect of forestry management business in the PRC as China has emerged as the world's largest wood-based panel producer and consumer. As a result, the growing demand of the wood panel and related products is anticipated in the long-run. The Group is willing to invest for the long-term and continue to explore opportunities through merger and acquisitions of forest land resources and timber resources, and capitalize on business opportunities to achieve steady and sustainable growth with a view to generate more satisfactory returns to its shareholders. Furthermore, with the implementations of the projects regarding the development of forestry according to the "Twelfth-Five Years Plan" by the PRC government, the Group's forestry management business development will be able to enjoy more business opportunities accordingly.

Continuing with the spirit of perseverance while facing the contemporary challenges in the year of 2013, the Group shall strive to explore more potential opportunities cautiously for the benefit of our valued shareholders and investors. Such entering into of the new business need to be seen as a part of a continuing process of moving the Company forward, making changes when necessary to ensure long-term stability and sustainable profitability.

ANNUAL DIVIDEND

The Board does not recommend the payment of an annual dividend for the financial year ended 31 December 2012 (2011: nil) and there is no disclosure of the registers of members accordingly.

SHARE OPTION SCHEME

The Company operates a share option scheme (the "**Scheme**") for the purpose of attracting and retaining the best available personnel, to provide additional incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of our Group and to promote the success of the business of our Group.

Since the Scheme has become effective on 8 October 2009, no share options were granted, exercised or cancelled by the Company under the Scheme during the period under review and there were no outstanding share options under the Scheme as at 31 December 2012.

SCOPE OF WORK OF SHINEWING (HK) CPA LIMITED ("SHINEWING (HK)")

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2012 have been agreed by the Group's auditor, SHINEWING (HK), to the amounts set out in the Group's draft consolidated accounts for the year. The work performed by SHINEWING (HK) in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by SHINEWING (HK) on the preliminary announcement. The audit committee has reviewed the annual results for the financial year ended 31 December 2012.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standards of corporate governance and practices to protect the interests of the shareholders of the Company. The Board believes that good corporate governance is essential to the success of the Company and the enhancement of shareholders' value. The Company adopts the principles set out in the Corporate Governance Code and embedding best governance practices throughout the organization.

The Stock Exchange has revised the Corporate Governance Practices with effect from 1 April 2012. Throughout the year ended 31 December 2012 (the "**New Code Provisions**"), the Company complied with all Code Provisions and, where appropriate, adopted the Recommended Best Practices set out in the Corporate Governance Code (applicable to financial reports covering a period after 1 April 2012) and former Code on Corporate Governance Practices, with the exceptions of Code Provisions A.1.8 and A.2.1 as addressed below:

1. Pursuant to the Code Provision A.1.8, the Company should arrange appropriate insurance cover in respect of any legal action against its Directors and officers. Up to the date of this announcement, the Company has not arranged to purchase any Directors and Officers' Liability Insurance, which covers in respect of legal action against the Directors. While the Company is committed to achieving high standards of corporate governance and to complying with the code provisions, the Company decided to delay the compliance with such code provision as the Board is currently considering quotations from different underwriters and will select the Directors and Officer's Liability insurance with the most cost-efficient; and

2. Pursuant to the 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. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing. Mr. Cai Shuiyong is appointed as the chairman and chief executive officer of the Company who is responsible for managing the Board and the Group's business. The Board considers that Mr. Cai Shuiyong has in-depth knowledge in the Group's business and can make appropriate decisions promptly and efficiently. Nevertheless, the Board will continue to review the effectiveness of the Group's corporate governance structure to assess whether the separation of the positions of chairman and chief executive officer of the Company is necessary.

The Company periodically reviews its corporate governance practices to ensure they continue to meet the requirements of the New Code Provisions during the year of 2012. The key corporate governance principles and practices of the Company are summarised in this announcement.

REVIEW BY THE AUDIT COMMITTEE

The Company established an audit committee in September 2009 with written terms of reference in compliance with Rules 3.21 to 3.23 of the Main Board Listing Rules, which were reviewed from time to time by the Board to keep them in line with the most up-to-date requirements. The primary duties of the audit committee are, among other things, to review and supervise the financial reporting process and internal control system of our Group. As at the date of this announcement, the audit committee has three members comprising the three independent non-executive Directors, namely Mr. Liu Jianlin, Mr. Long Weihua and Ms. Chan Ling. Mr. Liu Jianlin has been appointed as the chairman of the audit committee.

The audit committee reviews the interim and annual reports before submission to the Board. The audit committee focuses not only on the impact of the changes in accounting policies and practices but also on the compliance with accounting standards, the Listing Rules and the legal requirements in the review of the Company's interim and annual reports.

The audit committee has reviewed the accounting principles and practices adopted by the Company, the annual results of our Group during the year ended 31 December 2012 as well as auditing, internal control and financial reporting matters, including the consolidated financial statements for the year ended 31 December 2012. The audit committee is of the view that our Group's consolidated financial statements for the year under review are prepared in accordance with the applicable accounting standards, laws and regulations, and appropriate disclosures have already been made.

CODE OF CONDUCT REGARDING DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted its own code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings as set out in Appendix 10 – Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") in the Listing Rules. Having made specific enquiry with all Directors, the Company confirmed that all Directors have complied with the code of conduct and the required standard of dealings concerning securities transactions by the Directors for the year ended 31 December 2012.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the financial year ended 31 December 2012.

DIRECTORS' INTEREST IN A COMPETING BUSINESS

During the financial year, the Directors were not aware of any business or interest of the Directors or any substantial shareholder (as defined under the Listing Rules) of the Company and their respective associates that had competed or might compete with the business of the Group and any other conflicts of interests which any such person had or might have with the Group.

PRE-EXEMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association and the laws of Cayman Islands where the Company is incorporated, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

ANNUAL GENERAL MEETING

Notice of annual general meeting of the Company will be published on the website of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") at www.hkex.com.hk and the website of the Company at www.jcholding.com, as well as despatched to shareholders of the Company in due course.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the websites of the Company and the Stock Exchange. The 2012 annual report of the Company will be despatched to shareholders of the Company on or around 8 April 2013 and will also be available at the same websites in due course.

APPRECIATION

On behalf of the Board, I would like to express our appreciation to the management and staff members for their continued dedication and contribution. I would also like to express our gratitude to our shareholders for their support to the Group.

FORWARD LOOKING STATEMENT

This announcement contains forward looking statements. Statements which are not of historical facts, including statements of the Company's beliefs and expectations, are forward looking statements. They are based upon current plans, estimates and projections and, therefore, no undue reliance should be placed upon them. Forward looking statements are correct only as of the day on which they are made. The Company has no obligation and does not undertake to update any of them publicly in the light of fresh information or of future events. Forward looking statements contain inherent risks, uncertainties and assumptions. The Company warns that should any of these risks or uncertainties ever materialise or that any of the assumptions should prove incorrect or should any number of important factors or events occur or not occur, then the actual results of the Company may differ materially from those either expressed or implied in any of these forward looking statements.

By order of the Board
Jiangchen International Holdings Limited
Lei Zuliang
Executive Director

Jiangxi Province, The People's Republic of China, 28 March 2013

As at the date of this announcement, the Board comprises two executive Directors, namely Mr. Cai Shuiyong and Mr. Lei Zuliang; one non-executive Director, namely Professor Liu Zhikun; and three independent non-executive Directors, namely Mr. Long Weihua, Ms. Chan Ling and Mr. Liu Jianlin.